

Activities - Summaries

The Ottoman Financial Structure and the Istanbul Stock Exchange

Zafer Toprak

During the nineteenth and early twentieth centuries, Ottoman financial developments were part of the empire's general integration with European and world economies. In this, one key factor was the rapid growth in trade between the Ottoman Empire and the leading countries of Europe. The injection of money through foreign trade dismantled the self sufficient, closed economic circuits. Internal trade in hard currency more than tripled within three decades. Likewise, the volume of circulation media increased around four times before the Ottoman Empire defaulted on its obligations in 1875.

A second key factor in the integration of the Ottoman Empire with the outside world was the inflow of capital. With the modernisation of the military and civil bureaucracy, the Ottoman demand for capital increased faster than revenue intake throughout much of the nineteenth century and early twentieth century. The demand for capital, and subsequent attempts to develop domestic sources of revenue through taxes, were crucial for the Empire's structural changes in search of a modern state.

The Istanbul Stock Exchange played a major role in Ottoman financial history. From the middle of the nineteenth century, it was the nucleus of Istanbul's financial markets, and provided a centralised location for trade in Ottoman treasury bonds, corporate stocks and bonds, and foreign currencies. By operating as a full secondary market, it increased the efficiency with which the government could borrow funds. Centralised trading helped to increase liquidity in the financial markets, while bond issues provided an important alternative to bank financing in the Ottoman Empire.

The Exchange also played a major role in the dissemination of information. By the later 1800's, Istanbul was connected to the European markets by telegraph, and news and events in Europe often affected the market on the same day. Through its growth and development, the Istanbul Stock Exchange paved the way in the adoption of new European techniques of financing, such as join-stock funding for urban amenities, and helped advance Ottoman financial and economic development.