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Multinational Capital, Public Utilities, and Urban Change in Late Ottoman Istanbul: Constantinople Tramway and Electric Company

As a global tendency that accelerated in the last quarter of the nineteenth century, electricity gradually permeated almost every aspect of urban life, transforming the whole infrastructure of modern cities, from lightening to heating, transportation to communication and industrial production. This essay aims to provide insights about how this global process was experienced in Istanbul, the Ottoman Empire's capital city, during the initial decades of the twentieth century. To that end, I concentrate on the Belgian-registered Constantinople Tramway and Electric Company, which invested in the energy and transport infrastructure of Istanbul. I argue that the formation of this multinational holding was a crucial aspect of urbanization in Istanbul. This process was closely associated with and the direct outcome of the development of the electric utility industry in Istanbul and the electrification of the city's tramway network.

The Ottoman Empire witnessed the inflow of an unprecedented amount of foreign direct capital investments approximately from the last decade of the nineteenth century until the First World War.[1] Of great importance for the integration of the Ottoman economy with the world market, ports and railways received the highest share of direct capital investments.[2] European firms and holding companies made investments in urban public utilities as well. Until the beginning of the First World War, a considerable proportion of European capital concentrated in such sectors as transportation, water supply, as well as gas and energy production.[3]

The goal of this essay is to discuss how European direct capital investments contributed to the modernization of the urban structure of Istanbul, the capi-

1 Şevket Pamuk, Osmanlı Ekonomisinde Bağımlılık ve Büyüme, 1820-1913, Istanbul 1994, pp. 71-92.

2 Donald Quataert, Osmanlı Devleti'nde Avrupa İktisadi Yayılımı ve Direniş (1881-1908), Ankara 1987, pp. 18-22.

3 According to the statistics provided by Pamuk, Osmanlı Ekonomisinde, pp. 74-75, municipal services received 9.3% of the inflow of direct foreign capital investments to the Ottoman Empire in 1888. This rate was 5.1% in 1914. For the topic of foreign capital investments in urban utilities in the Ottoman Empire, see Necla V[esile] Geyikdağı, Osmanlı Devleti'nde Yabancı Sermaye 1854-1914, Istanbul 2008, pp. 165-175.

tal city of the Ottoman Empire. To deal with this broad question, I concentrate on the specific case of *Société des Tramways et de l'Electricité de Constantinople* – the Constantinople Tramway and Electric Company, hereafter STEC, which invested in the energy and transport infrastructure of Istanbul. Officially formed in 1914, this Belgian-registered multinational held the financial and administrative control of the Dersaadet (Istanbul) Tramway Company, Tunnel (Funicular) Company, and Ottoman Electric Company, all of which were Ottoman-registered enterprises operating in Istanbul. Among the shareholders of STEC were a number of important banks and firms from different countries of Europe. This multinational operated under the administrative control of SOFINA (*Société Financière de Transport et de l'Enterprise Industrielles*), another Belgian–registered holding company.

In this essay I argue that the formation of STEC was a crucial aspect of urbanization in Istanbul. As a global tendency that accelerated in the last quarter of the nineteenth century, electricity gradually permeated almost every aspect of urban life, transforming the whole infrastructure of modern cities, from lightening to heating, transportation to communication and industrial production.[4] The discussion below aims to provide insights about how this global process was experienced in Istanbul during the initial decades of the twentieth century. What I aim to demonstrate is that the formation of STEC as a multinational holding company was closely associated with and the direct outcome of the development of the electric utility industry in Istanbul and the electrification of the city's tramway network.

Before proceeding further, it should be noted that Istanbul is by no means a unique case in terms of the impact of multinational capital on the electrification process. The development of the capital-intensive electric utility industry was a complex and expensive process all over the world, which often required the involvement of multiple firms and banking institutions through the formation of multinational consortiums and holding companies. The economic and financial enterprises of this sort emerged in both Europe and the US particularly in the 1890s and afterwards.[5] Such multinationals played active roles in financing, setting up and running the electric and tram utilities of various cities, such as Barcelona, Mumbai, Buenos Aires and Cairo.[6] SOFINA, for example,

4 William J. Hausman/Peter Hertner/Mira Wilkins, Global Electrification. Multinational Enterprise and International Finance in the History of Light and Power, 1878-2007, Cambridge 2008, pp. 8-19.

5 Hausman/Hertner/Wilkins, Global Electrification, pp. 95-105.

6 For a comprehensive discussion concerning the impact of foreign capital investments on the electrification of Barcelona, see Peter Hertner/H. Viv Nelles, Contrasting Styles of Foreign Investments. A Comparison of the Entrepreneurship, Technology and Finance of

which undertook the administration of STEC, made international investments in the electric and tramway services of a number of countries, including but not limited to Austria-Hungary, Denmark, France, Italy, Portugal, Russia, Spain and Argentina.[7] This study examines the character of SOFINA's international investments by focusing on its relations with STEC and the latter's subsidiary companies in Istanbul.

Formation of the Constantinople Tramway and Electric Company

The Ottoman legal infrastructure necessary for the formation and operation of joint-stock companies emerged, to a large extent, until the middle of the nineteenth century. Commercial courts came into being with the establishment of the Ministry of Commerce and Agriculture (*Umur-ı Ticaret ve Ziraat Nezareti*) in 1839. The Ottoman Commercial Code adopted 11 years later, in 1850, classified all commercial enterprises into the categories of limited partnership (*komandit*), general partnership (*kollektif*), and joint-stock companies.[8] This categorization limited the liability of the partners of joint-stock companies to their capital shares.

Based on this legal infrastructure, the Dersaadet Tramway Company was formed in 1869 as a joint-stock company and it started regular horse-pulled tram services in the European part of Istanbul in 1871.[9] Among its important shareholders were the *Bank-ı Osmani* (Ottoman Bank) and the *Şirket-i Umumiye-i Osmaniye* (Société Générale de l'Empire Ottomane). There were also a group of merchants and bankers from Istanbul who participated in the formation of this Ottoman enterprise and provided a considerable proportion of its capital.[10] At the turn of the century, however, the capital and management of the company was rapidly internationalized.

German and Canadian Enterprises in Barcelona Electrification, in: Revue économique 58:1, 2007, pp. 191-214. See also Albert Broder, La multinationalisation de l'industrie électrique française, 1880-1931. Causes et pratiques d'une dépendance, in: Annales. Histoire, Sciences Sociales 5, 1984, pp. 1020-1043, for the internationalization of the electric industry in France. Belgian-based holdings, including SOFINA, were particularly active in the industry of tramways and their electrification, cf. Alberte Martínez López, Belgian Investments in Tramways and Light Railways. An International Approach, 1892-1935, in: Journal of Transport History 24:1, 2003, pp. 59-77.

7 Hausman/Hertner/Wilkins, Global Electrification, pp. 100-101.

8 Ramazan Balcı/İbrahim Sırma, Ticaret ve Ziraat Nezareti. Memalik-i Osmaniye'de Osmanlı Anonim Şirketleri, Istanbul 2012, p. 10; Haydar Kazgan et al., Osmanlı'dan Günümüze Türk Finans Tarihi I, Istanbul 1999, pp. 338-340.

9 Vahdettin Engin, İstanbul'un Atlı ve Elektrikli Tramvayları, Istanbul 2011, pp. 48-53.

10 Sertaç Kayserilioğlu, Dersaadetten İstanbul'a Tramvay I, Istanbul 2003 , p. 40.

One of the important turning points of this process can be traced to the year of 1898, when a syndicate dominated by *Continentale Gesellschaft für Elektrische Unternehmungen* from Nuremberg and *Deutsche Bank* assumed the Tramway Company's financial and administrative control.[11] In January 1907, the Tramway Company signed a contract with the Ottoman government, which for the first time mentioned a prospect for the electrification of tramways in Istanbul.[12] Then the German group, which dominated the syndicate, invited the French group, which held 18% of the capital of the syndicate, to increase its share in this partnership. The outcome was the formation of the *Union Ottomane* in February 1909. The share of the French group in this union increased to 44.4% against 11.6% of a Swiss group, and 39% of the German group.[13]

In January 1911, the Tramway Company acquired from the Ottoman state a concession for the electrification of Istanbul's tramlines.[14] However, the *Union Ottomane* could not obtain the concession for power production and supply. Although the *Union Ottomane* was one of the 8 capital groups competing for that concession in 1909[15], the Ottoman government gave it to a Hungarian company, *Société d'Electricité Ganz,* on 30 October 1910.[16] In March 1911, this Hungarian enterprise established the Ottoman Electric Company (*Société Anonyme Ottomane d'Electricité*)[17] in partnership with the *Banque générale de Crédit Hongrois* and *Banque de Bruxelles.*[18] This Hungarian-Belgian syndicate also controlled the Istanbul Gas Company (*Société pour l'éclairage de la ville de Constantinople* or *Gaz de Stamboul*).[19]

11 Jacques Thobie, Interets Belges et Interets Français dans l'Empire Ottoman (1880-1914), in: Les Relations Franco – Belges de 1880 à 1934, Metz 1975, pp. 213-243, here p. 236.

12 Vahdettin Engin, Tünel, Istanbul 2000, pp. 95-95; Engin, Tramvayları, pp. 126-129.

13 Thobie, Interets Belges, p. 237.

14 Kayserilioğlu, Tramvay I, pp. 143-165.

15 Aside from the Ganz and Union Ottomane, the firms competing for the concession were Fouquian and Warnant, Westinghouse, Société Générale, Syndicat Suisse, Giros et Loucheur, Schneider. Prime Ministry's Republican Archive, Turkey/Başbakanlık Cumhuriyet Arşivleri (BCA), 230.22.6.3, 07.09.1910.

16 Société Anonyme Ottomane d'Electricité, Status, 1911.

17 Tramways et Electricité de Constantinople, Rapport du Conseil D'Administration à la Première Assemblée Générale Extraordinaire du 30 Octobre 1917, Rapport du College des Commisaires, Exercice 1914-1915, p. 6.

18 Thobie, Interêts Belges, p. 237.

19 The concession for the establishment of this company, which distributed electric power in the districts of Istanbul, like Eyüp, Bakırköy, and Yeşilköy and which operated the Yedikule Gasworks, was provided for 40 years to *Banque de Bruxelles* in 1888 (Marc Van den Reck, Belgium in the Ottoman Capital, From the Early Steps to 'la Belle Epoque', Istanbul 2000, pp. 41-42). For a comprehensive study on the city gas and illumination in Istanbul, see Nurçin İleri, History of Illumination with the City Gas in the Late Ottoman

At the beginning of 1911, the concessions for the electrification of tramlines and electric production were in the hands of two separate capital groups. This made it impossible for the *Union Ottomane* to carry out the electrification of the tram network by itself. In September 1911, as a result, the *Union Ottomane* and the Hungarian-Belgian syndicate cooperated in the formation of *Union Ottomane Société d'Entreprise Electriques à Constantinople,* the Istanbul Consortium or, simply, the Consortium.[20] The mission of this entity was defined as establishing a Belgian company to control all public utilities related to transportation, power production and lightening in Istanbul.[21] The task of pursuing this mission on behalf of the Consortium was delegated to SOFINA (*Société Financière de Transport et de l'Enterprise Industrielles*).

SOFINA was a Belgian-registered holding company, but it was, in effect, dominated by German capital. The German weight in SOFINA was an outcome of a merger, completed in 1905, between the German AEG (*Allgemeine Elektrizitäts Gesellschaft*) and UEG (Union *Elektrizitäts Gesellschaft*), a German affiliate of General Electric. In 1898, UEG and its holding company GESFÜREL (*Gesellschaft für elektrische Unternehmungen*) participated in the formation of SOFINA along with two important German banks, *Disconto Gesellschaft* and *Dresdner Bank*. After merging with UEG, the German AEG became the dominant economic power in the Belgian-registered SOFINA. The director-general of SOFINA was Dannie Heinemann, an American-born engineer appointed by AEG.[22]

Apart from the Tramway, Electric and Gas Companies, the Istanbul Consortium controlled two other Ottoman enterprises in Istanbul. One of them was the Tunnel Company, which operated the funicular system between Galata and Pera.[23] The other one was formed in 1912 to construct and operate a subway between the Beyazıt and Şişli districts of Istanbul.[24] Yet this subway project could never be realized.

Istanbul, in: Deniz Cenk Demir/Selim Karahasanoğlu (eds.), A Tribute to Donald Quataert. History from Below, Istanbul 2016, pp. 529-550.

20 Thobie, Intérêts Belges, p. 237; Engin, Tünel, p. 99; Liane Ranieri, Dannie Heinemann. Patron de la SOFINA. Un destin singulier, 1872-1962, Brussels 2005, pp. 69-73.

21 Consortium Constantinople, Acte Constitutif.

22 Hausman/Hertner/Wilkins, Global Electrification, p. 100.

23 Engin, Tünel, pp. 97-99. The book provides a detailed account of how the *British Metropolitan Railways of Constantinople from Galata to Pera*, formed as a Britain-registered company in 1872, became an Ottoman-registered *İstanbul Şehri Dahilinde Dersaadet Mülhakatından Galata ile Beyoğlu Beyninde Tahtelarz Demiryolu Osmanlı Anonim Şirketi,* that is the Tunnel Company in 1911. It also discusses how the Tunnel Company was incorporated into the organizational framework of the Istanbul Consortium.

24 "Société Anonyme Ottomane des Chemins de Fer Métropolitains de Constantinople et sa Banlieu", in: La Gazette Financière, 15 April 1913, p. 231.

According to the Consortium's constitutive contract, SOFINA would assume the technical and administrative responsibility of the Tramway and Tunnel Companies as well as the subway project.[25] Later, all of the Consortium's stocks and premises in these Ottoman utilities would be taken over by the Belgian holding company to be formed by SOFINA on behalf of the Istanbul Consortium. On the other hand, the management of the Electric and Gas Companies in Istanbul was left temporarily with the Hungarian-Belgian syndicate. But, according to the terms of the contract in question, the Hungarian-Belgian syndicate would sell the stocks and premises of the Electric and Gas Companies to the Consortium no later than July 1916.[26]

It was in June 1914 that the projected Belgian-registered holding company was formed under the name of *Société des Tramways et de l'Electricité de Constantinople* (STEC). As noted above, the establishment of this enterprise was the principal goal of the Istanbul Consortium.[27] The director of STEC's administrative council was Dannie Heinemann, who was also the director-general of SOFINA. At this stage, the capital of STEC amounted to 18 million franks divided into 72,000 shares.[28] According to the statistics provided by Jacques Thobie, the French banks and companies owned 35% of this total.[29] The shares of the German and Belgian groups were 32.2% and 24.55%, respectively. However, as Jacques Thobie demonstrates, this "...formal structure masked the reality of German domination, based on the weight of German capital in SOFINA, a legally Belgian company whose chairman presided in the Consortium".[30] The STEC actions held by SOFINA amounted to 35,80% of the Belgian group's share.[31] According to Thobie, the German weight in SOFINA reduces the actual size of the Belgian group to around 20% of STEC's capital.

STEC was formed in the middle of 1914, but this Belgian holding company assumed the full control of the Consortium's subsidiaries in Istanbul in 1916. By that time, Istanbul's urban structure had considerably changed due in large part to the construction of a power plant and new tramlines as well as the electrification of the expanding tram network.

25 Consortium Constantinople, Acte Constitutif, pp. 5-6.
26 Ibid., p. 2.
27 Tramways et Electricité de Constantinople (Société Anonyme), Status, Bruxelles, 1914.
28 Ibid., p. 5. For the list of the capital shares of the banks and companies involved in STEC, see ibid., pp. 5-8.
29 Thobie, Interêts Belges, pp. 240-241; Jacques Thobie, European Banks in the Middle East, in: Rondo Cameron/V.I. Bovykin (eds.), International Banking, 1870-1914, Oxford 1991, pp. 406-440, here pp. 431-434.
30 Thobie, European Banks, p. 434.
31 At this stage SOFINA possessed 5,300 shares each of which was 250 frank. Ibid., p. 5.

In April 1911, the Electric Company operated by the Hungarian-Belgian syndicate submitted its working plan to the Ottoman government.[32] Although the project was immediately approved, negotiations for the location of the power plant to be constructed continued until January 1912. In the end, the Electric Company and the Ottoman government agreed on the Silahtarağa area located on the hillside of Haliç – the Golden Horn. According to the contract they signed, the thermal power station in Silahtarağa was planned to open in June 1913. However, first the beginning of the Balkan War in October 1912, and then an unexpected flood that devastated the Silahtarağa area in September 1913 slowed down the construction process.[33] The power station began to operate in January 1914.[34] Afterwards SOFINA took over the Silahtarağa power station with a supplementary protocol signed with the Hungarian-Belgian syndicate.[35]

While the construction of the Silahtarağa Power Station was underway, the expansion and electrification of the tramline network gained speed. Before the Istanbul Consortium was established, the length of the tram network was 23.57 km and none of the tramlines was electrified yet, but still drawn by horses.[36] In March 1911, the general assembly of the Tramway Company fully authorized the company administration to start the electrification of the tramways.[37] At the same time, the SOFINA representative Raymond Fris was accepted to the administrative council of the Tramway Company.[38] In October 1912, mobilization for the war on the Balkans caused the operation of all tram services to stop because the Ottoman government confiscated all the horses pulling tramcars to use them in the front and behind the lines.[39] To get tram services started sooner than the construction of the Silahtarağa plant, the Tramway Company built a temporary power plant in the Kabataş area, which began to

32 Société Anonyme Ottomane d'Electricité, Rapport du Conseil D'Administration à l'Assemblée Générale Ordinaire du 25 Juin 1913, Premier Exercice 1911/1912, p. 5.

33 Société Anonyme Ottomane d'Electricité, Rapport du Conseil D'Administration à l'Assemblée Générale Ordinaire du 30 Juin 1914, Deuxième Exercice 1913, p. 5.

34 Société Anonyme Ottomane d'Electricité, Rapport du Conseil D'Administration à l'Assemblée Générale Ordinaire du 30 Juin 1915, Troisième Exercice 1914, p. 5.

35 Contrat C, Contrats entre le Consortium Constantinople, représenté par la Société Financière de Transports et d'Entreprises Industrielles, et la Société Tramways et Electricité de Constantinople, p. 44.

36 "Société des Tramways de Contantinople", in: La Gazette Financière, 4 April 1911.

37 Ibid.

38 Société des Tramways de Constantinople, Rapport du Conseil d'Administration à l'Assemblée Générale Extraordinaire du 10-23 Septembre 1912, p. 4. Thobie, Intérêts Belges, p.237 points to Raymond Fris' relations with SOFINA.

39 Kayserilioğlu, Tramvay I, p. 197.

supply the Pera-Şişli line in August 1913.[40] The Silahtarağa plant could be activated as the main power source of street railways in September 1914.[41] By the end of August 1913, the line of 4.5 km from Pera to Şişli had been the only one electrified.[42] From January to November 1914, the installation of electric cables across all the other lines was carried out rapidly.

The outline of the tram network that operated in the European side of Istanbul for a long time was drawn up in the course of this construction process, which changed the urban structure of Istanbul to a considerable degree. By the end of 1915, the length of the electrified network had reached 33.62 kilometers.[43] The tramlines that had been built independently in the Istanbul peninsula and the Beyoğlu area north of the Golden Horn had been linked through a new line running over the Galata Bridge between Karaköy on the north side and Eminönü on the south side.[44] Thereby, the predominantly Muslim-populated districts of Istanbul, such as Topkapı and Aksaray, had been connected to Beyoğlu, the financial and cultural center of the city, where 47% of the population consisted of foreign nationals, 32% non-Muslim Ottomans, and only 21% Muslims according to the census of 1885.[45] Also integrated with this central area were the densely populated neighborhoods along the Karaköy-Taksim-Harbiye-Şişli and Karaköy-Beşiktaş-Bebek lines, both running from the Golden Horn to the north, one inland the other along the Bosphorus.[46]

The loans advanced by the Istanbul Consortium formed the most important financial source of all those investments discussed above. Acting on behalf of the Istanbul Consortium, SOFINA signed, until the middle of 1915, a group of contracts with the Tramway, Tunnel and Electric Companies to release loans for them. Accordingly, the Tramway Company would receive 17 million francs, the Tunnel Company 1,4 million francs, and the Electric Company 7 million francs.[47] The Tramway Company was apparently provided with the largest

40 Société des Tramways de Constantinople, Rapport du Conseil d'Administration à l'Assemblée Générale Ordinaire du 17/30 Mars 1914, p. 5.

41 Société Anonyme Ottomane d'Electricité, Rapport du Conseil D'Administration à l'Assemblée Générale Ordinaire du 30 Juin 1915, Troisième Exercice, 1914, p. 5

42 Tramways et Electricité de Constantinople, Rapport du Conseil d'Administration à la Première Assemblée Générale Extraordinaire du 30 octobre 1917, Exercice 1914/1915 Bruxelles, 1917, p. 4.

43 Société des Tramways de Constantinople, Rapport du Conseil d'Administration à l'Assemblée Générale Ordinaire du 25 Mai/7 Juin 1916, p. 8.

44 İlhan Tekeli, İstanbul ve Ankara İçin Kent İçi Ulaşım Tarihi Yazıları, Istanbul 2010, p. 28.

45 Zeynep Çelik, The Remaking of Istanbul, Seattle 1986, p. 38.

46 For a concise discussion on the development of these neighborhoods over the second half of the nineteenth century, see Çelik, Remaking, pp. 39-42. Çelik also demonstrates the development of the tramway system in ibid., pp. 90-96.

47 Contrats entre le Consortium Constantinople, représenté par la Société Financière de

amount of credits for its efforts of expanding and electrifying the tramways. With the protocols signed in June 1916, the transfer of the Istanbul Consortium's assets, stocks, and premises to STEC was legally concluded.[48] As a result of this transfer, STEC took over the responsibility of the loans that had been previously provided for the Consortium's subsidiary companies in Istanbul. Soon afterwards, in November 1916, the capital of STEC was increased from 18 to 27 million francs.[49]

None of these developments brought about a significant change in SOFINA's relations with the public utility companies operating in Istanbul. Just as the Istanbul Consortium, so was STEC put under the technical and administrative control of SOFINA.[50] SOFINA and, thus, the Consortium delegate Raymond Fris, who had earlier stepped in the Tramway Company's executive board, maintained this position after STEC was established. At the same time, he took part in the executive boards of the Tunnel and Electric Companies in Istanbul.[51]

Question of Debts in the Armistice Period

However, STEC underwent a radical transformation with the end of the First World War, during which Belgium was under German occupation. When the war ended, the Belgian government confiscated all the capital shares of STEC held by the German and Hungarian firms and banks as ex-enemy assets.[52] Meanwhile, the German hegemony in SOFINA was ended. In December 1918,

Transports et d'Entreprises Industrielles, et la Société Tramways et Electricité de Constantinople.

48 Ibid.

49 Tramways et Electricité de Constantinople, Rapport du Conseil D'Administration à la Première Assemblée Générale Ordinaire du 22 Novembre 1917, Rapport du Collège des Commissaires, Exercice 1916-1917, p. 3.

50 Consortium Constantinople, Acte Constitutif, p. 6; Tramways et Electricité de Constantinople, Status, p. 5.

51 Société Anonyme Ottomane d'Electricité, Rapport du Conseil D'Administration à l'Assemblée Générale Ordinaire du 25 Juin 1913, Premier Exercice 1911/1912, p. 3. Between 1914 and 1916 Fris conducted a series of correspondences in the name of the Tunnel Company concerning credits to be received from SOFINA. He signed those correspondences as the administrative-delegate (l'Administrateur-Délégué) of the Tunnel Company. Contrats entre le Consortium Constantinople, représenté par la Société Financière de Transports et d'Entreprises Industrielles, et la Société Tramways et Electricité de Constantinople, Annexe 5, 7. He signed the correspondences in March 1915 and February 1916 as the president (Le Président) of the Tunnel Company. Ibid., Annexe 9, 11.

52 For a concise discussion of how German and Hungarian investments were confiscated in Europe after First World War, see Hausman/Hertner/Wilkins, Global Electrification, pp. 131-138.

the four members of SOFINA's board of directors representing German interests were removed from the company management. In April 1919, Dannie Heineman was enforced to resign because it was thought, he represented the economic interests of AEG. He was replaced by Maurice Despret, also the chairman of the board of directors of *Banque de Bruxelles*. In July 1919, however, Despret let Heineman take part once again in the executive board of SOFINA, while he continued to be the chairman.[53]

STEC became a holding company dominated by French and Belgian capital[54], while the Ottoman capital Istanbul was undergoing a set of political transformations. At the end of the First World War, the Committee of Union and Progress, which had authoritatively ruled the Ottoman Empire during the war, fell from power. Starting in November 1918, the British, French and Italian armies de facto occupied the Ottoman capital.[55] In March 1920, the Allied powers established military control over the city by formally occupying it. Although the Turkish government in Ankara gradually took over the administration of the city after November 1922, the Allied military presence in Istanbul continued up to October 1923.

The question of debts arose in this context characterized by the Allied occupation of Istanbul. According to its financial accounts of 1918-1919, STEC was the creditor of around 25 million francs.[56] Of the companies in Istanbul affiliated with STEC, the Dersaadet Tramway Company had received the largest amount of loans, as mentioned above. SOFINA had released 17 million Belgian francs for the Tramway Company based on the contract that seems to have taken its final shape in May 1914, imposing pretty heavy repayment conditions.[57] Accordingly, the interest rate for the loan was to be 0.5% more than the rate determined by the Reichsbank in Berlin, and it should not have been lower than 6.5%. In case of a war in Europe, there would be an additional annual interest of 0.5%. These rates were applicable until 30 June 1915. For the rest of the prime amount not paid by then, SOFINA accepted to postpone the repayments

53 Ibid., p. 133; Ranieri, Dannie Heinemann, pp. 128-130.

54 Service Historique de l'Armée de Terre (SHAT), 20 N 421, 310/5, Note à Monsieur le Vice-Amiral AMET, Haut Commissaire de la République Française, 4 February 1919.

55 For a comprehensive study on the Allied occupation of Istanbul, see Nur Bilge Criss, İşgal Altında İstanbul, 1918-1923, Istanbul 2008.

56 Tramways et Electricité de Constantinople, Rapport du Conseil d'Administration à l'Assemblée Générale Ordinaire du 27 Novembre 1919, Rapport du Collège des Commissaires, Exercice 1918-1919, p. 10. Contrats entre le Consortium Constantinople, représenté par la Société Financière de Transports et d'Entreprises Industrielles, et la Société Tramways et Electricité de Constantinople.

57 For the correspondences between STEC and the Tramway Company concerning this credit, see ibid., Annexe 1, 2, 3, 4, pp. 11-16.

until 30 June 1918. But an additional interest rate of 2.5% would apply in this case.

According to a report submitted to the French High Commission in February 1919, the Tram Company's debts amounted to 373,000 Liras in total as of 31 December 1918.[58] The total amount of annual interests the Company was supposed to pay was 50,000 Liras, whereas the total amount of annual profits and depreciation costs was only 42,000 Liras. Another factor that aggravated the financial burden of debt and interest repayments was the constant devaluation of Lira. To be able to maintain repayment of loans received over Belgian francs, the Tramway Company had to establish a "Reserve Fund for Foreign Exchange Losses" and transferred part of its revenues to this account[59].

In the face of this debt problem, the Tramway Company demanded the quadrupling of the tram tariffs at the beginning of the armistice period. When the Istanbul municipality, which had the authority of setting the tariffs, resisted to this enormous increase, the Company stopped all tram services from 3 December 1918 to mid-March 1919. The tramcars that had been kept in depots for such a long time were put back into operation only after the municipality accepted 400% of increase in the tram fares under the pressure of the Allied forces, especially the French authorities.[60]

Concluding Remarks

By the end of the First World War, Istanbul witnessed the construction of a relatively wide and electrified urban rail transport system. Apart from the funicular between Galata and Pera, the length of the electrified tramlines reached approximately 34 km.[61] The power station constructed in Silahtarağa provided electricity not only for industrial production and lightening but also for 112 locomotives and 62 trailers operating on the tram network.[62] During the year of

58 SHAT, 20 N 421, 310/5, Note Annexe. Evaluation des Dépenses et des Recettes de la Société des Tramways, 20 February 1919.

59 Dersaadet Tramvay Şirketi, Elli Dokuzuncu Meclis-i Umumi, 1920 Sene-i Hesabiyesi, 23 June 1921, pp. 9-10.

60 For more information on this conflict over the tram fares, see Erol Ülker, Emperyalizm, İşgal ve İşçi Hareketi. Konstantinopol Tramvay ve Elektrik Şirketi, in: Ahmet Bekmen/Barış Alp Özden (eds.), Emperyalizm. Teorik ve Güncel Tartışmalar, Istanbul 2016, pp. 313-341.

61 Société des Tramways de Contantinople, Rapport du Conseil d'Administration à l'Assemblée Générale Ordinaire du 25 May/7 Juin 1916, p. 8.

62 Tramways et Electricité de Constantinople, Rapport du Conseil D'Administration à l'Assemblée Générale Ordinaire du 28 Novembre 1918, Rapport du Collège des Commissaires, Exercice 1917-1918, p. 4.

1918 some 39 million passengers used this network to travel across Istanbul.[63] This was a considerable number for a city such as Istanbul where the population numbered around one million at that time.[64]

The significance of this electrified and expanded tram network for urban life in Istanbul became more clear between December 1918 and March 1919, when tram services were stopped. During this long period of inactivity, travelling in the city became a major problem.[65] Horse carts remained as the only vehicles of urban land transport after the removal of the trams, but they were too expensive for many. Although the municipality tried to regulate their operations by setting a list of charges for certain distances, it turned out that a limited number of relatively expensive horse carts were inadequate to solve the problem of mass transport in Istanbul.[66]

There is no doubt that the inflow of multinational capital was one of the most important factors enabling the construction of the electricity infrastructure and the expansion of the tram network in Istanbul. The credits provided by the Istanbul Consortium significantly contributed to the modernization and development of these utilities. However, the construction process that had transformed Istanbul's urban structure to a considerable degree also created an overwhelming problem of debts for the utility companies in question. As discussed above in some details, this observation holds true especially for the Tramway Company, which utilized the largest amount of funds provided by the Consortium under heavy repayment conditions. In the armistice period, the Tramway Company attempted to fix its budget deficit by increasing the tram fares by 400%.

What is interesting is that urban life in Istanbul became so dependent on the tramways that this huge increase in the tram fares did not reduce the number of tram passengers. On the contrary, this number substantially increased in the course of the armistice period. In 1921, there were 178 tram locomotives and 78 trailers in operation, and they carried approximately 55 million passen-

63 Tramways et Electricité de Constantinople, Rapport du Conseil d'Administration à l'Assemblée Générale Ordinaire du 27 Novembre 1919, Rapport du Collège des Commissaires, Exercice 1918-1919, p. 4.

64 Criss, İşgal, p. 39; Richard Johnson/M.A. Clarence (eds.), İstanbul 1920, Istanbul 2008, pp. 24-26.

65 "Istanbul'da Vesait-i Nakliye Meselesi", in: İkdam, 11 February 1919; "Istanbul'da Vesait-i Nakliye Derdi", in: İkdam, 4 December 1918.

66 "Şehir ve Tramvay", in: İkdam, 1 February 1919.

gers[67], while the funicular carried some 16 million passengers.[68] To put it differently, everyday around 200,000 passengers on average used the tramways and funicular to travel across the city of Istanbul.

67 Tramways et Electricité de Constantinople, Rapport du Conseil D'Administration à l'Assemblée Générale Ordinaire du 23 Novembre 1922, Rapport du Collège des Commissaires, Exercice 1921-1922, p. 5.

68 Ibid., p. 6.