this legal responsibility that justifies the financier’s mark-up. Where direct purchase by the financier for resale is not feasible—perhaps because resale might negate a product guarantee or warranty—it is permissible for the bank to appoint the client as its agent to purchase the commodity, but in this case it is still the bank that assumes responsibility for any risks involving the commodity.

Critics of murābaha often assert that the contract resembles a loan, as the mark-ups used are usually a fixed percentage over LIBOR, the London Inter-Bank Offer Rate, which represents an interest-rate benchmark. Usmani defends this practice of using LIBOR, as the crucial difference between murābaha and an interest-based loan is not the cost, but rather the nature of the contract itself. As long as it is a sale contract it is ḥalāl, regardless of the percentage mark-up. Usmani is no apologist for murābaha however, and he makes it clear that he would prefer to see greater use made of longer-term contracts instead; but he is realistic about the continuing use of short-term financing in prevailing market conditions where conventional financing still dominates, and Islamic finance must be competitive to grow and prosper. As conventional banks have penalties for default, Usmani believes these may also be justified for Islamic banks, although the bank should not profit from any penalty charges, rather the defaulter should be obliged to pay a charitable donation.

Usmani’s work also includes a comprehensive discussion of ijāra or leasing contracts, which he believes can be legitimately securitized, unlike the contract of murābaha. Salaṭūm, a sale contract where the price is paid in full in advance, is contrasted with istisna‘, where payments are made in instalments, usually to cover the cost of input supplies until a good being manufactured can be sold. The brief discussion of Islamic investment funds is also instructive, but most of the focus of the book is on banking rather than fund management. Usmani urges Islamic banks to develop their own culture, as ultimately it is the value system that matters. Overall, what is impressive about the book is the grasp of modern finance that Usmani displays, his pragmatism, and the clarity of the solutions offered which he believes to be Sharī‘a-compliant.

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Gold for the Sultan: Western Bankers and Ottoman Finance, 1856–1881

This book covers a crucial period in the history of the later Ottoman empire, when the Ottoman state sank ever further into financial difficulties, descending finally into bankruptcy. Clay sets out to address the question, ‘what part did foreign banks and bankers play in the Ottoman bankruptcy, or, to put it another way, what was the nature of their
relationship with the Ottoman government? (p. 3). He considers six basic issues, the first of which is how Western bankers became seriously involved in Ottoman finances in the period following the Crimean War and how the government used the interest of Western bankers to secure the creation of a state bank. Clay gives an introduction to Ottoman finances before the Crimean War and discusses the first bank projects, the two phases in the battle for the ‘National’ concession, the Ottoman financial crisis of December 1861, the reasons behind which Clay considers unclear (pp. 58–9), and the founding of the Banque impériale ottomane, a bank whose ‘resounding success’ was such that ‘over the half century that followed it was to develop not only into an integral part of the Ottoman state apparatus, but also into one of the great financial institutions of Europe’ (p. 72).

The second issue considered by Clay is the role of the Banque impériale ottomane as state bank and European financial institution, an issue that appears throughout the book and ‘provides one of the main themes binding the entire narrative together’ (p. 4). The Ottoman government never proved sufficiently able to limit its expenditure to prevent repeated budget deficits, due partly to military expenditure forced by actual or potential wars, the cost of servicing loans and advances, and overspending by the sultan (pp. 87–8). The third issue addressed in the book is the endless succession of external loans, which so enmeshed the state and proved lethal to its financial well-being. Ultimately the state, due to the total collapse of the government’s finances, became bankrupt. Clay questions why, despite its ‘good intentions’ in the middle of 1874, the Porte lost control so quickly of the budgetary situation (p. 280). He points to the significant shortfall in expected revenue receipts, occasioned in part by the famine in Anatolia, which had the knock-on effect of forcing budgetary overspend as the government took measures to try to alleviate the effects of the famine.

The last two issues covered in the book are the attempts of the Ottoman state to finance the war effort during the crisis years of 1876 to 1878, including the issuing of kaimé and the defence loan of 1877; and government efforts to, and success in achieving a partial financial rehabilitation in extremely difficult circumstances, ending in the Decree of Muharrem and the creation of the Public Debt Administration in 1881. In the aftermath of the crisis of 1876–8, the government was faced with a series of potentially intractable financial problems, the first of which concerned its ability to raise sufficient resources to survive in the immediate and short-term future. If this were achieved, there was then the problem of how, in the longer term, to raise sufficient revenue to ensure its ultimate financial stability, a task made considerably more difficult by the massive indemnity imposed by Russia. The government had also to deal with the deluge of paper money swishing round the empire, which it had either to withdraw or whose continuing depreciation it had somehow to halt. The government also needed to come to some agreement with the bondholders over interest payments on the public debt in order to restore foreign confidence in the state’s solvency, but fixed at a rate the government could actually afford. There was also the closely related
political problem of sovereignty, of whether the state could solve its financial crises without losing part of its sovereignty (p. 382).

Part of the solution to the grave financial crisis in which the state found itself was the creation in 1881 of the Public Debt Administration. For Clay, ‘the fact that the role of the Council of the Public Debt established by the Decree of Muharrem was later transformed in such a way as to make it an agent for the penetration of the Ottoman economy by western financial interests, should not be allowed to obscure the fact that at the time the agreement reached in December 1881 was a considerable success for the Ottomans. It was a success because it won them the opportunity to reconstruct their finances without any interference by the western governments’ (pp. 564–5).

As Clay says, ‘the bankruptcy was certainly one of the key events of late Ottoman history, and arguably of modern history in general although it is seldom recognized as such’ (p. 1). The results were significant for ‘the financial failure of 1856–75 ... led directly to the further disintegration of the empire after 1908 and its final collapse in 1918. Ultimately, therefore, it played a critical role in creating both the Balkan context for the First World War and the political configuration of the modern Middle East’ (p. 1).

This book is massively, almost crushingly, detailed, with a wealth of primary sources from a range of British and French archives. It tells you everything you could possibly want to know about the activities of Western bankers in the Ottoman empire in the period. However, it is, in Clay’s own words, ‘envisaged primarily as an Ottoman history’ (p. 3), which makes it into something of an anomaly: an Ottoman history without Ottoman. From the list of primary sources and the references given, it appears that Clay has used no Ottoman material, nor (apart from one book cited in the bibliography in Turkish) has he apparently used any material in Turkish. This leads one to wonder somewhat at his claim that ‘Gold for the Sultan ... fills a conspicuous gap in the literature and should add a new dimension to knowledge about late Ottoman history’ (p. 2), and calls to mind the late Claude Cahen’s remark on Turkish history that ‘it is somewhat astonishing to see that works long held to be authoritative have been written by scholars with no idea of Turkish’ (The Formation of Turkey (London: Longman, 2001), p. xii).

It is unfortunate in this regard that Halil İnalcık appears in the bibliography as nalcık (p. 678), and the title of Mine Erol’s book as Osmanlı mparatorlukunda Kağıt para (p. 677). In his introduction to Ottoman place and personal names, Clay explains that he has used the modern Turkish form for places in the Republic of Turkey (apart from Istanbul, which appears as Constantinople), such as İzmir rather than Smyrna. İzmir, which perhaps oddly Clay chose to give in its Turkish form, appears here, however, as zmir, as it does throughout the book and in the index. İrade also appears without the initial capital, as for example in the glossary (p. xv) and in the section heading on p. 247.

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