

Defence and Peace Economics >

Volume 29, 2018 - [Issue 5](#)

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Original Articles

Dissolution of an Empire: Insights from the Istanbul Bourse and the Ottoman War Bond

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Pages 557-575 | Received 27 Jul 2015, Accepted 16 Sep 2016, Published online: 03 Oct 2016

🗨️ Cite this article 🔗 <https://doi.org/10.1080/10242694.2016.1239319>



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Abstract

During the transformation period of the Ottoman Empire leading to the Republic of Turkey, many conflicts took place between 1918 and 1923. These conflicts interrupted the servicing of the Ottoman war bond. The reimbursement likelihood of this bond was related to the outcomes of First World War and the hostilities. This paper analyses the impacts of First World War and hostilities on the risk assessments regarding the Ottoman war debt, using manually collected data on the price of the Ottoman war bond traded at the Istanbul bourse between 1918 and 1925. The empirical results imply that the defeat of the Bulgarian army and the peace offer of Austria-Hungary were associated with the increasing premium demanded by investors of the bond. The victories of the Turkish National Movement and the peace offer of the Allies to end the hostilities by 1922 positively affected the likelihood of the servicing of the debt.

Keywords:

Acknowledgement

We wish to thank for their constructive suggestions two anonymous referees and V. Necla Geyikdağı. The usual disclaimer applies.

Disclosure statement

No potential conflict of interest was reported by the authors.

Notes

¹ 'İstikrazımızın yekünü.' 1918. Zaman, 5 August, 3.

² 'Dahili istikraz.' 1918. İkdam, 5 May, 1; 'İstikraz-ı dahili bir haftada kaç milyon liraya fırladı.' 1918. İkdam, 9 May, 1; 'İstikraz-ı dahili: Vilayetlerde milli mücadelede.' 1918. Zaman, 28 May, 1.

³ The UK, France, Italy, and Greece.

⁴ TNM was established by Turkish revolutionaries in June 1919 to fight against the occupying Allies. In April 1920, TNM founded a new government and parliament in Ankara. This government was transformed into the Republic of Turkey on 29 October 1923.

⁵ 'Dahili istikraz hakkında Tanin'in anketi.' 1918. Tanin, 2 May, 2.

⁶ '339 bütçesinin müzakeratına başlandı.' 1923. Tasvir-i Efkar, 26 September, 3.

⁷ Germany, Austria-Hungary, the Ottoman Empire, and Bulgaria.

⁸ 'İaşe işleri.' 1918. Vakıf, 27 August, 1; Ahmed Emin. 1918. 'İhracat ve ithalat muameleleri.' Vakıf, 31 August, 1.

- ⁹ 'Piyasamız ne halde.' 1918. Vakit, 17 October, 2.
- ¹⁰ Ahmed Emin. 1918. 'Mütarekeden sonra.' Vakit, 2 November, 1.
- ¹¹ 'Mütareke haberlerinin piyasada tesiri.' 1918. Vakit, 2 November, 2.
- ¹² 'İtilaf donanması limanımızda.' 1918. Tasvir-i Efkar, 14 November, 1.
- ¹³ 'Dünkü Piyasa.' 1919. Vakit, 3 January, 2.
- ¹⁴ The lands of the Ottoman Empire in Europe.
- ¹⁵ 'İstikraz-ı dahili: Mütemadiyen sükut ediyor.' 1923. İkdam, 12 October, 2.
- ¹⁶ 'İstikraz-ı dahili: Faizler kâğıt olarak ödenecektir.' 1919. Vakit, 24 April, 2.
- ¹⁷ Vakit, 1919. 1 August, 2.
- ¹⁸ '339 bütçesinin müzakeratına başlandı.' 1923. Tasvir-i Efkar, 26 September, 3.
- ¹⁹ 'Birinci Osmanlı istikraz-ı dahili.' 1918. Zaman, 18 April, 1.
- ²⁰ 'Harp ve evrak-ı nakdiye.' 1918. Ticaret-i Umumiye Mecmuası, 14 March, 173; 'Devlet-i Ali Osman Maliye Nezareti.' 1918. Takvim-i Vekayi, 30 April, 2, 3; 'İstikraz-ı dahili.' 1918. Zaman, 1 May, 1; 24 May, 1; 'İstikrazımızın yekünü.' 1918. Zaman, 5 August, 3.
- ²¹ 'Tanin'in dahili istikraz hakkında yaptığı anket-Birkaç mütaala.' 1918. Tanin, 2 May, 1.
- ²² Sabah. 1918. 1 May, 1; 'İstikraz-ı dahili.' 1918. Zaman, 1 May, 1.
- ²³ 'İstikraz-ı dahili: Vilayetlerde milli mücadelede.' 1918. Zaman, 28 May, 1.
- ²⁴ 'İstikraz-ı dahili.' 1918. Ticaret-i Umumiye Mecmuası, 15 March, 275; 'Tanin'in dahili istikraz hakkında yaptığı anket-Birkaç mütaala.' 1918. Tanin, 2 May, 1.
- ²⁵ 'Dahili istikraz.' 1918. Zaman, 14 April, 1; 'Birinci Osmanlı istikraz-ı dahili.' 1918. Zaman, 18 April, 1; Karagöz. 1918. 1 May, 14; 'İstikraz-ı dahili.' 1918. Zaman, 1 May, 1; Karagöz, 1918, 4 May, 1; 8 May, 1.
- ²⁶ 'İktisadi zafere doğru: İlk hücum günü.' 1918. Tanin, 1 May, 2; 'Tanin'in dahili istikraz hakkında yaptığı anket-Birkaç mütaala.' 1918. Tanin, 2 May, 1; 'Dahili istikraz hakkında Tanin'in anketi.' 1918. Tanin, 4 May, 2.

- ²⁷ 'Dahili istikraz.' 1918. İkdam, 5 May, 1; 'İstikraz-ı dahili bir haftada kaç milyon liraya fırladı.' 1918. İkdam, 9 May, 1; 'İstikraz-ı dahili: Vilayetlerde milli mücadelede.' 1918. Zaman, 28 May, 1.
- ²⁸ 'Altın sesi.' 1918. Zaman, 2 May, 1.
- ²⁹ 'İstikraz-ı dahili: Bartın'da.' 1918. Zaman, 27 May, 1.
- ³⁰ 'Dahili istikraz: Küçük bir mukayese.' 1918. Tanin, 7 May, 1.
- ³¹ 'Vilayetlerde istikraz, Avusturya-Macaristan istikrazıyla bir mukayese.' 1918. Tanin, 12 May, 1.
- ³² 'Borsa muamelatı.' 1919. Vakıf, 13 August, 2; 'Dersaadet borsası.' 1919. Vakıf, 1 September, 2.
- ³³ 'Borsa muamelatı.' 1919. Vakıf, 13 August, 2.
- ³⁴ The paper also detects break points in the Ottoman war bond return with Bai and Perron's ([1998](#), [2003](#)) methodology. The findings are sensitive to using different assumptions of this framework on data distribution and estimation methods.
- ³⁵ Sansó, Aragó, and Carrion-Silvestre ([2004](#)) find size distortions in Inclan and Tiao's ([1994](#)) approach in case of the presence of conditional heteroscedasticity and fat tails. They modify ICSS test to identify breaks in volatility. The paper also uses Sansó, Aragó, and Carrion-Silvestre ([2004](#)) methodology, indicating one structural break in the volatility of the Ottoman war bond return. This seems unrealistic, as severe instabilities were observed during the sample period. The result could arise from using the Barlett Kernel or assumption on the absence of autocorrelation in the error series.
- ³⁶ The literature on the effects of war-related events on the bond market generally uses yield spreads. It seems that coupons were not regularly paid out during the sample period. Following Mauro, Sussman, and Yafeh ([2006](#)), Hanedar, Torun, and Hanedar ([2015](#)) and Hanedar, Hanedar, and Torun ([2016](#)), this definition of the bond returns is used. Mauro, Sussman, and Yafeh ([2006](#), 136) address problems in using coupon payment to calculate yield assuming the regular payment of coupons.
- ³⁷ See also. 'Sulha doğru.' 1918. Tercüman-ı Hakikat, 15 June, 1.

- ³⁸ 'Avusturya-Macaristan sulh daveti.' 1918. Tanin, 17 September, 2; 'Malinof'un mütareke teklifi.' 1918. Tanin, 28 September, 4.
- ³⁹ 'Milliciler İğdir'ı işgal etti.' 1919. Tercüman-ı Hakikat, 20 November, 1.
- ⁴⁰ See also. 'İstikraz-ı dahili: Mütemadiyen sükut ediyor.' 1923. İkdam, 12 October, 2.
- ⁴¹ The paper uses GARCH (1, 1) model to test the effects of break points identified by the ICSS test on volatility with dummy variables. The results indicate the statistically significant impacts of the break points.
- ⁴² 'Sulh notası.' 1918. Tercüman-ı Hakikat, 24 September, 1.
- ⁴³ 'Makedonya'da Bulgar ricatı.' 1918. Vakit, 25 September, 1.
- ⁴⁴ 'Piyasada buhran.' 1918. Vakit, 4 October, 2.
- ⁴⁵ 'Piyasa Ahvali.' 1918. Vakit, 8 October, 2.
- ⁴⁶ 'Dörtler meclisinde: Hasarat ve tazminat meselesi.' 1919. Tercüman-ı Hakikat, 11 April, 4.
- ⁴⁷ 'İtalyan işgali.' 1919. Tercüman-ı Hakikat, 20 May, 1; 'Sadrazam Ferid Paşa: İşgal tevsii ediyor.' 1919. Tercüman-ı Hakikat, 21 May, 1.
- ⁴⁸ 'Türkiye'nin mukadderatı tayin olmuştur.' 1919. Tercüman-ı Hakikat, 18 December, 1.
- ⁴⁹ 'Osmanlı mukadderatının arif-i takdirinde.' 1919. Tercüman-ı Hakikat, 19 December, 4.
- ⁵⁰ 'İstanbul bize kaldıktan sonra.' 1920. Tasvir-i Efkar, 27 February, 1; 'Boğazlar münavebe-i muhafaza olunacak.' 1920. Tasvir-i Efkar, 28 February, 4.
- ⁵¹ 'Anadolu haberleri.' 1920. Vakit, 26 November, 1.
- ⁵² 'Hükümet ve Anadolu.' 1920. Vakit, 25 November, 1.
- ⁵³ Tercüman-ı Hakikat. 1921. 2 April, 1.
- ⁵⁴ 'Eskişehir önündeki muharebe hitam bulmuştur. Alınan haberler lehimize'dir.' 1921. Vakit, 24 July, 1.
- ⁵⁵ 'Ankara'ya ileri harekete karar verdiler.' 1921. Tercüman-ı Hakikat, 3 August, 1.

- ⁵⁶ 'Yelkenleri suya indirmeye başladılar.' 1921. Vakit. 28 July, 1.
- ⁵⁷ Tercüman-ı Hakikat. 1921. 15 September, 1.
- ⁵⁸ 'Müttefikler muharebelere mütareke teklif ettiler.' 1922. Tercüman-ı Hakikat, 24 March, 1.
- ⁵⁹ 'Konferansta boğazlar hakkındaki mukabil teklifatımız tetkik ediliyor.' 1922. Vakit, 11 December, 1.
- ⁶⁰ 'İsmet Paşa Lozan konferansındaki vaziyeti büyük bir vüzuh ile beyan etmiştir.' 1923. İkdam, 3 January, 1.
- ⁶¹ 'Her şeye rağmen' 1923. İkdam, 13 February, 1.
- ⁶² 'İngiliz millet istemiyor.' 1923. İkdam, 4 January, 1; 'Lozandaki inkıtayı Lord Kurzon matbuata nasıl hikaye ediyor?' 1923. İkdam, 13 February, 1.
- ⁶³ 'Konferansın son safhasına girdik.' 1923. İkdam, 28 May, 1.
- ⁶⁴ '339 bütçesinin müzakeratına başlandı.' 1923. Tasvir-i Efkar, 26 September, 3.
- ⁶⁵ 'Cumhuriyet yakında ilan olunacaktır.' 1923. İkdam, 10 October, 2.



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