State and Class in Turkey
A Study in Capitalist Development

ÇAĞLAR KEYDER

VERSÖ
London - New York
# Contents

First published by Verso 1987
© 1987 Çağlar Keyder
All rights reserved

**Verso**
UK: 6 Meard Street, London W1V 3HR
USA: 29 West 35th Street, New York, NY 10001 2291

Verso is the imprint of New Left Books

**British Library Cataloguing in Publication Data**

Keyder, Çağlar
State and class in Turkey: a study in capitalist development.
1. Turkey — Economic conditions
I. Title
330.9561 HC492

**US Library of Congress Cataloguing in Publication Data**

Keyder, Çağlar.
State and class in Turkey.
Includes index
HC492 .K497 1987 338.9561 87–14992

ISBN 0–86091–165–9
ISBN 0–86091–877–7 (pbk.)

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acknowledgements</td>
<td>iv</td>
</tr>
<tr>
<td>Introduction</td>
<td>1</td>
</tr>
<tr>
<td>I Before Capitalist Incorporation</td>
<td>7</td>
</tr>
<tr>
<td>II The Process of Peripheralisation</td>
<td>25</td>
</tr>
<tr>
<td>III The Young Turk Restoration</td>
<td>49</td>
</tr>
<tr>
<td>IV Looking for the Missing Bourgeoisie</td>
<td>71</td>
</tr>
<tr>
<td>V State and Capital</td>
<td>91</td>
</tr>
<tr>
<td>VI Populism and Democracy</td>
<td>117</td>
</tr>
<tr>
<td>VII The Political Economy of Import-Substituting Industrialisation</td>
<td>141</td>
</tr>
<tr>
<td>VIII Crisis Dynamics</td>
<td>165</td>
</tr>
<tr>
<td>IX The Impossible Rise of Bourgeois Ideology</td>
<td>197</td>
</tr>
<tr>
<td>X Conclusion as Epilogue</td>
<td>223</td>
</tr>
<tr>
<td>Notes</td>
<td>229</td>
</tr>
<tr>
<td>Index</td>
<td>249</td>
</tr>
</tbody>
</table>

Typeset by Pentacor Limited, High Wycombe, Bucks.
Printed in Great Britain by Biddles Ltd, Guildford.
Acknowledgements

This book grew out of a feeling that Turkish studies were excessively insular and that students of social, political and economic change in the Third World could benefit from a knowledge of the Turkish example. Accordingly I have tried to draw the historical picture in broad outline, while concentrating at greater length on the theoretical interpretation that might provide the reader with the necessary port of entry to what I assume is foreign territory.

The manuscript was completed over several years and I have incurred several debts over that period. Immanuel Wallerstein offered me various kinds of support without which I could not have thought of undertaking this project. The Maison des Sciences de l'Homme provided a welcome fellowship during the tenure of which I started writing. Perry Anderson's editorial comments were a pleasure to read and contemplate. Faruk Birtek and Şevket Pamuk were, as usual, generous with their time, ideas and disagreements. Reşat Kasaba, Faruk Tabak, Zafer Toprak, Susan Boyd and Neil Sargent all read and commented on the manuscript. V.M.B-K made it all possible. With this note of thanks goes the usual disclaimer: I am solely responsible for the contents of the book.

Introduction

This is an interpretive history that seeks to illuminate some macro-sociological concerns through the analysis of a particular social formation. The history of Turkey is fertile ground for such an endeavour; as the following outline suggests, it provides substance to many of the theoretical issues in development literature.

The Ottoman Empire was transformed under capitalist incorporation and was dismantled through the success of various nationalist separatisms. At the level of social relations, capitalist incorporation led to the rise of a bourgeois class and its coexistence/conflict with the traditional bureaucracy. It was this bureaucracy which, in the course of the dissolution of the Empire, constructed a new nation-state and attempted to effect its transition to modernity. While the new nation-state remained dominated by the bureaucratic class, a growing bourgeoisie increasingly challenged the authoritarian regime. In terms of economic policy, the bureaucracy was identified with the statism of the inter-war period. The post-war era witnessed both a liberalism under US hegemony, and the coming to power of the bourgeoisie's own party. The import-substituting industrialisation that followed during the 1960s and 1970s led to the gradual ascendance of capitalist relations, to increasing domination by the bourgeoisie, and to the emergence of a capitalist state.

This broad outline suggests that most of the theoretical questions relating to peripheral development can be raised fruitfully within the context of Turkish history. I have under-
taken this book partly in order to analyse this history within the framework of the literature on peripheral development, and also as an attempt to discuss the theoretical concerns that I mentioned above in the historical context I know best.

Within the general endeavour, I have specified two particular developments in Turkish history which account for an important part of the social origins of Turkish politics. These specificities are the absence of large-scale land ownership in the agrarian structure, and the expulsion of a majority of the Christian bourgeoisie during and after World War I. The nature of the agrarian structure implied that a bureaucracy deriving its power solely from its position in the state structure was unchallenged by a landed class with an autonomous social base. Concomitantly, there was no possibility of oligarchic rule in conjunction with foreign capital. Instead, the bureaucracy reacted against incorporation into the capitalist system, and a class struggle ensued between it and the burgeoning bourgeoisie. When the economic conjuncture promised immediate returns to petty producers in the market, the dispersion of ownership in agriculture prepared the background for a populist reaction against the bureaucracy. The success of the post-1950 accumulation model was due in part to the implications of an agrarian transformation with large numbers of petty producing peasantry.

The second theme, that of an ethnically differentiated bourgeoisie who exit from the stage, provides a key to understanding the nature of the class struggle in the dissolution of the Empire, and an explanation for the particular unfolding of the political transformation during the Republic. Had the Greek and Armenian bourgeoisie pursued their political aims within the Ottoman framework, the Young Turk experiment of 1908–18 might have resulted in the constitution of a capitalist state under bourgeois domination rather than bureaucratic reformism. Ethnic differentiation and imperialist intervention dislocated the social struggle and diverted the momentum of capitalist transformation. The economic, political and ideological gains of the Ottoman bourgeoisie were reversed after the large-scale departure and expulsion of Greeks and Armenians during the 1914–24 period. With a fledgling Moslem bourgeoisie, the bureaucratic party retained political rule, while at the same time it attempted to control and direct a state-centred socio-economic transformation.

The debate around ‘dependency’ has fuelled an extensive methodological discussion in development literature. I might as well declare that the point of departure of the account presented in the following chapters is a reconstituted ‘world-systems’ perspective suggesting that global capitalism provides the context within which class struggle determines local developments. The processes of the capitalist system are such that boom and crisis periods are reproduced in national arenas, although the political and ideological accommodations of these are naturally specific. Turning points of the world economy are crucial, because at such junctures particular local social groups and their political projects gain greater importance and help to determine the subsequent balance of forces. Thus, the great depression of the nineteenth century (1873–1896) ushered in ideological conservatism and the parallel eclipse of the Westernising party in the Empire. The mid-century boom had consolidated the recentralisation of the state under the rule of a modernising bureaucracy. Similarly, during the 1896–1914 period, an activist current gained ascendency, spurred on by a rapidly developing economy, and attempted to strengthen the state against imperialist dissolution. The correspondences during the Republican period were even more direct: it was due to the 1930s’ depression that economic reconstruction and the momentum of the merchant bourgeoisie were arrested, allowing bureaucratic control to achieve centrality. Again, because of the dismantling of the world order in the inter-war period, the bureaucracy could opt for a politically directed national economy, following the experience of Italy and Germany. At the end of World War II, Turkey, along with other countries of the ‘free world’, was under considerable pressure to adopt parliamentary forms. This conjuncture and the booming world economy permitted the bourgeoisie to constitute its own political rule, and to reconstruct the administrative apparatus of the state accordingly. Development of capitalism gradually made way for an industrialisation strategy similar to the post-1945 experiences of other middle-income peripheral countries under the hegemony of the manufacturing bourgeoisie.

In addition to the long waves of alternate boom and crisis periods in the world economy the pattern described by the successive phases of British hegemony, hegemonic rivalry and the rise of Germany prior to World War I, the breakdown of the international order in the inter-war period and the establishment of US hegemony following World War II provided an important dimension to the global context. The prevailing ideologies associated with these patterns of domination in
international politics, such as the drive for the formation of nation-states before and after World War I, the statism of the German model and the preference for formal democracy during the Cold War, were particularly resonant in Turkey. All this should not be taken as professing a preference for dependency and externalism. To reiterate my methodological bias: the world system provides a context and a set of constraints within which class struggle at the national level determines specific outcomes. Radical shifts in the political balance of forces coincide with turning points in the world economic and political order, when a new set of constraints come into play and a local accommodation of these external developments is on the agenda.

The adoption of the historical approach is as much a declaration of faith in favour of a particular causality as it is a result of the belief that the writing of history is itself a political act. The nature of this exercise dictated that only the Ottoman/Turkish trajectory be analysed at any length, and received wisdom was deemed sufficient in reference to the evolution of the world system. I am aware that the impression conveyed by this approach might be one of an artificial isolation and reification of national history. Within the same framework, my approach has been retrospective: no effort is made to deal with the totality of the Ottoman Empire, and only that geographical area which eventually became the Turkish state has been included in the analysis. The rest of the Empire is classified along with 'the world'.

The narrative also focuses on the relations among dominant classes and fractions, and their attempts to attain, maintain, and employ state power. The peasantry and the working class enter the picture only indirectly and in subordinate fashion. This is because neither of the two producing classes was sufficiently strong or organised directly to influence the outcome of the political struggle; it was either the bureaucracy or groups within the bourgeoisie who, through their conflict, defined the parameters of state policies, administrative forms and the political regime. The options available to subordinate classes were more often determined by the outcome of the struggle for supremacy than by their own political activity. This consideration underlies the absence of an account of socialist politics in the following chapters.

A final note: it will be obvious to the reader that I would like to situate this work of synthesis in the growing literature that combines history, political economy and sociology. Within that broad spectrum, studies of incorporation into the world economy, historical dependency and articulation of modes of production (despite the seemingly irreconcilable differences in conceptualisation) have informed the second, third and fourth chapters. The literature on bourgeois revolutions and on the Marxist theory of the state is a constant reference, particularly for the Republican period. The Latin American literature attempting to periodise phases of ‘dependent development’ and to formulate the relation between the external context and internal social movements (I am thinking primarily of Cardoso’s work) was especially important in understanding the post-1950 period in Turkey. Traces of the theoretical framework of the ‘regulation’ school will be discernible in chapters dealing with the post-1960 industrialisation model. I have liberally borrowed from debates on Latin American populism and on European fascism in the discussion of ideology in the final chapter. Despite this theoretical indebtedness I have chosen not to burden the reader with references at each instance of conceptual allusion and have confined the use of footnotes to important material on Ottoman/Turkish history.
I

Before Capitalist Incorporation

The Ottoman Empire was not feudal: the nature of the state, its role in the determination of the class structure, in social reproduction and in that class structure itself was fundamentally different from the pre-capitalist order we have come to know as European feudalism. Historically, the Ottoman order was constructed upon the Byzantine and the Eastern Roman precedent. In contrast to Western Europe, in the eastern half of the Roman Empire the small peasantry had remained intact and had not been replaced by a rival labour system such as slavery or serfdom. During the medieval period, trade had not been eclipsed to the same degree as in Europe. Besides being on long-distance caravan routes, Anatolia, the core of the Empire, was also the scene of mercantile settlements on the coast, inherited from early antiquity. The emergence of the Byzantine Empire as a viable military presence allowed for a renewed consolidation of those distinctive factors that made up the economic life of Anatolia.

As an imperial presence grafted onto an economic order temporarily disrupted during Hellenistic decline, Byzantine rulers discovered the obvious mode of establishing the palace's dominance over the society. The peasantry, remaining independent, was expected to pay an annual and proportional tax, collected directly by the political authority through its delegated functionaries. Trade, on the other hand, would be under central control, both as a means of efficient taxation and in order to secure the closure of the realm against an overly free commer-
cialism. Insofar as this prescription succeeded in allowing the palace to effectively extract a good portion of the economic surplus, the political authority could continue to exercise its power.\(^1\) Any challenge to the established relationship between the rural producers and the central authority threatened not only the physical reproduction of the peasantry but also the social position of the bureaucracy. For this reason attempts to transform the agrarian economy or the mode of surplus extraction were resisted not only by the peasantry (as in the Western European case) but also by the central bureaucracy, as threats to the reproduction of the existing social system.

Local potentates at times constituted a challenge to the central bureaucracy by attaining independent economic power in the sense of being able to circumvent the central bureaucracy, simply by withholding — in personal appropriation — the surplus extracted from the peasantry. In other words, local lords could declare a degree of autonomy which would translate into a challenge to the central authority in that the central authority would no longer be receiving its designated share in the extracted agrarian surplus. Such was the practice of powerful Anatolian dynasties who, during the tenth century, undertook to collect taxes in their own name.\(^2\) This deviation from the norm implied simultaneously the further enrichment of the local potentates, the relative decline of the central bureaucracy, and, possibly, a higher degree of exploitation of the peasantry. Nonetheless, these shifts did not constitute a transformation of the agrarian structure and its implied class structure, because conditions under which local powers could establish themselves as progenitors of a rival social system were absent. Consequently, local lords did not come to regard the peasantry as serfs whose independent status could be reduced. The peasantry carried out production with essentially the same organisation of labour, scale, and distribution of land. The tax (or rent) was collected in the same manner and by the same functionaries who formerly served the central authority. The only change — that of the destination of the tax — could not be immediately grasped by the producer as constituting a fundamental transformation. The lack of an alternative social design implied by greater local autonomy meant that, rather than social change, centralisation and decentralisation would merely alternate as forms of organisation for utilising the surplus. When the centre was strong the surplus was funnelled efficiently to the imperial bureaucracy; when the centre was weak, local potentates retained most of it. Only the imposition on this dialectic of an external incentive might have provoked the instigation of radically different relations between the producers and the collectors of surplus. Local lords might then have attempted to organise production under a labour system more appropriate to the extraction of greater surplus of a commercial kind. During the period of dissolution of the Byzantine Empire, such external incentives were not paramount. The weakening of the central bureaucracy had been initiated principally through military reversals, and continued with the strengthening of provincial potentates. Provincial families became stronger and acceded to the imperial seat as new dynasties. They made attempts to fortify the centre, but could not reverse the decline to imitate the cyclical pattern of the Chinese. Eventually the Empire lost the critical size it required in order to preserve a sufficient tax base. Latins from the west and Turks from the east battered the gates until Byzantium was reduced to a small principality during the fourteenth century and finally conquered by the Ottomans in the fifteenth.

There has been much ideological debate concerning the continuity between Byzantine and Ottoman Empires.\(^3\) At one extreme there are proponents of an interpretation which posits a complete historical break. Nationalist versions of Turkish history would like to trace the basic organisational tenets and the institutional structure of the Ottoman Empire to distant Turkic (or Islamic, depending on the version) forms, positing successive incarnations of a fundamental essence in the format of various Turkish/Islamic states. In this view, there is no room for a Byzantine heritage; the Ottoman Empire simply happens to occupy a geographical territory similar to the Eastern Roman Empire without, however, taking over any of the pre-existing structures. A similar view is advanced by certain Western historians who refuse to identify a difference between medieval Europe and the Byzantine Empire. To put it crudely, they see the East as having an equally feudal social formation which was ready to evolve into the modern age on the eve of its dismantling. In this view, Turkish invasions of Anatolia and the Balkans emerge as the historical factor that prevented the autonomous evolution which would have catapulted the Byzantine Empire into the cultural and economic revival of the fifteenth and sixteenth centuries. The Ottomans, who were the
carriers of Islamic ideals and forms of organisation, are said to have established an order fundamentally different from the Christian one, which is supposed to explain the historical divergence of European and Oriental trajectories. 4

In certain fields of analysis, especially at the level of culture and everyday life, a view emphasising the synthesis and articulation of elements indigenous to the two traditions is prevalent. 5 This approach would see the manifestation of a post-Byzantine Helleno-Turkic entity in Ottoman Anatolia embracing a Near Eastern civilisation. Thus various similarities which can be discovered in cultural elements such as music, festivities, daily life, and even folk religion, would prove that at least until the nineteenth century, the Ottoman Empire provided an adequate shell for the reproduction of a unitary Anatolian culture. It was more surprising that at the more basic level of the agrarian structure and class formation implied by this structure, all the essential elements were also reproduced. Like the Byzantine central authority, the Ottoman palace was instituted on the basis of its privileged relation with an independent peasantry. A strongly centralised bureaucratic structure was supposed to establish and secure the conditions for the healthy reproduction of a peasant society, whose surpluses would be extracted in the form of taxes. Once again the main threat originated in the local potentates who could interfere in this happy equation to deprive the centre of its revenue sources, while at the same time reducing the independence of the peasantry.

During the Ottoman conquest of Anatolia, the social structure of the invaders inclined toward the formation of decentralised vassal principalities under the domination of powerful military families. In fact, these families demonstrated concretely the dimensions of a synthesis with the sedentary population, through intermarrying with their counterparts in Byzantine provinces. By the middle of the fifteenth century, the Islamisation of Anatolia seemed to proceed more along the lines of ‘mergers’ at each social stratum than through military conquest. It was not until the capture of the seat of power itself that the ruling Ottoman dynasty became powerful enough to confront the new Byzantine-Turkic magnates. During the last two centuries of its formal existence, the Byzantine palace had helplessly witnessed a growing fragmentation of power in the countryside. Rich magnates, small landlords, monasteries and towns had increasingly escaped the control and legislation of the centre, while the peasantry gradually became more dependent on local overlords. The peasantry’s degree of independence was still substantially greater than in the case of a feudal serf, but the trend was toward feudalisation. It was the centralisation of power by the Ottoman dynasty which brought this development to an end, and concomitantly ‘arrested’ the evolution of an aristocracy in the Western sense.

In order to find the model for Ottoman land legislation, it is necessary to go further back in Byzantine history to the celebrated Land Code, which probably dates from the post-Heraclian era. Following upon the increase in the numbers of independent cultivators under Heraclius, the Land Code had been legislated in recognition that this stratum constituted the foundation of the social structure. 6 It sought to protect the peasants’ landed and other property and also established the village as a communal unit with fiscal responsibility, thus underlining the relationship between payment of taxes and possession of land. In later periods of Byzantine history, the Land Code remained an ideal model, with the actual agrarian structure increasingly diverging from it. During the tenth century, attempts were made – without success – to reverse the decline of the independent peasantry by strengthening the sanctions relating to the Land Code. After the eleventh century the fragmentation of authority and the subjugation of the peasantry to dependent status advanced conjointly to destroy the social basis of the Empire. It was Ottoman centralisation some three centuries later which succeeded in restoring the basic contours of the classical Byzantine agrarian structure, thus bringing it closer to the ideal picture of the Land Code.

Ottoman legislation concerning the agrarian structure clearly demonstrated that the new dynasty’s immediate concern was the restoration of the economic base of an independent peasantry. All land was reconverted into state property, which did not cause any juridical problems, since land in the Byzantine Empire had also been formally in the ownership of the state. All labour services were abolished, and a single tax replaced previous dues and obligations. At the same time a unit of land based on the ploughing capacity of a pair of oxen was established, which would be in the inalienable possession of a peasant family. 7 Since all land was juridically under state proprietorship, the central authority could, in principle, ensure the perpetuation of a land regime based precisely on such
holdings possessed by independent peasant families.

The classical institutional structure of the Ottoman Empire stipulated a large number of independent peasants, each in possession of more or less similar amounts of land, who paid a proportional tax to centre-appointed functionaries. These functionaries, in turn, either transferred the tax or delivered a service — usually of a military but sometimes of a civic nature — to the centre. Their crucial characteristic was that they derived their status not from inheritance or local influence but from having been appointed by the central authority. Similarly, their privilege could easily be revoked, reducing them to subject status. In theory, after the fifteenth century, only the dynastic family enjoyed the distinctive position of a self-evident status which allowed the Sultan to create or to destroy the fortunes of powerful servants. The exercise of such absolute power evidently required an effective mechanism to stifle the germination of peripheral nodes of strength. The perpetuation of the classical model could not be ensured without the elimination of would-be magnates; from the point of view of the palace, subjects had to be reduced to controllable status unless they were elevated by decree.

This mechanism of control, which found its most telling expression in the legislation concerning the agrarian structure, also extended to the urban economy, in the form of strict institutionalisation of manufactures and trade. It can be argued that the controls on trade and manufacturing, together with the stipulations aimed at linking the urban and the rural economic networks (stipulations on provisioning of cities and on the location of rural manufacturers, for example), amounted to a rudimentary effort to create a centrally designated division of labour. Since external economic ties were supposed to be even more severely restricted and subject to permission, the internal division of labour could be more effectively regulated and perpetuated. In fact, control over external trade was necessary in order to ensure the stability of the structure within which political control over the economy could be exercised.

As long as a division of labour was maintained and the economic actors performed the tasks expected of them, the political ideal of reproducing the social hierarchy without challenge from the ranks could be entertained. It could be expected, however, that the exercise of authority by the centre required not only the propagation of an ideology to legitimate

the desired order, but also the coercive apparatus able to deliver the required sanctions. It was in this latter sphere that Ottoman system integration was eventually threatened. As before in the case of the Byzantine Empire, ideological challenges to Ottoman rule did not derive from the alternative hegemonic project of a contesting group from within the social system. They arose in tandem with the capitalist integration of the Empire, and in response to the mediated needs of a new economic order. Long before such needs arose, however, the coercive monopoly of the central authority had been challenged, and nodes of peripheral power rivalling the central authority came into existence. Once again, the key to understanding the challenge to the paramount status of the central authority lies in the transformation threatening the agrarian structure.

As mentioned above, the Ottoman centralisation efforts succeeded, after the conquest of Istanbul, in eliminating the vestiges of traditional power retained by families which had participated in the invasion of Anatolia. The social order dependent upon a strong central authority was disturbed, however, before a century had elapsed. The establishment of political order, and the economic stability implied therein, had contributed to a rapid population increase in the sixteenth century. After the 1550s grain prices began to increase in response to Malthusian pressure, which reduced the fixed-money taxes levied by state functionaries. These functionaries, who were obliged to deliver military service in exchange for the taxes they collected, could not operate under growing fiscal pressure. As they abandoned their patrimonies, land was seized by local military functionaries and influential individuals in provincial administration. The peasantry was thus pressured from both sides: from former functionaries who now put their military experience to private use in brigandage, and the newly powerful landlords whose demands far exceeded the single tax instituted by the strong centre. When the European price revolution hit the Ottoman Empire with a consequent foreign demand for grain and sheep, the newcomers in agriculture attempted even more forcefully to benefit from trading opportunities by increasing their share out of agricultural production. Only in a minority of cases, however, could landlords force the peasantry to remain in their original homesteads and work for them through some form of tenancy arrangement. For the most part, peasants migrated to settle in new villages where they
opened up land to which they could acquire possessory rights through payment of taxes. The emergence of a stratum of influential landlords could only be tolerated by a weakened central authority. In fact developments during the same period contributed to a growing fiscal crisis within the Ottoman state, which rendered the central authority more impotent when confronted with challenges from the provinces. Although tax or surplus extracted from the peasantry was the primary revenue of the state, especially during the sixteenth century, other sources of revenue also became (quantitatively) significant. These derived from the geographical location (overland trade routes) and the military prowess (continuous territorial expansion) of the Empire. As trade routes began to shift, however, and territorial expansion came to a halt, so did the contributions of these two factors to the fisc. In addition, the fiscal structure based in part on the delivery of military service by the smallest tax collectors, had outlived its purpose together with the decline in the importance of the cavalry. The palace thus found itself witnessing an erosion of the non-agrarian revenue base, while the revenue it could collect was in an increasingly non-functional form, and while its expenditures in money terms were increasing (partly due to inflation). The growing fiscal crisis ensured that the centre could not mobilise the coercive apparatus required for reversing the emerging trend in the countryside. Attempts at raising state revenues exacerbated the situation by introducing yet more disruptive elements into the agrarian structure.

Without strong control from the centre, local functionaries increased their economic and political stature in direct ratio to the proportion of the revenue they retained as their own. During the seventeenth century, the Ottoman centre attempted to reassert its supremacy by preventing such an increase in the power of the local functionaries, especially that of the provincial governors. However, the new tax collection scheme, designed to increase revenue, militated against this attempt: after the demise of the classical system of military service in lieu of taxes, revenue was increasingly collected through tax-farming. Tax-farmers functioned in the same manner as their French counterparts: the right to collect taxes would go to the highest bidder, who would pay the sum to the state in advance. Tax-farmers, through their right to collect taxes, established semi-official standing, the exercise of which was itself a source of increased status. In being forced to rely increasingly on tax-farmers, the palace created the conditions for an explosive marriage of political power and legitimate position through which agricultural surplus could be extracted. In the eighteenth century, in fact, Ottoman lands did come under the increasing domination of local notables who controlled the tax-farming hierarchy. These local notables lived in the provincial centres, content to extract the agricultural surplus from the independent peasantry. Under the collective name of ayan they extended their influence beyond the countryside as they attempted to regulate the urban economy as well. During the latter half of the eighteenth century ayan councils in provincial capitals began to function as urban patriciates, deciding not only on internal trade and guild permits regulating the economy, but also on urban revenues and expenditures. The central government, which had also increasingly submitted to the influence of the ayan, was forced to recognise their ascendancy and to ratify the existing organisation of provincial urban centres. During the eighteenth century ayan could even secure the appointment of their own servants to the higher posts of the central administration.

The beginning of the end of the ayan arrived in the form of a document in which the Sultan formally recognised that he was sharing his no-longer-absolute power with potentates whose power derived from local sources. Within four decades of the signing of this Bill of Union (1807), however, the central authority secured the defeat at the political and, to a great extent, at the economic level of the local magnates. It may be argued that the crucial factor in this reversal was the Mohammad Ali incident, which crystallised the attitude of the Great Powers toward the internal evolution of the Ottoman Empire. When Mohammad Ali, a former ayan of Rumelia, became the governor of Egypt and started to administer the province through old Ottoman codes now directed to mercantilist ends, he provided to the Great Powers a concrete illustration of the dangers of local autonomy. In the conflict between the Sultan and his governor, Britain took the side of the centre. In exchange for concessions from the Porte, Britain supported the Sultan in the military conflict with Mohammad Ali, and ensured his defeat, together with his precocious experiment in national development.

After the defeat of the Egyptian ayan, the Sultan mobilised
his new model army against other ayans in the realm. During the 1840s they were also disciplined, settled outside the areas they dominated, or brought to Istanbul in servile bureaucratic capacity; and in most cases suffered a disbanding of their retinues. The Porte had succeeded in centralising the fiscal function by eliminating the local intermediaries. Once again tax-farming reverted to the centre’s control to be allocated on pecuniary guidelines instead of being considered as the hereditary right of ayans. Ayans who remained strong in their realms, despite the campaign to expropriate their holdings, continued to exploit their domain farms, but were no longer rulers in the image of the Sultan.

At the height of their power the ayans remained local replicas of the central authority. Their principal revenue derived from assuming the tasks of the state in collecting various dues and taxes. They often controlled a domain farm which was cultivated through a sharecropping arrangement, while the large majority of the peasantry continued as independent producers whose only obligations were the annual tithe. The exaction of labour services, even on the domain farm, was infrequent. Thus it was not from the control of the land or, more directly, of the peasantry, that the ayans derived their power: it was a dependent power, based on the parameters and the assumptions of the social system whose dissolution had occasioned their emergence. As they were unable to fashion an alternative system of labour use during the short period of their ascendancy, they could change the agrarian structure only temporarily, and then not in essence. The summary reversal of the evolution ushered in by the ayans underlines the temporary nature of this change: when the dust settled the peasantry emerged again as independent family farmers, and there were no landless peasants. This was partly due to the Porte’s effort to dismantle ayans’ holdings, but also to the fact that no legal and political institutions existed through which the permanent bondage of the peasantry could result. In fact one important ayan in the beginning of the nineteenth century had been forced to import sharecroppers from Morea to work on his lands in Western Anatolia. We may say that ayans had been successful in replacing the authority of the centre, but they remained unable to alter the basic assumptions of that rule.\footnote{14}

It is also possible to see the ayans as representing a failed attempt towards the formation of a feudal-aristocratic class. Not only did they fulfill the material requirements to emerge as a class, but they also seemed to have had the subjective intention of sharing in political power. Like the Byzantine aristocracy some centuries earlier, they were the product of centrifugal developments in a patrimonial empire and, like them, their power was based on devolution of authority. Nor were they willing to bargain solely for a share in the surplus: they represented a local challenge to the ubiquitous command structure of the centre. In putting themselves forward as a de facto urban government, and in their attempt at a ‘magna carta’ with the Sultan, they championed a political project as well. From this point of view it may be more fair to ascribe their inability to substantially alter the agrarian structure to the resistance of the centre. Had they had the time to carry out the logical extension of their political project, we might have witnessed the transformation of tax collecting rights into something akin to feudal property rights, with the historically given independence of the peasantry also threatened. It seems, however, that the entrenched traditions of material existence and political rule successfully resisted this threat. When the centre regained the ability to exercise its rule, its principal concern was precisely to establish the conditions for the independence of the peasantry. The latter half of the nineteenth century was a period of restoration of the agrarian structure.\footnote{15}

While such a restitution was especially relevant in the case of Anatolia, in the outlying regions of the Empire the political impact of the ayans served to accelerate nationalist and secessionist movements. As in the case of Mohammad Ali, ayans mobilised local interests against the centre, and provided expression to the demands of newly emerging urban classes. Within the multi-ethnic imperial dynamic, the periphery experienced ayan influence in the form of an impetus to state-forming and nationalist tendencies, while for the core areas, where the ‘political’ impact was not articulated into separatism, the ayan period assumed importance because of the evolution of the relationship between the peasants and the central authority. In this perspective the eighteenth century emerges as one of failed feudalisation, and the ayan incident as one of arrested development of an aristocracy.

We will have occasion in a later chapter to discuss the material conditions that allowed the peasantry to maintain its independent status despite a cyclical evolution in the strength of the centre. Here we shall discuss the implications of an agrarian
structure dominantly characterised by small ownership for the transformation of the class structure following the Empire's incorporation into world markets. The failure of the ayât momentum meant that as contact with external markets increased rapidly during the nineteenth century, the transformation instigated through trade would act upon a society which, in its basic structure, was closer to its classical period than to the previous century. There were most probably a greater number of large farms than in the sixteenth century, but they were dwarfed by the literally millions of small holdings. More importantly, the failure to enclose and monopolise land implied that dispossessed peasantry, who would accept wage employment or subsistence level remuneration in a different labour-use arrangement, did not exist. Consequently, capitalist or plantation farming could not be readily engaged in. Sharecropping on larger farms also depended on the difficulty of reproducing the conditions of independent production, not because of an inability to gain access to land, but because of the peasants' losing the title to draught animals or tools. As long as the peasantry was not dispossessed of its land, there would be a shortage of both wage workers and sharecroppers; and large-scale production in agriculture would be undermined. At various times during the nineteenth century in fact, starting with the importation of Morean peasants for sharecropping, the material conditions demonstrated the difficulty of carrying out large-scale production. An attempt by would-be colonialists to establish export-oriented capitalist farms in Western Anatolia demonstrates this point. They had no difficulty in securing land; the labourers they could find, however, demanded high wages, did not commit themselves on a long-term basis, and were generally undependable. For most of the nineteenth century and until World War I, available data suggest that rural and urban wage rates in Anatolia were about half or a little less than half of British levels, despite a much greater discrepancy in per capita incomes.

The difficulty in establishing large-scale commercial agriculture implied the non-development of landed oligarchy in the Latin American mode. From the point of view of actual developments, there was an even more important implication of the absence of a well-defined commercial landlord class. This consequence gained so much importance within the world ideological atmosphere of the nineteenth century that it can be argued to have been the proximate cause of Turkish national movements in the particular form they took. In contrast to the case of a small number of large and commercialised landlords who might concentrate the surplus and its means of exchange in their own hands, the dispersion of the marketed surplus in the hands of small producers required a parallel dispersion of mercantile activity in the Empire. Thus a numerically large class of intermediaries, dealing with the circulation of world-market oriented commodities, was implied by the existing structure. Merchants of varying sizes proliferated, ranging from village level to the great ports of trade and engaged in buying and selling the peasant surplus. The fact that there were no large landlords with sufficient surplus to control the market attached a qualitative importance to merchant capital as well. In its extent and through the fact that it was articulated into peasant production rather than large holdings, merchant capital quickly became dominant in those areas where agriculture was integrated into world markets.

It must be mentioned that merchants' activity did not consist entirely of buying and selling existing surpluses. Peasant producers had to be attracted, cajoled, or forced to produce the desired goods. In colonies where merchants acted in the name of political authority, such a result could be achieved through various impositions in the form of labour conscription or a new tax. In the Ottoman Empire, as we shall presently discuss, the state class found itself in conflict with the merchants, and were loath to see the peasantry slipping into the realm of the market. The actual degree of commercialisation of the producers was attained in spite of the political authority rather than because of it. Merchant capital was strongly allied with interest-bearing capital in this quest. Often large traders advanced money loans to smaller merchants who in turn contracted peasant producers to deliver a certain output when the harvest was in or when production was completed. In such cases merchants doubled as moneylenders, with all the well-known implications of such activity in peasant societies. Indebtedness led to high interest rates and dependence and further need for the intervention of the moneylender.

It was not always the case that merchant capital and interest-bearing capital, trade and moneylending, were embodied in the same person. Especially since the ayât domination of tax collection was reversed, tax-farming had become a widespread mode of earning interest on money advanced to the authorities. Tax-farming usually functioned through a succession of money-
lenders, with a large banker in Istanbul obtaining the right to collect a particular tax in a particular area which he would subsequently sub-contract.\textsuperscript{20} Sub-contracting might eventually involve a small town moneylender who would actually collect the designated taxes. It is easy to see that this particular series of exchanges also involved a large number of persons who might or might not be simultaneously integrated into the circuits of trade. Once again it was the maintenance of the small peasant structure against the attempted domination of a landlord class, together with the right of the central authority to collect taxes, which allowed for the existence of a large number of money capitalists located in the tax-farming structure.

Popular wisdom in the nineteenth century identified petty traders and moneylenders with the non-Moslem subjects of the Empire. In fact there was supposed to be a division of labour whereby Greeks were involved in commerce, and Armenians in moneylending.\textsuperscript{21} While no fine statistical analysis is available to support this belief we may think of historical reasons to argue its overall validity. During the eighteenth century some fundamental institutional innovations had structured the unequal relation between the Empire and European powers. The long-standing capitulatory regime, which had initially served the purposes of the Ottoman centre in enabling the Palace to exercise strict control over external economic relations, had remained, until the eighteenth century, an instrument of absolute power; through it Sultans could unilaterally distribute privilege to foreign states, but this generosity was repealable and needed to be renegotiated upon the ruler’s death. With the gradual insertion of the Empire into the European inter-state system, the Ottoman Sultans had been led to accept bilateral agreements which did not require renegotiation at the death of the signatory ruler. Bilateral agreements also implied reciprocity, stipulating that Ottoman subjects could engage in business in Europe in exchange for the same right granted to Westerners in the Empire.\textsuperscript{22} With the same set of agreements the right of foreign ambassadors to administer commercial affairs and adjudicate legal problems within their subject communities was extended to extraterritoriality. In effect, a system was created through which envoys of European states enjoyed sovereign rights and could grant protection to their passport holders. This was a potentially explosive situation, destroying the legitimacy of the local state and creating groups of true or assumed national identity, outside the reach of the political authority.

Inasmuch as these groups enjoyed privileges and immunities that the local population could not aspire to attain, extraterritoriality created a social chasm of unbridgeable dimension.\textsuperscript{23} With the gradual weakening of the Ottoman state, and especially since European public opinion began to see the Sultan and his law as the embodiment of absolutist evil, ambassadors became less scrupulous in their granting of protected status to Christian subjects of the Empire. As early as the eighteenth century the Austrians were supposed to have distributed a quarter of a million of such privileging documents in territories later lost to the Empire. In the core areas as well, ambassadors were willing to distribute or sell ‘hundreds of thousands of passports’ to Greeks and Armenians, who were thus liberated from Ottoman citizenship.\textsuperscript{24} During the nineteenth century the numbers of passport holders who had originally been Ottoman subjects increased, at the same time as immigrants from all over the Mediterranean began to arrive in commercially prominent port cities, attracted to the atmosphere of unbridled profit-seeking and lawless capitalism. Especially after the Crimean War in mid-century, the immigrant lumpen population of such cities grew, the protection and immunity to which they were subject rendering ineffective all attempts at urban reform and control of corruption.\textsuperscript{25}

What is popularly known as the Levantine population were that part of the privileged passport holders who came to be involved in European business dealings in the Ottoman Empire. When the level of trade with the West began to increase, Europeans attempted to secure the institutional conditions for orderly conduct in business matters. A fundamental requirement in their eyes was the establishment of the primacy of a legal structure within which contracts could be enforced. This required either that the society be governed in two separate realms, with one immune from Ottoman intervention – this was the reasoning behind the extraterritorial system of granting privileges – or that reforms be carried out to change the overall legal-institutional structure. The latter proposition was also actively pursued and culminated in the reform movement around the middle of the century: in 1839, 1856 and 1867 the Palace was pressured to declare its willingness to recognise certain rights of citizenship, freedom of religious practice, a degree of sanctity of private property, and the right of foreign nationals to own property.\textsuperscript{26} Nevertheless, with the expansion of trade, it was the Levantine population
which formed the principal link between European markets and local producers. Representative agencies of merchant houses were established in port cities which in turn engaged non-Moslem Ottomans (some of whom obtained foreign passports in this way) to serve as intermediaries. This pattern quickly drove Moslem merchants out of the field. Not only did European traders prefer to work with Christians, but institutionally as well, they felt that Christians with foreign passports could be brought to court under the consular legal system. A similar selection process was at work in moneylending. In the circuit of tax-farming, large loans usually originated directly in foreign-controlled banks or via rich moneychangers of Istanbul, collectively known as Galata bankers. Once again, both subjective feelings and objective conditions pushed for the employment of non-Moslems to constitute the links between the source of capital and the actual producers whose surpluses were converted into interest payments.

It is no wonder that nineteenth century travellers to the Ottoman Empire expressed their impression that Moslems had no business sense and were fit only to till the soil, while Greeks and Armenians were industrious and forward-looking. By the mid-nineteenth century a good proportion of the non-Moslem population of the Empire had developed as a class of compradors, mediating between peasant producers and foreign capital. What might have evolved into a landholding oligarchy had been largely eliminated; the palace bureaucracy, however, was present, transformed but more effective compared to the period prior to the restoration of central authority. In a sense, then, the nineteenth century class structure could be considered to have resulted from the integration into the world economy of a classical agrarian Empire, consisting of independent peasant producers and a bureaucratic class. The mechanisms through which economic integration proceeded were carried mostly by the non-Moslem population of the Empire, thereby introducing an ethnic and religious element to overlay the emerging class differentiation. The process of class formation was thus a complex affair with political and ideological determinations cutting through the economic ground. Within this process, the class map of the final years of the Empire was drawn through the interplay of peasants, bureaucrats and compradors— and especially the latter two, since peasants were generally quiet. In order to investigate this interplay in its historical development,
II

The Process of Peripheralisation

The centralisation of the Empire during the nineteenth century reasserted the absolute rule of the Sultan and his servants against authority deriving from local power. The new model was based on the ideal version of the classical pattern which envisaged a large number of small producers, none of whom had the ability to accumulate wealth in order to change their status, and a class of functionaries totally and hierarchically subordinate to the Palace. The absolute ruler had the ability to advance or to revoke privileges at will; therefore status associated with being in the functionary class derived entirely from bureaucratic position held, rather than from wealth or family heritage. In this system the basic relation of surplus extraction was that which obtained between the peasant producers and the bureaucratic class. The peasants’ surplus was extracted in the form of taxes, and redistributed within the bureaucracy. Certainly, a small part of the surplus thus extracted was spent on establishing the conditions for economic reproduction: maintenance of a road network, hydraulic projects, and the like. The larger part of the surplus, however, went towards the state functionaries’ consumption and luxury expenditure. Their ranks provided personnel for the administrative, military, judiciary and religious institutions which served the political and ideological reproduction of the social system.1 What constituted the common characteristic of the lowest tax-collecting functionary and the vizier on one hand, and the kadi and the janissary on the other hand, was the fact that they were found on the same side of the surplus extracting
relationship, differing only as to their location in the hierarchy and their varying functions. It is true that there were frequent conflicts among these fractional positions and, as discussed above, among levels of tax-coll ecting functionaries. These conflicts should be interpreted as intra-class problems either relating to the distribution of the surplus or deriving from competing projects concerning system regulation — akin, in fact, to conflicts among bourgeois fractions in capitalism. We would argue then, that functionaries constitute a state-class due to their structural location within a mode of production based on the extraction of surplus (in the form of taxes) from an independent peasantry. Furthermore, they share a common ideological perspective and a political attitude, especially when their relationship with the actual producers is considered.

Although such a system provides for potentially less antagonistic social relations than, say, feudalism, the ideology propagated by the state-class still plays a major role. Of the institutions that serve to legitimate the state-class, the judiciary and the clerical are of paramount importance. Their doctrine emphasises the symbiotic relationship between the peasantry and the rulers, and the beneficent nature of this rule. The famous 'circle of justice' that epitomises the presumed relationship suggests that economic reproduction, i.e. the production of surplus, depends on ideological reproduction, i.e. the judicious dispensation of justice and political order by the authorities. The very nature of this legitimation, where the ruler is cast as the omniscient power who secures the global conditions in the realm for smooth functioning of the system, gives to the state-class a self-conception of paternalist wisdom. This is why diagnoses of system-disintegration by political homoeopathists conclude that the cure should be found in wiser rulers. It is also the reason why the perspective of reform is limited to musings over the bureaucracy's role in the social system. All proposals to reform the social structure, from whichever fraction of the bureaucracy they derive, envisage a perhaps modified, but similarly paramount, function for the state-class, in which it will continue to control the extraction and use of the surplus.

In such a situation, any transformation of the economic or the ideological system will naturally be opposed by the representatives of state authority. In particular, if an alternative mode of organisation of the economy is proposed which implies the appropriation of surplus by non-bureaucrats, the state-class will be threatened both as a group which risks losing part of its revenue, and because the system which supports its existence as an administrative class will be threatened. Inasmuch as the state-class can act as a class for itself, it would be expected that it will attempt to protect both its revenue base and the system which legitimated it as serving an important function. The historical proliferation of market relations, and the growth of a merchant class beginning to receive a share of the agricultural surplus, occasioned precisely such a response. Not only did merchants emerge as a social class with a rival claim on the surplus, but the proliferation of market relations also threatened the very foundation of the social system. From this point of view the bureaucracy — akin to any ruling class — possesses a double nature. It is, on the one hand, made up of state functionaries whose task is to perpetuate the conditions for system reproduction; hence it must protect and maintain its own legitimacy which in itself requires that the internal articulation of the system is reproduced without major disruption. On the other hand, it constitutes a class within the system it helps reproduce, with its own structural claim on the surplus. Ordinarily, when the reproduction of the system is not threatened, the two natures and their respective requirements need not come into conflict. When it is no longer possible to fulfil the prescriptions of the 'circle of justice', however, the bureaucracy's concern for its own share of the revenue may override its fervour in defending various components or even the total functioning of the traditional order. I propose to analyse the Ottoman bureaucracy's insertion and behaviour in the world capitalist system, and the relative importance, success or failure of various mechanisms of capitalist economic penetration within this perspective.

The integral insertion of the Ottoman state into the European political system did not occur until the eighteenth century. Until then Turkey had inspired fear and curiosity, but was essentially an alien force to be contended with only when hostilities could not be avoided. This attitude was reflected in the world view of the Ottoman Palace, which, not unlike Chinese emperors, treated European envoys with disdain and condescension. The unilateral and revocable granting of capitulatory concessions during the sixteenth and seventeenth centuries was an instance of such disdain disguised as magnanimity. After a succession of military defeats at the end of the seventeenth and beginning of the eighteenth centuries, however, Ottoman attitudes began to
change; treaties were imposed on the Palace and bureaucrats began to get involved in the intricate system of alliances and balances which characterised European diplomacy. It was during the eighteenth century that the civil bureaucracy, especially as a group dealing with the external relations of the Empire, came to be differentiated from religious officials. The new civil servants who were not medrese-trained upheld a relatively more secular conception of state power, and tended to struggle against the military and religious conceptions of authority which had provided justification for the earlier relationship with European states. They were thus pragmatic in their approach to the inter-state system, in the sense of accepting the parameters within which bargains were to be struck. Through this acceptance, however, they also unwittingly limited the potential success of their own internal efforts at reform: future reformers in the Empire would derive from the ranks of this secular wing of the bureaucracy, whose conceptions of the possible were circumscribed by the narrow limits of European power diplomacy. This early, gradual and orderly insertion into the European state system, through which a new 'modern' faction within the bureaucracy defined and legitimated itself against a previously dominant one, might provide a clue to explaining the generally more accommodating behaviour of Ottoman civil servants when compared with, for example, Chinese antagonism, or Japanese revolutionism towards Western penetration. In the Ottoman Empire the secular bureaucracy accepted and justified their adhesion to European models and principles in the name of progressive reformism. They welcomed the institutionalisation of economic integration into Western capitalism as a victory over the retrograde tenets of old Ottoman statecraft. Even when reformism acquired a somewhat more radical tint, it was closer to the Italian and Russian models than to the Chinese or Japanese; and it proclaimed its heritage within the European paradigm of social progress. In other words, the bureaucracy accepted a version of reformism which accommodated its class nature by allowing it to be the principal intermediary of incorporation, while they sacrificed, rather too readily, various social groups privileged in the traditional order and the overall integrity of this order. This is not to say that a Chinese-style xenophobic and conservative option was available, given the geographical position of the Empire, the importance of the Eastern Mediterranean for European capitalism, and imperialist designs on the Levant.

Within the narrow space left to the bureaucracy, its manoeuvres tended to favour a model of capitalist integration promising to uphold the claims of state functionaries as a surplus-receiving class. Alternatives to restoration of the traditional order were overridden by the attraction of the European paradigm of statecraft. In effect, growing integration of the Empire, both into the European inter-state system and the capitalist economy, made attempts at self-extrication from that paradigm increasingly difficult. By the end of the nineteenth century any freedom of action that the bureaucracy enjoyed was due to conflicts within world capitalism and rivalries internal to the inter-state system.

The first important step in institutionalising the Empire’s integration into the political-economic logic of European capitalism was the trade convention of 1838 with England. No overt aggression had preceded this treaty, as, for example in the Nanking treaty of 1842. The Ottoman administration, however, had found itself having to curry favour on account of recent conflict with Mohammad Ali, the governor of Egypt. Mohammad Ali had approached perilously close to Istanbul with his army, and only British support had enabled the Ottoman bureaucracy to escape unscathed. The 1838 treaty was partly the quid pro quo of this intervention, and its provision that all monopolies granted by the state would be prohibited struck at one tenet of the traditional order which had allowed Egypt’s governor to carry out his statist reforms. In addition, British merchants were allowed to purchase and export goods without the payment of any taxes except the single ad valorem duty of 12 per cent. Similarly a duty of 5 per cent was to be levied on all imports. Within a few years other European states had signed treaties with similar provision: the Ottoman Empire had become an area of free trade. The joint effects of increasing industrial production in the West, cheaper transportation, aggressive commercial policy, especially of the French and British states, and institutional lubrication through treaties, were to substantially increase the volume of trade. Aided by the world upswing the volume of trade grew by 3.5 per cent per annum from the 1830s until the onset of the world depression in 1873. Growth was especially rapid during the 1840s and 1850s.

Throughout the eighteenth and early nineteenth centuries Europe’s trade with the Middle East had been characterised by a consistent difficulty, giving rise to frequent complaints by French and British merchants: the Ottoman Empire lacked a
sufficient volume of exportable output. In fact, the Empire's undeclared policy had always been that of its consuming bureaucracy: imports of luxury items and raw materials had been encouraged, while exports were discouraged with the fear that the provisioning of the realm – and especially the large cities – would suffer. The policy of granting trade monopolies to palace-appointed merchants had been used most apparently towards this end. It is also possible, however, to detect a more substantive aim of controlling production and division of labour under these apparent concerns. Exports, especially of raw materials, threatened to disrupt the entire productive structure and sever the links between various stages of production. The cumulative effect of such a disruption would be unemployment and a break in the reproductive system of the society with its dreaded social consequences. Imports, on the other hand, were consumables. Since they were mostly destined for the consumption of the state class, they could be encouraged without threat to the reproduction of productive balances. The 1838 agreement, by abrogating trade monopolies, and favouring foreign merchants in their competition with Ottoman merchants, created the conditions for such social disruption and unemployment. From the point of view of British capitalism, the abolition of monopolies served a simpler logic: the emphasis on prohibiting exports had contributed to the difficulty experienced by European merchants in finding goods to exchange for manufactured imports. Thus the lifting of all trade monopolies would allow the expansion of trade until it reached its more 'natural' limits, which, given the agrarian structure, were not very extensive either.

The dominance of small peasant property limited both the volume of the marketable surplus, and the pace at which production could shift from subsistence to export crops. The difficulty in establishing large-scale commercial farming implied that trade volume would mostly expand through the marketisation of the independent peasantry, which in turn had various implications. First, it would be difficult to induce a traditionally subsistence-oriented peasantry to switch to commercial production even if relative prices favoured export crops. The natural reaction of the peasantry would be risk aversion, especially since so many lived precariously, their subsistence subject to annual changes in weather conditions. At best, therefore, it would be a slow process to increase the volume of exportable commodities deriving from the peasant sector. Secondly, the tendency with the start of trade would be to mobilise existing crop surpluses, instead of attempting to establish one dominant crop as the principal export commodity. When there are numerous producers, each avoiding risk, the switch, if any, from subsistence products to mono-crop commercial production will be difficult and slow. The tendency will be to further exploit a spectrum of already existing commercial crops, over a geographically more extensive area.

These implications as to the volume and nature of the export trade are illustrated in the nineteenth century commercial accounts of the Empire. Trade volume increased after the 1820s, and gained a new momentum with the advent of steamships to the eastern Mediterranean. The treaties of 1838 and following years ratified the new level of integration into European markets by formalising the trade regime and abrogating the imperial right to grant trade monopolies. By mid-century the trade pattern had attained a composition reflecting the core-periphery division of labour underlying the free trade doctrine: imports consisted in large part of manufactured consumer goods, while various foodstuffs and raw materials – none of overwhelming importance – were exported. The volume of trade had in fact increased rapidly from a small base only to grow less rapidly in the second half of the century. The initial boost to Ottoman exports derived mostly from the diversion of existing marketed surpluses of raw materials from local to export markets. This diversion resulted in the disruption of the social division of labour and led to unemployment in urban manufacturing, rural crafts and domestic industry. Two parallel factors were prominent in gauging the impact of trade: the onslaught of cheap manufactured imports – especially of cotton goods – and the increase in raw material prices for domestic industry, mainly owing to alternative export markets. As for rural producers, whether they produced for their own consumption or to fulfil contracts with merchants, their shifting to more remunerative primary goods production was economically rational. Urban manufacturers were hit the hardest: accounts of the time are full of statistics showing a precipitous decline in the numbers of looms, yards of cloth produced, and craftsmen. Especially during the initial rapid increase in trade, British exports of cotton goods to the Ottoman Empire grew fivefold between the mid-1820s and late 1840s. The displacement of
local production, caused by the shifting of consumption to imports, continued to be effective during the mid-century Victorian boom.

It would be theoretically unjustified to argue that the destruction of local industry proves the systemic impact of capitalist integration to be reversal and blockage of potential evolutions. A crude argument equates the status of manufacturers in the periphery with the position and function of proto-industrial activity in the West. It suggests that without capitalist integration, these manufacturers would have created the accumulation necessary for the development of industry. This of course is an argument which tends to ignore the social system in which the activities take place and identifies capitalist development with quantitative accumulation of techniques. Even if peripheral manufacturing and European proto-industry had been similar in terms of their internal organisation, their articulation into the economic system and their capacity for transforming the system were very different. In addition, the relationship with the political authority condemned manufacturing activity in the Ottoman Empire to a prescribed division of labour which precluded unbridled accumulation. Therefore de-industrialisation did not destroy a potential dynamic towards capitalist industrialisation in the Western mode. It did, however, in disemploying tens of thousands of craftsmen and manufacturers create substantial social upheaval. It thus became a demonstration of how the traditional order was sacrificed to bureaucratic reformism.

The social upheaval following the destruction of an internally integrated division of labour was accompanied by the development of new activities and the rise of new social groups. The already mentioned comprador population, often carrying the protection and immunity afforded by foreign passports, prospered in port cities such as Salonika, Izmir, Trabzon and Istanbul, which became new centres of commercial activity. These cities provided the points of linkage with commodity and credit circuits originating in Europe. Banks and merchant houses were established in the ports, and constructed communication networks to reach the interior. Such networks consisted of merchants, agents, petty traders and moneylenders. The implication of the growth of trade in both its destructive and constructive moments was a substantial restructuring of the social division of labour. While manufacturing groups, who had provided the traditional order with an urban petty bourgeoisie, were rapidly becoming superfluous and were eliminated, a new class, finding employment through external trade, was beginning to flourish. Geographically, too, the economic space was being restructured: traditional manufactures undergoing destruction were mostly in the old trading cities of the interior, seats of the provincial bureaucracy. New activities, however, were located in ports, obeying the logic of the market. Their networks were established to emanate from central points where the link with European markets could be maintained. Thus restructuring implied an unbalancing of the geographical distribution of economic activity to favour coastal regions, market towns on principal arteries and their immediate hinterlands.

Most of what has been described as restructuring reflects a common experience of capitalist integration in the periphery. What was specific to the case of Turkey was the overdetermination of the class conflict accompanying this restructuring with religious and ethnic differences. The two major classes of the traditional system, the small peasantry and the bureaucracy, remained intact during this period of transformation. Certainly the small peasantry were subject to fundamental changes from the point of view of the degree and nature of their integration into commodity or money markets, with implications of unequal exchange and exploitation through circulation. Since they were increasingly integrated in the market, fluctuations in prices began to influence their production strategies and even constrained them to temporarily lose their independent status. Nevertheless the overwhelming majority of the peasantry continued as small producers whose degree of marketisation could vary, but whose mode of organisation, and use of family labour, remained constants.

The class whose status had been immediately threatened was that of the Moslem manufacturers and merchants. There was probably no decline in the absolute number of merchants; even in industry, destruction would be succeeded by the development of a new kind of manufacturing, located mostly in port cities. Within the ranks of merchants and manufacturers, however, there had been a rapid circulation of ethnic groups. Moslem traders, whose institutional guarantees had been the Palace's granting of monopoly rights, were left in an underprivileged status. By and large, Moslem merchants survived in a subordinate capacity; they could not benefit from the increase in trading activity, particularly that part of it connected with
world markets. Foreigners and Christian populations of the Empire created, advanced and seized these opportunities on account of their economic (lower taxes) and political (extraterritorial) status. Nor should the importance of the cultural element in this process be ignored. It was certainly true that non-Moslem merchants and moneylenders were privileged through their affinity of tradition, religion and language with European businessmen. (Or, at least, they had the potential of thus being singled out. Certainly, the majority of Greeks and Armenians were difficult to distinguish from Moslems, and shared with them a common culture; when the occasion arose, however, part of the Christian population could respond to and benefit from the new opportunities, while the Moslems were in no position to do so.) During the nineteenth century the European view of the Ottoman Empire did not attain colonialist overtones evoking civilising missions, but remained heavily tainted by a romanticised crusader perspective, professing as its object the liberation of Christian populations under the yoke. Thus the formation of an intermediary class of Christians coincided with a cultural mission; their co-optation by European business constituted a total project designed to solve the Ottoman problem.

From a systemic point of view there were two reasons establishing the material basis for a conflict between the bureaucracy and the new intermediary bourgeoisie. First, the merchant class was the physical agent of capitalist integration, threatening to change the very principles of the traditional system which was guarded and defended by state functionaries. It did not require great foresight to comprehend the implications of the replacement of a bureaucratic system by market rationality for the traditional role of the bureaucracy. Secondly, even if the bureaucracy were willing to transform its traditional role, through transforming the whole social system during this process, it would have to preserve a degree of legitimacy in the eyes of the social groups making up the traditional order. In other words, it would have to maintain its alliances in order to retain the ability to undertake the transformation and restructuring of the social order. During most of the nineteenth century, the bureaucracy did not state its goal as being a transformation designed to maintain its status while adjusting to new world conditions. Nevertheless, the social disruption caused by the growth of a bourgeoisie threatened the bureau-

cracy's legitimacy, and placed it in an ambivalent position vis-à-vis the displaced social groups of the traditional order. We shall see below that when a process of bureaucratic social change was finally embarked upon, the ambivalent attitude towards Moslem merchants and manufacturers had to be resolved in favour of retaining legitimacy in the estimation of the traditional social groups.

The growth of a Christian intermediary class was a more immediate threat to state functionaries in their guise of a class receiving, ideally, the bulk of the economic surplus in the Empire. The growth of trade naturally increased the value of production; both because more resources were put to use and because there were shifts in production towards more remunerative products. In time, new techniques were introduced as well, increasing the peasantry's productivity. The taxation system of the traditional order was based on assumptions of simple reproduction, where neither techniques nor the volume of production would change appreciably from year to year. The new situation was that of a growing economy, and the traditional tax, fixed in money terms for a number of years, was not equipped to capture the larger amount of surplus. Furthermore, the new surplus was appropriated to a large degree by the class which engaged in the circulation of money and traded commodities. While the system of taxation provided for some extraction of merchants' revenue through internal customs, the new class engaged in trade were exempt from this octroi, thanks to privileges granted to European powers in trade agreements. Responding to newly forming consumption habits, they were also able to sell imported luxury consumption goods to the bureaucracy and thus extract a share of the surplus already appropriated by the state. State officials thus unwittingly became intermediaries in the appropriation of peasants' surplus by the merchants. In other words, while the income and output of the Empire were growing the bureaucracy's share was decreasing, and the new class's share increasing. As long as it remained impossible to impose a new tax on protected merchants (all such attempts were countered by strong protests from European states), the situation could not be rectified in favour of state officials.

The existence of potential or actual conflict between a class representing the traditional order and a bourgeoisie nurtured through the dissolution of that order, was due to the mode of peripheralisation of the Empire. In pure colonial situations
(such as that of India) the traditional ruling class was reduced to an appendage of the merchant-state, precluding a conflict either at the level of surplus appropriation or system definition. In countries of white settlers as well, political rule had similarly been established in accordance with the requirements of a merchant, commercial-landowning class. The Ottoman Empire, on the other hand, together with a few other cases such as China and Japan, had never been colonised, nor had it been drawn into the domain of 'informal empire'. It is no coincidence that the two most prominent examples of non-colonial peripheralisation were similarly inheritors of rich political traditions and, more importantly, of state officials cum ruling classes. Non-colonialisation allowed the status of traditional bureaucracies to be perpetuated during the process of capitalist integration; more precisely, during the period between the 1840s and the Great War. There was also mutual determination between the absence of colonisation and the importance of imperial rivalry. Various candidates among imperialist powers vied for greater influence and control over the Ottoman and the Chinese states; thus, rivalry afforded greater manoeuvring space to the state officials, enabling the traditional ruling class to better oppose a colonial-type transformation of the social structure. In other words, imperial rivalry, the absence of colonisation, and the relative strength and autonomy (vis-à-vis imperialist pressure) of the traditional bureaucracy constituted an interdependent set of definitional parameters which guaranteed that the process of peripheralisation would be accompanied by an ambivalence at the level of the definition of the system; and that this ambivalence would be reflected in real or potential conflict and struggle between the representatives of the old order and the agents of the new. The social project of the bureaucracy, whether of transformationist or restorationist nature, would come into conflict with the system definition implied in capitalist integration and mercantile activity. Nevertheless, the maintenance of the strength of the bureaucracy did not imply a coherent class strategy. Its ambivalent position from the point of view of system preservation and immediate class interests frequently led the bureaucracy to adopt policies with unintended consequences of a paradoxical nature. A case in point is the policy of official borrowing which was overdetermined by the location of the Ottoman economy vis-à-vis imperialist economies, and by the class intentionality of the bureaucracy. Its consequences strongly affected the process of peripheralisation and class formation in the Empire.

As long as traditional, pre-capitalist modes of labour organisation survive, peripheral structuration according to the needs of capital is a process of orientation carried out by merchants and moneylenders. We have discussed the organisation of trade and the workings of merchant capital in establishing the links between European markets and peasant production, and remarked that the institutionalisation of the trade relationship was largely imposed on the Ottoman bureaucracy through the inter-state system. The establishment of the link with the European market of international loans was not an imposition of the same nature: state officials were willing to accept this relationship in their own short-term interest. There were, however, palace officials of a more conservative cast who voiced hesitations in this regard. Their misgivings were overridden by the reformist wing, which was convinced that the salvation of the Empire could only be negotiated through a more complete incorporation into the European system.

Until the mid-nineteenth century, the bureaucracy had relied on loans from bankers located in Istanbul; and at times the original provenance of such funds was the banking centres of Europe. The immediate reasons for borrowing had always been temporary shortages of revenue and deficits in the imperial budget. During the nineteenth century, however, the requirements for state expenditures had risen conjointly with the modernisation of administrative and military structures, as well as with more integral insertion into the arena of European wars, necessitating further military engagements. The discrepancy between rising expenditures and insufficient revenue was manifested in the central authority's endemic revenue crisis. From the revenue side, the crisis signalled the underlying reason for the bureaucracy's declining share in the surplus; on the expenditure side, the costs of reform, especially military, were prominent. Formalisation of the debt relationship seemed to respond to several needs simultaneously: European moneylenders would now confront the central authority, rather than local bankers who did not have the power to collect their claims from a reluctant Palace; budget revenues could be supplemented, and the bureaucracy would increase its utilisation of funds. From the point of view of the lenders, advancing loans to the Ottoman government reinforced the decision to strengthen
the imperial centre against centrifugal tendencies. Not only did the centre thus gain the ability to protect territorial integrity - when this was needed - but also to undertake institutional or material investments itself, and to guarantee the undertaking of such investments by foreign investors or concerns. Loans served to legitimate the Ottoman functionaries from the point of view of European diplomacy. They also served to perpetuate its weakness. While lending to the Ottoman state (and expecting the loans to be repaid) was tantamount to recognising its legitimacy, its perpetual indebtedness provided a leverage European governments felt free to exploit. Debt imperialism frequently served to force the Ottoman state to agree to concessions or to instituting desired measures and policies. In time, bureaucrats found themselves at the mercy of lenders.

From the point of view of accumulation of capital on a world scale, the repayment of loans by the central authority was equivalent to a conversion process whereby the peasants’ surplus, received in the form of taxes, served the valorisation of interest-bearing capital of European origin. In fact, after the bankruptcy of the Porte in 1875 this role of mediation was eliminated in favour of a direct interaction between representatives of European creditors and the peasantry. Despite this relationship, which served to structure the economy, the debt receiving-servicing ratio on the whole favoured the Empire. If the Ottoman economy is taken as a mercantilist unit there were long periods when it was a net receiver of loans, and for the 1856–1914 period as a whole, inflow of loans was roughly equal to the outflow of debt servicing. From a strictly arithmetical point of view, the Ottoman economy did not suffer from the indebtedness episode by repaying more than the external finance it received. The argument we advanced earlier concerning the difficulty of constructing an export economy in the Empire is relevant in this context. It seems that while failing to develop an export sector, the Ottoman economy served as a market for manufactures more than as a supplier of food and raw materials. Throughout the nineteenth century, there was a trade deficit rather than a surplus. The earlier complaints were still valid: since exports did not provide them, funds had to be injected into the Ottoman economy by European lenders so that European merchants could find buyers for their wares.

Once again, this is a specificity of Ottoman peripheralisation which needs to be explained through the location of the Ottoman economy and state in the world system. The fact that the Porte enjoyed the privilege of receiving loans without having to repay an excess did not result from a unified decision-making process of European capitalism, nor from the political preferences of a single hegemonic power (as would be the case during the post-World War II period). On the contrary, the privileged position of Ottoman bureaucrats was due to rivalry among imperialist powers. During the Victorian boom, France and England were the contesting powers; the depression of 1873–1895 was a period of consolidation when the Ottoman economy was under the tutelage of an imperialist consortium; the pre-war boom, however, once again witnessed rivalry intensified by Germany’s late entry onto the scene. In their competition for political or economic advantage, European politicians were willing to use their influence on stock exchanges and bond markets in order to get the financiers to float yet another Ottoman loan.

The first official loan that the Ottoman administration received was in 1854, during the Crimean War. This was followed quickly by another loan in 1855, and eleven more until 1875 when the Ottoman government announced its inability to continue making interest payments. Between 1875 and 1881 the Ottoman bankruptcy was negotiated among representatives of bond holders and Palace bureaucrats, resulting in the formation of the Public Debt Administration (PDA) which enjoyed considerable control over the finances of the government. The terms of these loans varied considerably, the rate of issue and the rate of interest changing according to the state of the money market, the complicity and encouragement of the governments involved and popular feelings in Europe about the Empire. Nevertheless, as long as the boom continued, European merchants and investors, who had come to depend on the Ottoman market, constituted a lobbying group for the extension of loans to the Porte. Since loans were frequently used to make payments on earlier loans, or to guarantee returns on private foreign investment, such lobbying was usually directly remunerative. After the financial crash of 1873, however, like many other states in similar position, the Ottoman government found new loans to be much less readily forthcoming, and the rates more prohibitive. The declaration of bankruptcy led to the Porte’s virtual relinquishment of a part of its fiscal sovereignty.

The PDA was formed to safeguard the rights of European investors holding Turkish bonds. To this end it was supposed to administer certain revenues, including some duties,
the salt tax, the silk tithe and the tobacco tax, which were earmarked for debt servicing. Soon, however, the function of PDA was extended: it began to act as the intermediary between the government and foreign investors – both for direct investments (such as railroad companies) and public loans – to actively encourage and accommodate foreign enterprise and to represent merchant capital vis-à-vis peasant producers of tobacco and silk. In time, the organisation built by the PDA was large enough to rival the Ottoman finance ministry, and controlled about one-third of the total public revenue of the Empire. The PDA served as an alternative to the formation of a colonial apparatus: it reflected a compromise among rival imperialist powers in establishing a degree of stability in the financial relationship of the Empire with European sources of credit, while the commercial sphere remained open to competition. As sole intermediary between merchant houses and peasant producers (in the case of tobacco through forming a monopoly known as the Régie Coîntéressé des Tabacs) its activity was primarily directed towards the valorisation of loans. The formation of the PDA signalled for the bureaucracy a loss of fiscal sovereignty and, consequently, legitimacy in the eyes of its subjects. Like the Fermiers Généraux of the ancien régime, the PDA represented a committee of creditors of the Sultan, and like them constituted a barrier against fiscal reform. In defending the rights of European creditors, the PDA adopted the same ambivalent attitude towards the Ottoman central authority as characterised earlier European support of centralisation: on the one hand it rendered the Porte a more credible (and creditworthy) interlocutor in the international scene, while at the same time it prevented any radical internal change or fiscal reform. Again, like the Fermiers Généraux, the creation of the PDA was an adequate innovation to convert peasant surpluses to interest payments on money capital – in the Ottoman case of foreign origin. What was formerly achieved by the Porte itself was now taken over more directly by the actual representatives of European creditors. This was especially true in the case of tobacco and silk, where producers were pitted against the monopsonistic purchasing position of the PDA, which represented the intertwined status of merchant and money capital.

The PDA did have one unexpected effect on the ideological development of the bureaucratic class: as its organisation grew to rival that of the Ottoman administration itself, it also came to personify the nefarious impact of the European connection on the traditional functions of the state. Through this concrete representation, the bureaucracy was, by contrast, absolved of its responsibility in the process of incorporation. Against the PDA the bureaucracy became defensive, and it was pushed to embrace the resentment of traditional orders against the European impact. When foreign borrowing started during the Crimean War, there were still factions within the bureaucracy who, in the name of the traditional order, had opposed the idea. These factions were, however, primarily remnants of the old, non-secular orders, who had already suffered a decline in status. The proponents of the strategy which could be called reform with the social function of the bureaucracy intact had carried the day over the restorationists. With the formation of the PDA the reformist bureaucracy attained a new ideological consistency: its aim of transforming the Empire from above while retaining its own class position came to contrast sharply with the strict economic rationality and capitalist accounting of the PDA. In this confrontation the bureaucracy emerged as the paternalist defender of a normative social order while the PDA, as the servant of European capitalism, represented the rule of the market.

While the Moslem population could ideologically quarantine Christian merchants and moneylenders – the more immediate carriers of market rationality – from their everyday concept of reality, a new breed of organisation men (the personnel of the PDA) who performed very much the same functions as the palace bureaucracy, was harder to dismiss. In fact the extension of the market had already instigated a gradual drift towards an 'economic' mentality in the formalist sense. Towards the end of the nineteenth century a new group was emerging within the Moslem population, whose material conditions – whether as petty producers or specialists in accounting and maximisation – allowed them to acquire a notion of the social system substantially different from the traditional Ottoman one. This group, although later participating in the Young Turk and Kemalist projects, and supporting the Turkification of the economy, found itself in conflict with the mainstream of the bureaucratic class, precisely because of its more liberal conception of the social and economic order. The mainstream of the bureaucratic class thus became more uniform in the face of this development; the PDA had been instrumental in contributing
to the creation of the bureaucratic movement of étatist social transformation that we shall discuss in the next chapter.

The story of the Ottoman debt highlights many of the aspects of capitalist integration, and its shaping of class structures and class action. Although clearly an arm of nineteenth century imperialism, debt also served the short-term interests of the state class anxious to preserve its economic status. The traditional social order and the class map, however, were changing under capitalist incorporation, and the bureaucracy unwittingly served to accelerate this change. Not only did indebtedness further the transformation of the traditional order; it also deepened the dilemma of the bureaucracy, caught between its allegiance to the crumbling normative order and its interests as dictated within the new world represented by capitalist rationality and the logic of the European inter-state system. Consequent to this confrontation, which was brought out in sharper contrast under the presence of the PDA, the mainstream of the bureaucracy opted for an alternative outside the immediate field of action defined by their European relations. They attempted to create an autonomous space in order to cope more effectively with the exigencies of European integration.

There was a third mechanism of capitalist integration which the bureaucracy did not willingly permit, but was required to agree upon through diverse pressures – direct investment of foreign capital aimed at the employment of local labour. A discussion of direct foreign investment is important within the context of the growth of domestic production. The development of a productive sphere entails a differentiation and frequently a division within the bourgeoisie, with manufacturing capital coming to represent interests other than trade-oriented compradors, and with different demands from the political authority. Such a manufacturing bourgeoisie usually starts its accumulation under the aegis of foreign capital, and becomes increasingly autonomous. In the Latin American case, for example, it is possible to trace the conflict between urban manufacturers and the exporting oligarchy to an initial differentiation within the merchant bourgeoisie whereby a fraction became involved in production, and were later transformed into defenders of national industrial development. For this reason, the presence or absence of direct foreign investment in the peripheralisation process, and the consequent differentiation of the merchant bourgeoisie, are important historical data: they condition the potential conflicts which may arise within the dominant class and the political struggle over the nature of the economic policy practised by the political authority.

In order to analyse the nature of foreign capital, we may begin by distinguishing between capital which arrives in the country as merchant capital, but finds it expedient to engage local labour in the production of commodities, and productive capital which arrives carrying the wage-labour relationship with it. In the first category are diverse forms of trading ventures, usually oriented to exports. These range from contracts with small producers to deliver the future harvest (a purely monetary arrangement which involves no control over the labour process) to verlag type contracts, as characterised by, for example, the organisation of export trade in domestically produced carpets. When merchant capital is involved in organising production its role is limited to reorienting existing forms of production. Depending on the general tendencies in the social formation as a whole, such an orientation may quickly lead to, or only marginally affect, the ‘liberation’ of labour from traditional modes of organisation. In the putting-out case as observed in carpet-weaving, for example, only one or a few members of a family were actually engaged in such contracts, while the rest continued as small peasant producers. In such instances, the impact of integration into the circuit of merchant capital did not rapidly dissolve the old forms. When we consider contracts with agricultural producers involving future harvests (à livrer contracts), despite the degree of dependence such arrangements could engender, we can readily see that such dependency did not lead to a dispossession of the peasantry. Such examples do not only demonstrate the mode of articulation between merchant capital and small producers: they also signify a certain resistance of the social structure to the creation of capital-wage labour relationships.

Proletarianisation was unlikely because the central authority attempted to defend the independent peasantry through its policies. The reluctance to extend land ownership rights to foreigners could be seen as an example of this policy rather than a xenophobic reaction. Nevertheless, the Porte was forced to recognise a diluted version of private property rights on land in 1858, and under the pressure of European envoys, land ownership rights were extended to foreigners in 1867. This legal innovation initially induced foreigners to purchase con-
siderable stretches of agricultural land, especially in the Aegean area. The agrarian structure, however, did not allow for the inception of capitalist relations envisaged by the foreign landowners, since a dispossessed peasantry was not available as a free proletariat. With the failure of agricultural capitalism, merchant capital took over, and most of this land was rented out to family producers in arrangements that were very similar to à l’heur contracts engaged in with the landowning small peasantry.

When direct investment in production was successful, it served the needs of merchant capital. The most obvious cases, which also account for the largest component of foreign investment, were railroads and ports. Railroads began to be developed in mid-century, but the pace of construction was exceedingly slow compared to India or Latin America, owing perhaps to the limited potential of export production. Entrepreneurs were reluctant to invest except when kilometric guarantees (i.e. an agreed sum of annual profit to the company per kilometre of railroad) could be obtained from the bureaucracy. Initially projects were undertaken only in the Aegean area, connecting the hinterland with the major port of trade. Only during the period of PDA, when imperialist rivalry intensified and more credible guarantees were forthcoming, was there a new wave of investments which did not simply aim at exploiting an existing market. The famous Bagdadbahn project was undertaken during this period.24

The composition of foreign direct investment reflects the argument that the economic integration of the Empire was dominated by the requirements of trade. French capital was the most heavily present in the Ottoman Empire. If we exclude financial placements, 62 per cent of total French capital in 1895 was found in railways, 16 per cent in ports, and 18 per cent in municipal services. In 1914, the proportions were similar and French capital comprised approximately 50 per cent of all the foreign direct investment in the Empire, while the German share was around 25 per cent. In the case of German-owned capital, however, the concentration of direct investment in merchant capital directed ventures was even more evident: 86 per cent of the investment was in railways, 5 per cent in ports and 8 per cent in municipal services.25

It is evident that railways and ports serve to increase the volume of trade and open up previously local market-oriented producers to world commercial networks. Municipal services encourage and increase the volume of trade in a more direct manner. By creating the physical environment in which the new merchant bourgeoisie lived, such services fashioned life styles in the model of distant metropoles. These life styles required increasing proportions of luxury consumer goods imports. This indirect impact of investment in municipal services was most clearly visible in the ‘Europeanised’ sections of rapidly growing port cities – especially Salonika, Izmir and Istanbul. In these cities the operation of trains, electricity networks, and passenger boat services were totally controlled by foreign capital. It may be argued that most of the new economic activity in urban areas was in fact trade-complementing; either in the sense of actively participating in imports and exports, or in the sense of catering for the needs of the Levantine population.

The old manufacturing activity serving urban demand continued in a more or less transformed fashion. Such activity, however, did not ordinarily articulate with foreign capital except in a few cases where new commodities which were too bulky to trade were produced. When local production did not compete with imports, such investment (as in beer and cement production) was undertaken by partnerships of foreign and local capital. The local capital for such joint ventures usually derived from the non-Moslem merchant bourgeoisie. In fact, we may argue that the new merchant bourgeoisie replaced the Moslem manufacturing concerns of the traditional order during the second half of the nineteenth century. This new manufacturing sector, however, was the product of a post-incorporation environment characterised by the ready availability of imported manufactures. As such it only complemented imports in satisfying the Europeanised consumption demands of the bourgeoisie itself.

As we shall discuss below, the weight of the manufacturing sector was quantitatively insignificant. At the turn of the century, there were probably around one hundred manufacturing concerns employing more than ten workers; and these were heavily concentrated in Salonika, Istanbul and Izmir.26 Their ownership was probably more than 90 per cent foreign and non-Moslem. In other words, a very small fraction of the bourgeoisie was engaged in manufacturing. This small manufacturing sector existed almost entirely outside the Moslem population, because industrial workers were also non-Moslems. Thus the social differentiation resulting from capital-labour confrontation obtained exclusively within the non-Moslem popula-
Even if this industrial class conflict had gained ascendency – as it did for a few years prior to World War I – it would have been relegated to subordinate status under the ethnic and religious dislocations of social strife which came to characterise the Empire. The role of manufacturing in the economic structure of the Empire at the turn of the century was insubstantial, however, and for this reason, merchants determined the colour of the bourgeois class. Had the nature of export trade been different, requiring greater processing at the source, it is conceivable that a larger amount of capital might have been invested in production. It is also conceivable that this greater volume of direct investment might have generated linkages within the domestic economy to induce the transfer of merchant capital to more productive ventures, as was the case, for example, in Argentina and Brazil. As it was, foreign capital remained confined to trade-related activities, and very few among the bourgeoisie ventured outside of the already cleared tracks.

In the absence of productive capital as an important category, the internal differentiation of the bourgeoisie did not advance sufficiently to create a class fraction occupying the objective position necessary to oppose merchant and money capital. In other words, there was little opposition from the ranks of the new class itself to the capitalist penetration of the Empire. The political implication of this argument is that there was no bourgeois fraction demanding a share in political power in order to alter the conditions of integration into the capitalist system. Furthermore, the position of the manufacturing fraction within the bourgeoisie implied that the sociological conditions for its becoming a political actor were even more lacking. Since towards the end of the Empire ethnic hostility and conflict between Moslems and non-Moslems were paramount in social life, the fact that merchants, bankers and manufacturers were all minorities served to congeal this group as members of a single bourgeois class. Had there been a Moslem preponderance of manufacturers agitating against Christian merchants and moneylenders, the political situation might have been different. As it was, state functionaries were confronted by a seemingly undifferentiated group with economic policy demands in the direction of further and more complete integration into the world economy. Thus the bureaucracy had no natural allies to aid it in attempting to formulate policies required to change the mode of integration of the Empire into the capitalist system.

The preceding argument is not intended to imply that the non-Moslem bourgeoisie were simple extensions of foreign capital, employed as mere instruments in the hands of British and French merchants and investors. On the contrary, the mid-nineteenth century boom seems to have created conditions for the independent evolution of Ottoman intermediaries who emerged sufficiently strong to defend their own economic space. This evolution, however, did not imply a challenge to the structural parameters of incorporation: the Ottoman bourgeoisie took over some of the positions that foreign capital had created. Especially during the later period when the European economy was in a crisis, Ottoman merchants and manufacturers in a few cities, including Salonika, Izmir and Istanbul, became active to gain government support for their endeavours. Nonetheless, there was no translation of these demands to a search for political rule. When merchants and manufacturers, in their overwhelming majority Greeks and Armenians, became political, the inter-state system had already condemned the Empire to dissolution. Under different conditions, with higher odds in favour of the survival of the Empire, they might have taken a different tack. As it was, their politics gambled on the break-up of the Ottoman realm.

The mechanisms of nineteenth century integration of the Ottoman economy into capitalist networks, namely those of trade, debt and direct investment, reveal that the development of the Ottoman Empire as an economic periphery allowed for the rapid expansion of a class engaged in intermediation between the local economy and the European system. The coincidence of the social limits of this new class with the ethnic differentiation of the Empire's population exacerbated the potential conflict between them and the bureaucracy as representing the traditional order. State functionaries found themselves restricted in their attempts at reform, especially since the intervention of the inter-state system in bureaucratic policymaking required the institutional guaranteeing of the privileged status accorded to Christian minorities. Because of the welcome extended to trade and political modernisation, the bureaucracy could not secure the support of the mass of the population, nor could they rely on the new class for any attempt at changing the parameters of economic integration. Nevertheless, the bureau-
cracy remained a class whose location in the social system allowed it to attempt the transformation of that system while maintaining its location. In the next chapter we shall investigate the internal social and ideological conditions which led to such an attempt, and the changes in the inter-state system which precipitated it.

III

The Young Turk Restoration

We have so far talked about the bureaucracy in structural terms, discussing above all its systemic location, and its political capacity for class action. While the reformism which characterised most of the nineteenth century could be seen as derivative and well within the space accorded to Ottoman bureaucrats in the European inter-state system, the Young Turk movement towards the end of the century was of novel character in breaking away from immediate imperialist impositions. It is important to discuss briefly the composition and the quantitative strength of the bureaucracy in order to understand the new capacity for action it exhibited after the turn of the century. It was already mentioned that the eighteenth century had constituted a threshold in the constitution of a secular bureaucracy. The separation of the religious institution from the secular branches of administration had been a decisive development in the growing adjustment of state officials to their changing context. The next stage in the transformation of the Empire’s administrative structure came during the centralisation efforts of the 1830s. It was then that a civil bureaucracy, physically located outside the Palace (in what is known as the Sublime Porte), began to develop alongside the Palace secretariat. The relationship between the two branches of the bureaucracy depended very much on the personal power of the Sultan: in the several decades preceding the accession to power of Abdülhamit (1876), the Porte grew in importance as well as in numbers. Although during the last quarter of the century more power was invested in the Palace, new departments of government and