7

Chaos and Half Measures: The Ottoman Monetary 'System' of the Nineteenth Century

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The Ottoman monetary system has never ceased to intrigue observers, both contemporary and modern, by its great complexity and innumerable variations throughout the ages. Frequent debasements and recurrent state interventions, the persistence of significant regional variations, a great permeability to foreign coins, a rather flexible circulation, chronic shortages of coinage, wide fluctuations in both foreign and domestic exchange rates and the noted absence of a coherent monetary policy seem to indicate that the Ottoman monetary reality displayed, at least until the beginning of the nineteenth century, most of the major characteristics of a premodern monetary system. In that sense, there is no doubt that the nineteenth century brought to this system much homogeneity and stability along modern lines, especially after the monetary reform of 1844, and until the cataclysmic transformations resulting from the entry of the Ottoman Empire into the world conflict of 1914. Yet, a closer look at the 'long' nineteenth century reveals that much of this stability may have in fact been an illusion, masking a much less glorious reality heavily marked by hesitations, manipulations, compromises and, sometimes, total failures. In other words, and much in keeping with the monetary jargon of the period, it could be argued that Ottoman monetary reform and stability in the nineteenth century was only nominal, while the system remained, to a large extent, intrinsically unstable. One needs only to remember that in the course of less than a century, from the reign of Mahmud II to the end of the First World War, the Ottoman monetary system experimented with practically every type of currency available at the time (metallic, paper money, banknotes), used every possible standard (silver monometallic, bimetallic, 'limping' bimetallic, gold monometallic) and implemented no less than three monetary reforms. Throughout the period, in general terms, it appears that despite all the appearances of reform and stability, the Ottoman system could never rid itself of what has been considered as one of its major characteristics in the early modern period, that is the simultaneous and overlapping use of several – and often contradictory – policies, subsystems and local practices. In short, behind a veil of reform and stability, it seems that the Ottoman monetary system of the nineteenth century was still, to a large extent, dominated by chaos and an inability – or unwillingness – to implement fully some of the reforms that might have increased its efficiency. In most cases, Ottoman decision makers were content with applying (or forced to apply) half measures, which, while providing some relief in the short term and giving a sense of stability, never really solved the issue at hand completely, leaving a 'latent' form of instability that could (and in most cases eventually did) surface in the medium and long run. My intention here is to concentrate on these inconsistencies of the Ottoman monetary system and try to give, at the risk of some generalisation and speculation, a global assessment of the role played by governmental policy in the relative instability and half failures experienced throughout the period.

It would be wrong to claim that nineteenth-century Ottoman reality has been understudied. The problem would rather have to be found in the fact that it has generally been studied partially rather than globally, with a tendency of scholarship to concentrate on specific aspects, events or periods, some of which have been subjected to a thorough and in-depth analysis. A typical example is the intensive research that has been conducted on the three paper money experiments of 1840-1862, 1876-1883 and 1914-1918.[1] In a different vein, but still marked by a

1 In chronological order, the major works on the topic are: M. Erol, *Osmanlı İmparatorluğu'nda Kâğıt Para (Kaime)* [Paper Money (Kaime) in the Ottoman Empire] (Ankara, 1970); R.H. Davison, 'The First Ottoman Experiment with Paper Money',

dominant focus on a specific – and to an extent marginal – aspect of the question, a number of works on the Imperial Ottoman Bank and other financial institutions have also provided some insight into the functioning of the monetary system of the second half of the period under study.[2] Numismatists have provided much of the raw material concerning the issue of metallic currency throughout the last century of the empire,[3] while a small number of authors – most of whom have

in O. Okyar and H. İnalcık, eds, *Türkiye'nin Sosyal ve Ekonomik Tarihi, 1071-1920* [Social and Economic History of Turkey, 1071-1920] (Ankara, 1980), 243-251; K.M. MacKenzie, 'Kai'me at the Commencement of Abdul Hamid II's Reign', *International Banknote Society Journal* 25/4 (1986): 111-112; G. Kürkman, 'Sultan Abdülmecid Dönemi Faizli Kaime Teşebbüsleri' [Initiatives on Interest-Bearing Paper Money (Kaime) in the Era of Sultan Abdulmecid], *Türk Nümizmatik Derneği Bülteni* 21 (1987): 4-19; A. Akyıldız, *Osmanlı Finans Sisteminde Dönum Noktası. Kâğıt Para ve Sosyo-Ekonomik Etkileri* [A Milestone in the Ottoman Financial System. Paper Money and Its Socio-Economic Impacts] (Istanbul, 1996); idem, *Para Pul Oldu. Osmanlı'da Kâğıt Para, Maliye ve Toplum* [Money Turned to Zilch. Ottoman Paper Money, Finance and Society] (Istanbul, 2003).

2 In chronological order: A. Biliotti, *La Banque impériale ottomane* (Paris, 1909); A. Autheman, *La Banque impériale ottomane* (Paris, 1996); E. Eldem, *Banknotes of the Imperial Ottoman Bank, 1863-1914. Based on the Ottoman Bank Archives and the Tahsin İsbiroğlu Collection* (Istanbul, 1999); idem, *A History of the Ottoman Bank* (Istanbul, 1999); C. Clay, *Gold for the Sultan. Western Bankers and Ottoman Finance, 1856-1881* (London / New York, 2000); H. Al, 'Osmanlı Devleti'nde İlk Kambiyo İstikrarı Sözleşmesi' [The First Agreement on Exchange Stability in the Ottoman Empire], *Toplumsal Tarih* 14/79 (2000): 4-9; idem, 'Banque de Constantinople ve İstanbul Bankası Adlarıyla da Bilinen Dersaadet Bankası'nın Kuruluşu' [The Foundation of Dersaadet Bank also known as Istanbul Bank and Banque de Constantinople], *Toplumsal Tarih* 14/80 (2000): 18-22.

3 N. Pere, *Osmanlılarda Madeni Paralar* [Ottoman Coins] (Istanbul, 1968); A.C. Schaendlinger, *Osmanische Numismatik von den Anfängen des Osmanischen Reiches bis zu seiner Auflösung 1922* (Braunschweig, 1973); C. Ölçer, *Sultan Mahmud II Zamanında Darp Edilen Osmanlı Madeni Paraları* [Ottoman Coinage Minted during the Reign of Sultan Mahmud II] (Istanbul, 1970); idem, *Sultan Abdülmecid Han Devri Osmanlı Madeni Paraları* [Ottoman Coinage during the Reign of Sultan Abdulmecid Han] (Istanbul, 1978); idem, *Sultan Abdülaziz Han Devri Osmanlı Madeni Paraları* [Ottoman Coinage during the Reign of Sultan Abdülaziz Han] (Istanbul, 1979); idem, *Sultan Murad V ve Sultan Abdülhamid II Dönemi Osmanlı Madeni Paraları* [Ottoman Coinage during the Reign of Sultans Murad V and Abdulhamid II] (Istanbul, 1986); idem, *Sultan Mehmed Reşad ve Sultan Mehmed Vahideddin Dönemi Osmanlı Madeni Paraları* [Ottoman Coinage during the Reign of Sultans Mehmed Reshad and Mehmed

limited themselves to a very descriptive framework – have attempted to draw a general outline of Ottoman monetary history,[4] sometimes combining it with an analysis of the major financial developments of the nineteenth century.[5] No doubt, the most comprehensive and up-to-date synthesis has been provided by Şevket Pamuk in his cumulative efforts to draw a comprehensive picture of the Ottoman monetary system(s) from the fourteenth century to the end of the empire.[6] It is striking, however, to observe that a relatively marginal section of this work – approximately one-sixth – is devoted to the last century or so of the empire, from Mahmud II's reign to the collapse following the Great War;[7] moreover, almost half of this section is dedicated to what the

Vahideddin] (Istanbul, 1966); idem, *Son Altı Osmanlı Padişahı Zamanında İstanbul'da Basılan Gümüş Paralar* [Silver Coinage Minted in Istanbul during the Reign of the Last Six Ottoman Sultans] (Istanbul, 1966).

4 In chronological order: S. Sudî, *Usul-ı Meskûkât-ı Osmaniye ve Ecnebiye* [Fundamental Rules of Ottoman and Foreign Coinage] (Istanbul, 1311/1893-1894); E. Kolerkılıç, *Osmanlı İmparatorluğu'nda Para* [Money in the Ottoman Empire] (Ankara, 1958).

5 In chronological order: C. Morawitz, *Les Finances de la Turquie* (Paris, 1902); A. du Velay, *L'Histoire financière de la Turquie* (Paris, 1903); H. Ferid, *Nakid ve İtibar-ı Malî* [Cash and Financial Credit] (Istanbul, 1330-1334/1914-1918); H. Atıf Kuyucak, *Para ve Banka* [Money and Banking] (Istanbul, 1939-1948); V. Eldem, *Osmanlı İmparatorluğu'nun İktisadi Şartları Hakkında Bir Tetkik* [A Study on the Economic Conditions of the Ottoman Empire] (1970; Istanbul, 1994); idem, *Harp ve Mütareke Yıllarında Osmanlı İmparatorluğu'nun Ekonomisi* [The Economy of the Ottoman Empire in the Years of War and the Armistice] (Ankara, 1994); E. Kıray, *Osmanlı'da Ekonomik Yapı ve Dış Borçlar* [Economic Structure and Foreign Debt in the Ottoman Empire] (Istanbul, 1995); İ. Tekeli and S. İlkin, *Para ve Kredi Sisteminin Oluşumunda bir Aşama. Türkiye Cumhuriyet Merkez Bankası* [A Step in the Formation of Monetary and Credit System. The Central Bank of the Republic of Turkey] (Ankara, 1997).

6 Ş. Pamuk, 'Money in the Ottoman Empire, 1326-1914', in H. İnalcık with D. Quataert, eds, *An Economic and Social History of the Ottoman Empire 1600-1914* (Cambridge, 1995), 947-980; idem, 'En Büyük Tağşiş ve 1844 Tarihli Tashih-i Sikke İşlemi' [The Greatest Debasement and the Monetary Standardization of 1844], *Toplumsal Tarih* 3/13 (1995): 12-15; idem, *A Monetary History of the Ottoman Empire* (Cambridge, 1999).

7 Ş. Pamuk, *A Monetary...*, op. cit. 188-224.

author calls the 'Great Debasement', i.e., the rapid fall in the metallic content of coinage following state manipulation during most of Mahmud II's reign, which resulted in a dramatic depreciation of the silver piaster between 1808 and 1833,[8] much in keeping with the age-old deficit-financing policies followed by the Ottomans on a more or less regular basis ever since the fifteenth century. Interestingly then, the three catastrophic decades that preceded the reform of 1844 are given practically equal treatment with the 80 years or so that followed. The reasons for this imbalance are quite understandable: after all, chaos and turmoil – the 'Great Debasement' – is much more 'attractive' to the historian than the stability that seems to have settled following the Correction of Standards (*Tashih-i Ayar*) of 1844. Yet, can one really assume that the period from 1844 to 1914 was a hallmark of stability, especially in the knowledge that much of it witnessed the use of paper money, and that a major change was brought to the system through the introduction of a 'limping' standard in 1880? The fact that Pamuk refers to these episodes almost 'in passing' would tend to confirm that he clearly favours a 'stable' reading of the period; but it is clear that he, too, has mixed feelings on the issue if one considers that he questions the success of the stabilisation of the Ottoman currency, and, at any rate, insists that the price paid for this stability was very high.[9]

8 *Ibid.*

9 'Therefore, it seems impossible to consider the maintenance of the currency standards established in 1844 as a true success, or, at least, it seems necessary to interpret this as a success for which a rather high price was paid' (Ş. Pamuk, 'En Büyük...', *op. cit.*, 15, my translation); 'What was the long-term balance sheet, then, for the mid-nineteenth century regime change from debasements to stable currency and external borrowing? Relative monetary stability, rapid expansion of foreign trade, and European direct investment should appear on the positive side… Monetary stability undoubtedly contributed to economic growth. At the same time, however, the default of 1875-76, the establishment of the Ottoman Public Debt Administration, and the surrender of some of the leading sources of revenue to the European creditors in 1881 also suggest that the Ottomans paid a heavy price for borrowing large amounts from abroad before putting their fiscal house in order' (Ş. Pamuk, *A Monetary...*, op. cit., 215-216).

I. The 1844 Correction of Standards: reform or formality?

Any reassessment of the long nineteenth century in monetary terms would have to start with the 1844 reform. A 'classic' in monetary literature, this reform consisted of the creation of a new monetary system based on a bimetallic standard.[10] The new system was based on the *kuruş* or piaster. It also introduced the new monetary unit of the *lira* or pound, consisting of 100 *kuruş*. As to the ratio between gold and silver, it was set at 15.0909. The new system foresaw the minting of gold coins of 5, 2½, 1, ½, and ¼ *lira*s with 916.6 parts per thousand (fineness) and of silver coins of 20, 10, 5, 2 and 1 *kuruş* with 830 fineness. Taking its name from the monarch of the time, Abdülmecid, the new coinage was called *Mecidî* and the 20 *kuruş* silver coin came to be known as the *mecidiye*.[11] In a nutshell, this reform is generally considered to have brought three major changes to the Ottoman monetary system: quality, through the use of state-of-the-art minting technology as opposed to the low and variable standards of earlier coinage, bimetallism, through the abandonment of the silver monometallic standard applied for centuries, and stability, through the adoption of a fixed standard that would be maintained until the end of the war, thus ending the chronic recourse of debasement that had characterised almost four centuries of Ottoman monetary practice.

There is absolutely no denying that the first of these three innovations was fully implemented through the 1844 reform. The full-bodied, high-standard, milled gold and silver coins that were minted from that point onwards were a far cry from the earlier low-standard, poorly minted coins of the preceding reign. To give but one example, the penultimate issue of Sultan Mahmud's reign had consisted of extremely crude silver coins, with a standard of a mere 170 parts per

10 Issued on 5 January 1844, the decree was called *Usul-ı cedide üzere tashih-i ayar*, literally the 'correction of standards according to the new system' (İ. Tekeli and S. İlkin, *Para ve Kredi...*, op. cit., 46).

11 G. Young, *Corps de droit ottoman*, 7 vols (Oxford, 1905-1906), vol. 1; İ. Tekeli and S. İlkin, *Para ve Kredi...*, op. cit., 46-47; A.C. Schaendlinger, *Osmanische...*, op. cit., 82.

thousand, which caused some observers to describe this coinage as 'silver plated'. Thus, the piaster of this system weighed a full drachma (3.207 grams) but contained a mere 0.545 grams of silver, while the *Mecidî* piaster of 1844 weighed a mere 1.2 grams but contained almost double the quantity of silver, or 0.998 grams. Gold coinage had always been of better quality, but, even in this case, the quality and standards of the handsome *Mecidî* gold coins was incomparably higher than the great variety of coins that were issued before 1844 at a fineness varying between 750 and 830 parts per thousand.[12]

If the reform of 1844 was 'revolutionary' from the perspective of the quality of coinage, its innovative character with respect to bimetallism must be assessed a little more critically. All sources concur that 1844 was a major turning point in that the Ottoman state adopted for the first time a bimetallic standard based on a gold to silver ratio of 15.0909, which would be maintained until the end of the empire. True, the 'classical' Ottoman monetary system had been exclusively silver monometallic, and gold coins, which did not possess a nominal value expressed in any unit common to both metals, were exchanged at a price that varied according to market conditions. The eighteenth century was typical of this situation, as the Ottoman state made its transition from the asper (*akçe*) to the piaster (*guruş* or *kuruş*), thus remaining within the realm of silver but upgrading its basic monetary unit inspired by the full-bodied silver coins of Europe, most notably the thaler. A wide variety of gold coins were also minted but circulated as a commodity, in the same way as foreign gold and silver coins. The system being monometallic, there is no point in mentioning a legal ratio between the two precious metals, and exchange rates occasionally published by the Porte bore little relation to the market ratio between gold and silver. Yet, the correlation between the market price of two of the most common foreign coins circulating at the end of the eighteenth century – the gold ducat and the silver thaler – shows that the market gold to silver ratio of the time varied between 13.43 and 14.72, generally fluctuating around an average of 14.08. This relatively low

12 C. Ölçer, *Sultan Mahmud II...*, op. cit., 117.

value was typical of a market halfway between the gold-valuing West and the silver-valuing East. The difference between the French legal ratio (15.5 in 1785) and the Ottoman market ratio justified that much of the cash flow between the two economies should take the form of eastbound silver and westbound gold.[13] By the 1830s, the situation was still to a large extent the same, with the notable difference that the silver content of the Ottoman piaster had dramatically dropped from 17.67 grams in the early eighteenth century to a mere 0.54 grams, representing a cumulative debasement of almost 97 percent in a little more than a century. Most of this debasement had taken place during Mahmud II's reign, the silver content of the piaster dropping from 5.9 to 0.54 grams between 1808 and 1833.[14] During the same period, a great variety of gold coins was also minted, of varying weight and standard, with no apparent fixed exchange rate against silver.[15] Thus, at the beginning of Mahmud's reign, in 1224/1809, a tariff for a number of gold coins rated the *zer-i mahbub* at 6.5 piasters,[16] which would have corresponded to a gold to silver ratio of nearly 20. In the 26th year of his reign, corresponding to 1834, a major change was brought to the entire system. A few years earlier, in the 22nd year of Mahmud's reign (1245/1829-1830), a major debasement had been introduced in order to finance the war effort, and the standard of silver coinage had been reduced to 220 parts per thousand that year, and to 170 parts per thousand in 1248/1833. This drastic measure, however, had been presented as a temporary relief under the name of *Cihadiyye* (Help for the Jihad), with the promise of a return to standard currency at the end of the campaign.[17] Surprisingly enough, this promise was met, and in 1249/1834, new coins known as the *altılık* ('sixers') were minted at

13 E. Eldem, *French Trade in Istanbul in the Eighteenth Century* (Leiden / Boston / Köln, 1999), 115-120, 174-202.

14 C. Ölçer, *Sultan Mahmud II...*, op. cit., 117.

15 *Ibid.*, 116.

16 *Ibid.*, 13.

17 '... rub'u gümüş üç payı nuhas olarak onluk yirmilik kuruş yüzlük beş kuruşluk Cihadiyye namıyla sikke-i cedide kat'ına karar verilerek icabı icra ve gavail-i seferiye bitdikden sonra sikke-i haliseye tebdil olunacağı ba ferman-ı âlî

the still low but upgraded standard of 440 parts per thousand. These coins were issued in three denominations of 6, 3 and 1.5 piasters, weighing respectively 12.83, 6.415 and 3.207 grams (3, 2, and 1 drachmas respectively). The silver content of the piaster, which had fallen as low as 0.54 grams, was thus raised to 0.94 grams.

However, what all authors seem to have overlooked is that the operation of 1249/1834 was not limited to a revaluation of silver currency. On that very same date, a new series of gold coins, the *Mahmudiye*, was also minted, consisting of three coins of 1.604 (*Mahmudiye*), 0.802 (a half *Mahmudiye*) and 0.401 grams (a quarter *Mahmudiye*) at 830 parts per thousand, containing 1.331, 0.665, and 0.333 grams of pure gold respectively. There was nothing really exceptional to this new coin and its fractions since it copied the model of previous gold issues, which were often minted in the same denominations of a full, half and quarter coin.[18] Yet, one point of detail concerning the *Mahmudiye* coinage was truly exceptional: its value was linked to the piaster in the proportion of 5 *Mahmudiye*s to 100 piasters. This proportion was the reason why the *Mahmudiye* came to be known both officially and among the public as the *yirmilik* (20-[piaster coin]), the half *Mahmudiye* as the *onluk* (10-[piaster coin])

Memâlik-i Mahrusa'ya ilân ve ahali hanelerinde bulunan evani-i simiyyenin izabesiyle nakde tebdili içün sime müteallik şeylerin fiat-i miriyyesiyle Darbhane'ye teslimi ve terekelerde zuhur eden gümüşlerin o suretle istibdali umuma tenbih olunmuşdur' (It was decided and announced throughout the well-protected domains by imperial decree that new coinage would be minted under the name of Djihadiyye, consisting of coins of ten, twenty, five, and two-and-a-half piasters, made from one-quarter silver and three-quarters copper, and that this issue would be exchanged against standard coins once the troubles of the [ongoing] campaign would be over, and the population was also advised that they should surrender to the Mint at the imperial price fixed for things pertaining to silver the silverware they held in their homes for it to be transformed into coinage after melting and that the silver objects to be found in the estates of the deceased be likewise exchanged) [A. Lutfî Efendi, *Vak'anüvîs Ahmed Lûtfî Efendi Tarihi* [The History of the State Chronicler Ahmed Lufti Efendi], 8 vols (Istanbul, 1999), vol. 2-3: 420].

18 C. Ölçer, *Sultan Mahmud II...*, op. cit., 116; S. Sudî, *Usul-ı Meskûkât...*, op. cit., 73-75.

and, the quarter *Mahmudiye* as the *beşlik* (5-[piaster coin]). Moreover, according to Süleyman Sudî, this new coinage was set as the new standard in international exchange, thus relegating the rest of gold coinage to the status of ornament.[19] This was the very first time that an Ottoman gold coin bore a nominal value expressed in piasters, the silver currency, instead of the usual practice of letting the market, or very often the state, determine a price for gold coinage. In other words, this amounted to the establishment of a legal ratio between gold and silver. One hundred piasters in gold – five *Mahmudiye*s – contained 6.6566 grams of precious metal, while 100 piasters in silver held 94.0793 grams of pure silver, thus establishing a fixed ratio of 14.13324 between gold and silver. Interestingly, this double standard was maintained during the first five years of Abdülmecid's reign, from 1255-1260/1839-1844, with the only difference that the *Mahmudiye* series was renamed the *Memduhiye* and that 20-, 10-, and 1-*para* coins were added to the silver *altılık* series.[20] In other words, contrary to general belief, the 1844 reform did not introduce bimetallism to the Ottoman monetary system, which had made its transition to the new double standard *ten years earlier*, in 1834. What the reform did, in terms of bimetallism, was merely to change the legal ratio, previously set at 14.13, by increasing it to 15.09. The official declaration issued to present the new coinage was rather clear on this point: far from claiming that a new standard had been introduced, it simply mentioned that 'from now on the gold and silver coins issued in the name of His Majesty the Sultan have been adjusted to the world price of gold and silver'.[21]

19 'İşbu son altunlar ecnebî ahz u italarında muamelata esas ittihaz olunduğundan gerek lisan-ı resmide ve gerek lisan-ı halkda yirmilik altun tabiriyle yad olunmağa başlamış ve ötekiler artık hulliyat makamına kaim olub berikiler altun ahz u italarında vahid kıyas hükmünü almışdır' (As these latest gold coins were taken as a standard in foreign sales and purchases, they started to be called 'gold coins of twenty' both in official and in popular parlance; as the other [gold coins] were abandoned, these [gold coins] became the only standard in gold-based sales and purchases) (S. Sudî, *Usul-ı Meskûkât...*, op. cit., 74).

20 C. Ölçer, *Sultan Abdülmecid...*, op. cit., 27-32, 41.

21 'Velinimet-i bî-minnetimiz padişahımız efendimiz hazretleri teb'a-i şa-

If the 1844 reform did not constitute a turning point in terms of bimetallism, then what novelty did it bring, apart from raising the quality of coinage? Most sources consider that this operation consisted essentially in a revaluation of the piaster and of a stabilisation of currency after the long period of debasement that had preceded it. There is no denying that most of this argumentation is correct, as the standards applied to the minting of both silver and gold would be maintained until the end of the empire, thus effectively putting an end to chronic debasement. Yet, when it comes to the matter of a revaluation of currency, things seem to have been a little less obvious than thought. The pre-1844 standards of Ottoman coinage, as applied to the *Mahmudiye* and *altılık* series of the end of Mahmud II's reign, were based on 6.6566 grams of pure gold and 94.0793 grams of pure silver to 100 piasters. According to the new system, these weights were changed to 6.6146 and 99.8282 grams, respectively. This corresponded to a very slight debasement of gold coinage, in the proportion of approximately 0.63 percent, and of a slight revaluation of silver coinage, in the proportion of about 6.11 percent. In other words, rather than a real revaluation of currency, what the 1844 reform brought was a sort of adjustment to the previously set standards of 1834. Yet, this relative continuity on paper was awkwardly superimposed on a very different and much more discontinuous reality. True, the 1834-1839 issues of *altılık* coins were relatively stable in standard and silver content, and their only major difference with the post-1844 *Mecidiye* silver coinage was that, instead of small-bodied but high-standard coins, they consisted of large-bodied but low-standard coins. Yet, the real problem

haneleri hakkında nice nice lutf u inayet-i padişahaneleri zuhura geldiği gibi bu sikke maddesinde dahi halkın muamelat-ı ticareti dahi yani alış verişlerini her gûne zarardan kurtarmak içün pek büyük himmetle Devlet-i Aliyyelerinin sikkesini tashih buyurmuşdur. Şimdi nam-ı namî-i hazret-i padisâhîye kat' olunan altun ve gümüş sikkeler altun ve gümüşün dünyada olan değerine tatbik olunmuşdur' (Along with the multitude of kindnesses and bounties bestowed on his subjects by our lord and benefactor of great munificence the Sultan, with respect to this matter of coinage he has, by correcting the standard of the coins of the Sublime State, made it possible to protect their commercial operations, that is their sales and purchases, from any possible loss) (S. Sudî, *Usul-ı Meskûkât*..., op. cit., 209).

lay in the fact that previous substandard issues of silver coinage (the *beşlik* series at 220 and 170 fineness) had not been withdrawn from circulation, and, moreover, that the *altılık* issues from 1839 to 1844 had shown a slight tendency to lose some of their silver content.[22] Thus, with the introduction of the new coinage of 1844, the Ottoman system was de facto plagued by the coexistence of no less than five different silver standards, four of which were 'debased', i.e., overvalued with respect to the new standard. With respect to the 1844 coinage, the first issue of *beşlik*s was overvalued by 29 percent; the second issue by 45 percent; the *altılık*s of Mahmud's reign by six percent; and those of Abdülmecid's reign by nine percent. To this chaotic situation, one would have to add a large number of counterfeit versions of the *beşlik*s, and, of course, a wide variety of foreign coins circulating throughout the empire, especially in the most remote provinces of the east and south. The 1844 reform foresaw the withdrawal of previous silver issues; yet despite explicit instructions to that effect, the cleansing of the market of debased currency was never implemented. It was calculated that a total of 498,232,420 piasters in *beşlik* and *altılık* coinage had been issued hitherto: 115,000,000 in 0.22-fineness *beşlik*, 245,457,061 in 0.17-fineness *beşlik*, and the remaining 137,775,369 in 0.44-fineness *altılık* (see Appendix Table 7.2).[23] True, according to Young, some 120,000,000 piasters in *beşlik* and a mere 1,000,000 in *altılık* had been withdrawn,[24] but that still left almost 400,000,000 piasters or 4,000,000 *lira*s in circulation at the time of the reform. There is obviously no way one can try to quantify the counterfeit coinage circulating at the time, but even the most conservative estimate would probably place the total of silver currency available before the reform at 450,000,000 piasters or

22 Contrary to the coinage of Mahmud II's reign, there seems to be very little information on the standards and silver content of silver coinage during the first years of Abdülmecid's reign. The available sources suggest, however, that the *altılık* series of 1839-1844 contained about 0.91 grams of pure silver per piaster, instead of the 0.94 grams of 1834-1839, thus representing a 3.2 percent debasement (C. Ölçer, *Sultan Abdülmecid...*, op. cit., 31-32).

23 S. Sudî, *Usul-ı Meskûkât...*, op. cit., 62.

24 G. Young, *Corps...*, op. cit., vol. 5: 5.

Figure 7.1
Gold minting activity, 1843-1922 (in *liras*)

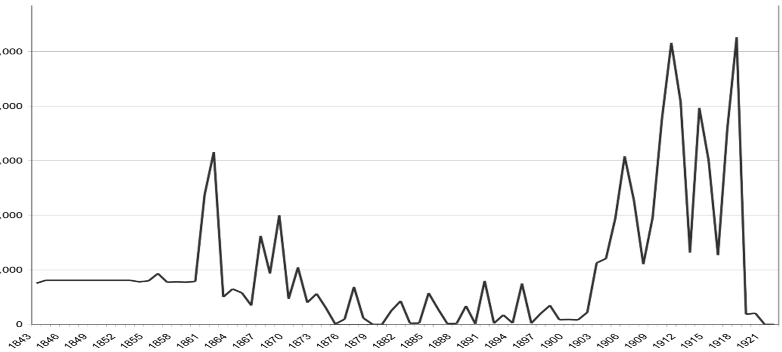


Figure 7.2
Silver minting activity, 1843-1922 (in *liras*)

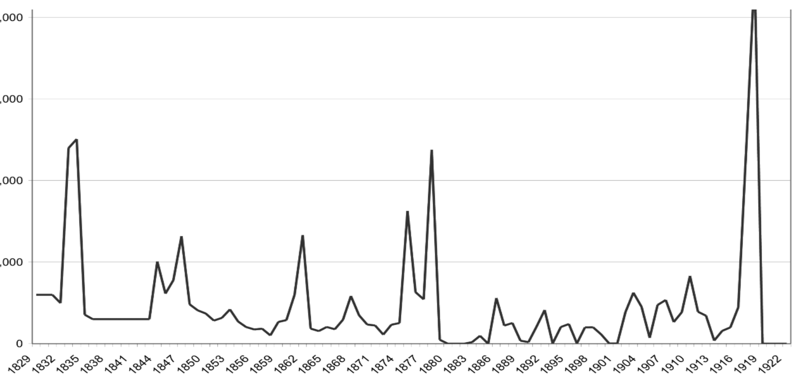
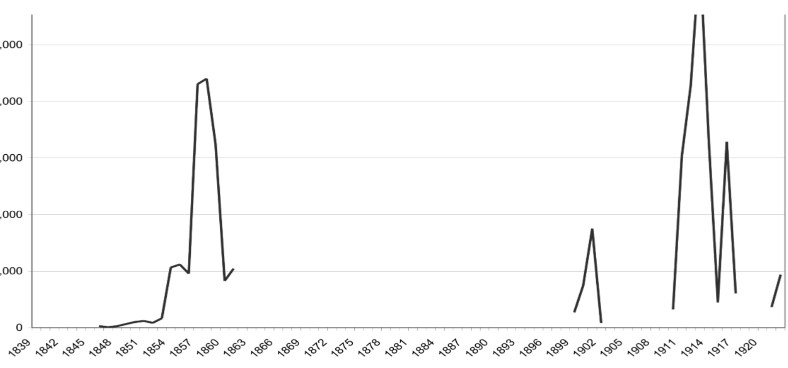


Figure 7.3
Copper minting activity, 1846-1922 (in *liras*)



4,500,000 *lira*s. If one considers the mint statistics from 1844 onwards, it appears that it was not before 1862, the second year of Sultan Abdülaziz's reign, that an equivalent sum in the new coinage had been produced by the Imperial Mint (see Appendix Table 7.2). This simple observation, if nothing else, would suffice to show to what extent the impact of the monetary reform was bound to remain limited.

II. Modern debasement: paper money

The preceding observations show that, in objective terms, the 1844 reform did not really bring any radical change to the Ottoman monetary system. In many respects, it consisted of a confirmation and adjustment of a stabilisation programme based on bimetallism already initiated in 1834. The new system was radical in form, as it involved the minting of state-of-the-art coinage, the use of a high standard of fineness, and the introduction of a decimal system; yet in content, it could hardly claim to have really brought any concrete improvement to the existing situation. The plurality of circulation, including foreign coinage, persisted; withdrawals of previous issues were never realised, and, if one considers that it took some 18 years of minting activity just to equal the amount of 'debased' coinage in circulation with new silver coins, it is likely that the new currency never really 'took off', and that its circulation remained limited to the capital and some of the major urban/commercial centres of the core regions of the empire.

To add chaos to confusion, in 1840 the Ottoman government had taken the decision to issue a rather peculiar variety of fiduciary currency, somewhere between bonds and paper money, in the form of *kaime*s or interest-bearing treasury notes. This innovation was first and foremost designed as a method of internal borrowing, and as such, was strongly inspired by the *esham* (fractional bonds) of the *malikâne* (annuities based on tax-farms and other government revenues) system of the eighteenth century. Initially bearing a fixed interest of 12.5 percent, these bonds were issued to the bearer in 1840 and 1841 in denominations of 1,000, 500, 250, 100 and 50 piasters to the amount of 100,000 purses (*kese*) of 500 piasters each, thus reaching a total circulation of 50 million piasters. Compared to the amount of silver coinage in circulation – a little less than 500 million piasters – this quantity of paper money was certainly not excessive, representing a mere ten percent. Moreover, it would be wrong to assume that this fiduciary issue was really injected into the market as a circulating medium. Denominations were very high, which naturally limited the potential for circulation of the new currency: the lowest – 50 piasters – represented almost ten times the value of the largest silver coin and 2.5 times that of the largest gold coin. More importantly, while showing a relative interest in the new product, the public displayed a marked tendency to treat them as bonds and to keep them at hand until maturity in order to cash in the interest. If one adds to all these limiting factors the fact that, following a short attempt to spread their circulation to all the territories of the empire, provincial circulation was terminated in 1841, it would appear that the initial contribution of the new fiduciary currency to monetary circulation was extremely limited. True, some serious drawbacks had to be taken into account, most notably the fact that the very coarse fabrication of these manuscript notes was an open invitation to forgery, which was extensively practiced from the very start of their appearance on the market; the replacement, in 1842, of the initial handwritten issue by printed *kaime*s did not bring any additional security and forgery continued to plague the system. Yet, all in all, the situation was far from dramatic. A partial withdrawal in 1842-1843 had reduced the total circulation to approximately 300 million piasters and by March 1844, when the reform had begun to be implemented and the first high-standard gold coins had been minted, the London *Times* was able to give a very optimistic appraisal of the monetary situation in the empire:[25]

25 Information on the initial phase of the *kaime* experiment is extremely patchy and does not allow for a proper quantitative analysis. Most of the available information has been compiled by Süleyman Sudî (*Usul-ı Meskûkât*..., op. cit., 104-109); the best available analysis is to be found in Ali Akyıldız's *Para Pul*..., op. cit., 41-54.

> The new gold coin so long expected has now partially made its appearance. It is the largest gold piece which has appeared in Turkey for the last half century. Its weight is 4 pennyweights 16 grains of gold of 22 carats, nominally of 100 piasters value, intrinsically worth 98. It is asserted in well-informed quarters that the issue will amount to 1,500,000 [lira]. Government has done so much in sending out a really valuable medium, that there is some reason to hope it may yet do more, notwithstanding the great obstacles which exist. The enormous amount of valueless coin in circulation in Turkey could only be retired at a continual sacrifice on the part of the State. The question, then, is, will this Government continue such a sacrifice for a somewhat remote benefit! There is reason, however, to believe, that as it has discovered the certain ruin which awaited a continuance of the former system, and that the old hoarded gold was sent out of the country, and only the modern dross left in the hands of the natives, it will now be aware, having gone to great expense in preparing the dies, and in making this early issue, that the effort can serve no useful purpose, unless a sufficiently large amount of the good coinage can be maintained. The Turkish Government – the most avaricious Administration of the age – has withdrawn its *saems* [*sic*, *esham*], or paper-money, having discovered it to be a losing commodity, and now seeks to establish a valuable currency in place of a nominal one, while there are English merchantmen, of talent and experience, who advocate a paper medium as a specific for all the evils of the State![26]

The *Times*' optimism was perhaps justified at first sight; yet, it was largely based on a number of assumptions that still needed to be verified, namely the ability of the Ottoman government to withdraw previous issues of substandard coinage, and the actual termination of the experiment with paper money. As is well known, neither of these preconditions was fulfilled, yet the government was able to maintain a certain degree of stability for some time, if one is to judge from the situation in 1845:

26 'The Affairs of Turkey', *The Times*, 27 March 1844.

> The Turkish Ministry, caviled at and harassed by the representatives, has nevertheless succeeded in carrying out a policy peculiarly national; not only the country continues without debt, but fictitious currency, the paper *saymes* [*sic*, *kaime*], instituted by its reformers to the amount of nearly a million sterling, has been bought up; and such is the public confidence, that this Exchequer paper, having been since re-issued at 6 instead of 12 percent interest, and which was formerly at a discount at 12 percent, now bears a premium nearly equivalent.[27]

The price to pay for this stability was high. Maintaining the rate of paper at par with, or at least close to, gold, and, more importantly, keeping a more or less stable exchange rate at around 110 piasters to the British pound sterling was rendered possible only by the creation of a stabilising agency that would guarantee a constant supply of bills of exchange on London at the said rate. Such an agency was created in 1843 by way of a contract passed between the Porte and a company formed by Alléon and Baltazzi, two traders established in the Ottoman capital. This method of stabilisation was maintained for almost a decade, with several changes in partners; in time, the company took the name of Banque de Constantinople, even though its action remained limited to furnishing bills of exchange at par.[28] Obviously, this was not a real solution, and the remedy it offered was a very artificial and costly one. The monetary chaos of the empire had always created a de facto hemorrhage of good coinage, generally gold, which was driven out of the market either by hoarding or exports, a phenomenon that had already been pointed out in 1844 by the *Times* correspondent. The phenomenon is difficult to trace and quantify, yet some statistics show that between 1846 and 1849, the stabilisation agency, the Banque de Constantinople, had exported some two tons of gold and 84 tons of silver, equivalent to approximately 1.15 million *lira*s.[29] Under these circumstances, there is much doubt as to

27 'The Affairs of Turkey', *The Times*, 18 June 1845.
28 H. Al, 'Osmanlı Devleti'nde...', *op. cit.*; idem, 'Banque...', *op. cit.*; A. Akyıldız, *Para Pul...*, op. cit., 60-64.
29 *Banque de France Archives*, J. Balzac to d'Argout, 3 January 1851.

what extent the reform of 1844 really had a significant impact on monetary circulation. In actual fact, it seems that a form of 'division of labour' had been established between three major types of currency: the debased silver coins circulating throughout the empire for everyday use; *kaimes*, which were limited to the capital at a fluctuating rate that allowed for all sorts of speculations, especially among moneychangers and bankers; and the solid currency inaugurated with the reform which served as a medium of hoarding and of international payments.

Still, as long as the issue of paper money was kept within reasonable limits, the system remained more or less manageable. In January 1850, the *Times* still noted the existence of some stability in the money market, even though the situation reflected the typical features of a complex and potentially unstable system where each type of currency circulated at varying losses and premiums: 'The Government have a considerable quantity of paper money in circulation, but it is sold at present for 2 percent under its nominal value. Two percent *ajio* [premium] is paid on the new silver coinage, and about double that sum on gold.'[30]

By 1852, the system had started to experience serious setbacks. The Banque de Constantinople, short of sufficient capital to pursue its action, was forced to cease operations. More importantly, in 1851, the Ottoman government seems to have abandoned its previous caution and embarked on a much more adventurous path with respect to the issuing of *kaimes*. In the absence of accurate figures (see Appendix Table 7.5), one can only surmise the quantity of paper money circulating at that point: by 1853, it seems to have reached close to 200 million piasters, almost four times the initial issue of 1840-1841. The new *kaimes* no longer bore interest and included smaller denominations of 10 and 20 piasters, both of these novelties greatly contributing to an increased circulation. By 1854, observers noted that the new coinage had practically disappeared from the market as it had become the object of hoarding and monetary speculation.[31] According to Adrien Biliotti, a

30 'Constantinople', *The Times*, 30 January 1850.
31 A. du Velay, *L'Histoire...*, op. cit., 131; A. Biliotti, *La Banque...*, op. cit., 94.

Figure 7.4
Ottoman Bank banknotes, 1863-1922 (in *liras*)

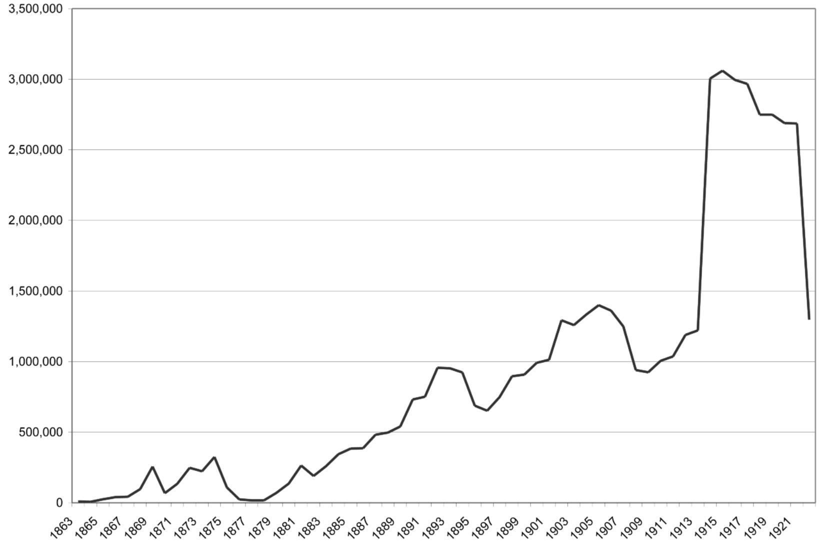
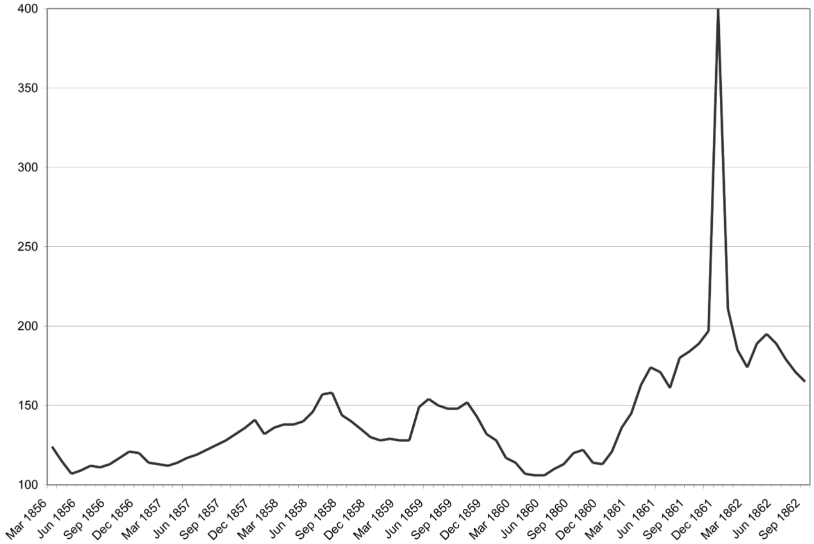


Figure 7.5
Depreciation of paper money, 1856-1862 (paper piasters per gold *lira*)



well-informed employee of the Imperial Ottoman Bank, the impact of the 1844 monetary reform was nil.[32] By 1856, the chaotic structure of the money market surprised Western observers, who were astounded at the amount of cross-currency operations required to realise the smallest financial operation. It was clear to them that the situation could not continue much longer, and that unless a powerful central bank was established, there could be no hope of ever seeing these constant fluctuations and consequent speculations end:

> The piaster is assumed in theory to be the standard currency, and all local transactions are calculated in it, which is natural enough; but all purely foreign transactions are likewise subject to this rule. Suppose, for instance, you draw a bill on England; after having deducted the banking percentage, the banker will reduce the sovereigns at the lowest rate of exchange of the day into piasters, and you don't want to take paper which in some of the provinces is not even current; he converts again the piasters at the highest rate of exchange into silver or gold, and thus makes at every such transaction about 5 per cent of you.
>
> Until these continual fluctuations between paper and specie are remedied no order can be introduced in commercial transactions. A forced currency, even if it was supported by the most stringent measures, would be of course of no avail here or anywhere else; this object can only be attained by the influence which a national bank, with a large capital, would infallibly exert on the market. In nearly every one of the banking schemes submitted to the Government it is proposed to withdraw by degrees the kaimes from circulation.[33]

32 'Les effets de la réforme financière étaient nuls: le montant des monnaies saines mises en circulation aurait été suffisant, mais la mauvaise monnaie chassait la bonne, et c'était la raréfaction inévitable du stock monétaire' (The effects of the financial reform were nil: the amount of standard coins issued would have been sufficient, but bad money driving the good one out, a serious drop in the monetary stock was inevitable) (A. Biliotti, *La Banque...*, op. cit., 96).

33 *The Times*, 5 April 1856.

Viewed from this perspective, the situation towards the middle of the century had started to resemble that of the eighteenth century, when the monetary standard, the *cedid zolota* (*piastre iselotte neuve* or 'new *zolota* piaster'), had effectively disappeared from the market and had become a fictitious unit of account, while the value of circulating (and debased) currency was expressed in percentages of loss from the *zolota* standard in a complex system of linkages.[34] The situation further worsened in the following years, as the government engaged in a systematic overissue of *kaime*s: by 1858, the nominal value of paper money in circulation had reached over 600 million piasters, and almost doubled in 1861, when the decision was taken to issue 12 million *lira*s in *kaime*s. The rate of paper against gold had started to get out of control, reaching 150 by mid-1858 and 200 by the end of 1861. At that particular juncture, following rumours that the government would no longer accept *kaime*s, a wind of panic swept over the market and the rate of gold soared to 400 piasters on 14 December 1861. The government was able to avoid the worst, bringing back the rates to around 200 piasters by opening a limited number of exchange offices where only a very small number of *kaime*s were redeemed against gold (see Figure 7.5). Following this crisis, and despite a project of yet another issue of *kaime*s redeemable in a period of 18 years, Keçecizade Fuad Pasha opted for a drastic operation aiming at the total withdrawal of paper money. An 8 million pound sterling loan at 68 percent was successfully launched in March 1862 and, thanks to its proceeds, the government was finally able to withdraw all *kaime*s from circulation. A total of approximately 1,000 million piasters in nominal value was thus redeemed against 40 percent cash payments and 60 percent in five-percent consolidated debt bonds. Given the lack of sufficient metallic reserves in Ottoman coinage, a considerable portion of the cash payments had to be made in British and French coins.[35]

34 E. Eldem, *French Trade...*, op. cit., 162-166.

35 A. Akyıldız, *Para Pul...*, op. cit., 108-135; E. Eldem, *A History...*, op. cit., 97-109.

The withdrawal of the *kaime*s was greeted with relief. The Ottoman Bank, in its initial format as a British private bank, had played a crucial role in securing the loan that had made the redemption possible; it was rewarded with a change of status that turned it into a (still private) state bank with mixed British and French capital and with the exclusive right to issue convertible banknotes. Apart from the right to issue, what was important about this privilege was that the government willingly surrendered its own right to issue paper money in an attempt to avoid the recurrence of the dramatic episode of the *kaime*s, especially during the last decade or so of their existence. The result was a normalisation that would last some 15 years, with the monetary system reduced to gold and silver currency with an extremely marginal quantity of banknotes, which, at any rate, were solidly backed by the issuing institution. The only defect that still corrupted the system was the continuing circulation of pre-1844 silver coinage, the *beşlik* and *altılık*. A project of reclaiming and reminting this debased coinage was proposed in 1863 but soon had to be abandoned.[36] This was clearly as good as it would ever get, and there were serious hopes that, finally, the 1844 system could be gradually implemented.

Needless to say, the crisis that started in the 1870s and finally erupted on 6 October 1875, when the Ottoman government unilaterally decided to cease half of the payments on the debt, brought again despair and chaos to the fragile financial situation of the empire. The total interruption of payments on the debt, in January 1876, was followed by a major political crisis as Sultan Abdülaziz was deposed and replaced on the throne by his nephew Murad V. Almost simultaneously, Serbia and Montenegro commenced hostilities against the Ottoman Empire, leading to a major Balkan crisis with Russia lurking behind. Financial bankruptcy and spiraling indebtedness, the sudden collapse of Ottoman credit on European financial markets and the war effort produced the expected result: in an act of desperation, the Ottoman government rescinded its previous engagement with the Imperial Ottoman Bank concerning the issue of paper money and,

36 A. du Velay, *L'Histoire...*, op. cit., 265.

with the bank's approval, started issuing a new series of *kaime*s. The operation started with an optimistic 300 million piasters in 1876, which soon appeared insufficient for the desperate situation; 1,300 million piasters were added in 1877-1878, the total issue thus reaching 16 million *lira*s. This time, withdrawal came earlier than during the first experiment with paper money: redemption operations started in 1878, and by the end of 1880, almost 15 million *lira*s had been withdrawn from circulation, the remaining sum gradually disappearing by 1884. This second experiment with paper money had been much shorter than the previous one, but it had also been accompanied by the utmost severity. It had taken little more than a year for the *kaime*s to lose half of their value against gold; by the end of the second year, the rate of gold in paper piasters had risen to 300, reaching 500 in January 1879. Worse was yet to come, as the rates soared to 750 in March, and 1,350 in May, before dropping to between 900 and 1,000 in 1880 (see Figure 7.6). The redemption scheme was also different from the previous experience of 1862. Instead of setting a date for the operation and redeeming the *kaime*s on the basis of their nominal value – albeit through a combination of cash and bonds – this time the redemption was gradually realised on the basis of the market value of paper money. A commission was set up for this purpose and redeemed incoming *kaime*s at rates varying between the low 400s at the beginning of 1879 and reaching almost 900 by May of the same year. A considerable quantity of *kaime*s – some 150 million piasters – was willingly surrendered by their owners in response to a call for solidarity and help issued by the government. The bakers of Istanbul were allowed to redeem their *kaime*s at the exceptional rate of 350 piasters to the gold *lira*, a privilege that was granted to them in compensation for the freezing of bread prices. The real momentum of redemption started, however, after 26 March 1879, when the state decreed that *kaime*s would be accepted to the amount of one-fifth of all payments to the Treasury, but at the fixed rate of 400 piasters to the gold *lira*. The great majority of *kaime*s in circulation – some 1,000 million piasters – was redeemed through this process which, at least, gave *kaime* holders the dubious security of not being affected by drops in the value of paper money beyond 400 piasters to the *lira*.[37]

How are we to evaluate these two paper-money experiments in the broader context of nineteenth-century Ottoman monetary policy? Most authors tend to view these two episodes as 'freak' occurrences during a period marked by the stability inaugurated by the reform of 1844. This explains that entire works should have been devoted to paper money almost in abstraction of the vicissitudes of metallic currency. True, considering the fact that during the periods of the most drastic depreciation of the *kaime*, metallic currency tended to disappear from the market, giving rise to a situation characterised by the almost exclusive circulation of paper money. Yet, one could legitimately ask whether there is really any essential difference between metallic debasement, as practiced by the state before 1844, and the fiduciary issues of 1840-1862 and 1876-1878. In other words, does the assumption of the exceptionality of paper-money experiments not mask a phenomenon of continuity between pre-1844 practices and their 'modernised' versions in the second half of the century?

The similarities between metallic debasement and excessive paper money issues are obvious. In both cases, the government forces on the market a new type of currency characterised by a lower intrinsic value which bears a risk of dislodging and eventually replacing the older one, which had a higher standard. The risk is practically unavoidable in the case of metallic currency as both currencies – old and new, standard and debased – are based on the relative value of their precious metal content. In other words, it is generally impossible, in a metallic system, for a high-standard coin to circulate at the same nominal value as a substandard coin made of the same metal. The normal outcome of such a situation is that the standard coin will be driven out of the market and will make its way to the mint. This had been the general pattern in Ottoman monetary reality since the fifteenth century. Interestingly, however, the last phases of the nineteenth-century 'Great Debasement'

37 A. Akyıldız, *Para Pul...*, op. cit., 164-241; E. Eldem, *A History...*, op. cit. 133-139.

have revealed that the Ottoman market was sometimes capable of maintaining more than one currency of the same metal but of different standards, independently of their intrinsic value: the coexistence of the *beşlik* and the *altılık*, and, later, of the *Mecidî* silver coinage is a typical instance of such a situation where the basest coins effectively circulated as a sort of fiduciary currency. At any rate, metallic debasement has the additional property of being a gradual process of absorption, which, even though it may be harmful to a large portion of the population, ends up smoothing out the edges of the sudden changes it initially causes.

The situation with paper money is very different in this respect. Paper money, in no way intrinsically linked to the value it represents, shows a much wider range of variation with respect to the metallic currency it is linked to. In the best of cases, as a result of the combination of 'reasonable' issue and public confidence, it may circulate at par, or even at a premium, with the 'hard' currency it represents. Very often, however, the contrary is true, and paper currency may easily slide down the disastrous slope of depreciation, generally as a result of excessive issue and loss of confidence. Yet, what makes the real difference between debasement and a depreciating paper money currency is that, except in extreme cases of demonetisation, the former is bound to preserve a market value commensurate with its metal content, while the latter bears a much more concrete risk of finalisation of losses through redemption.

The two nineteenth-century Ottoman paper experiments are typical illustrations of this situation. From 1840 to the early 1850s, the *kaime* was more or less able to maintain its value at par with solid currency, even though this was made possible by a constant gold and silver hemorrhage towards the West. From the 1850s onwards, however, and especially during the half decade or so until its redemption, the situation started to get out of control, the value of paper decreasing almost by half by 1862. The second experiment, as will be remembered, was much more violent. Depreciation started almost immediately and reached unprecedented levels by early 1879. In both cases, excessive issue was one of the primary causes of the catastrophic turn the situation eventually took; yet, in both cases it is rather telling that the final crisis should have taken place almost simultaneously with the declaration by the government of its intention to redeem the *kaime*s in circulation. The reason was obviously not the redemption itself, but rather the expectations on the way in which the redemption would be realised by the government. Quite rightly, the public perceived that the state was first and foremost concerned with the possibility of redeeming its own paper money at the lowest cost possible. This, in turn, entailed the repudiation of the *kaime*s, at least partially, to avoid a 'dumping' by the public of their depreciated paper money into the coffers of the state through taxes and other payments. Given the overall situation, the 1862 redemption was a relatively smooth one, which allowed the public to obtain a relatively decent 'deal' from the government, even if 60 percent of the outstanding debt in paper was simply replaced by yet another debt in the form of bonds. The situation in 1879 followed the same pattern, but in an outrageously abusive way. In less than three years' time, the public was forced into offering their *kaime*s at a quarter of their nominal value, at least for those who were lucky enough not to have succumbed to the panic of March and May, or to have had the possibility of making use of the 'deal' offered by the state to pay one-fifth of their dues to the treasury in paper.

Was there an alternative to these disastrous endings that were brought on each of the paper-money experiments? Obviously, the state did not have the means to offer better terms in its redemption operations, especially in 1879. Yet the real problem probably lies in the fact that, once again, the whole system was plagued by the indecision and general mistrust displayed by the government with respect to its own paper money. Experiments were carried out in a haphazard way: circulation was sometimes extended to the whole of the empire, sometimes restricted to Istanbul only; the government imposed it when it came to its own expenditures, but was often reluctant to accept it as payment; minimal efforts were displayed to keep the issue under control, but radical measures were taken when it came to its redemption. In short, the government tampered with paper in more or less the same way it had tampered with metal for centuries, oblivious to the fact that the response of paper was bound to be much more

Figure 7.6
Depreciation of paper money, 1876-1880 (paper piasters per gold *lira*)

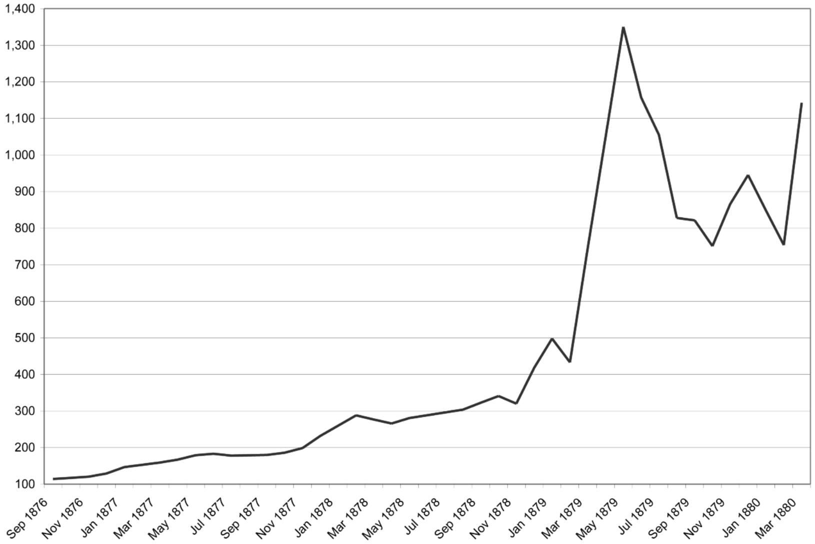
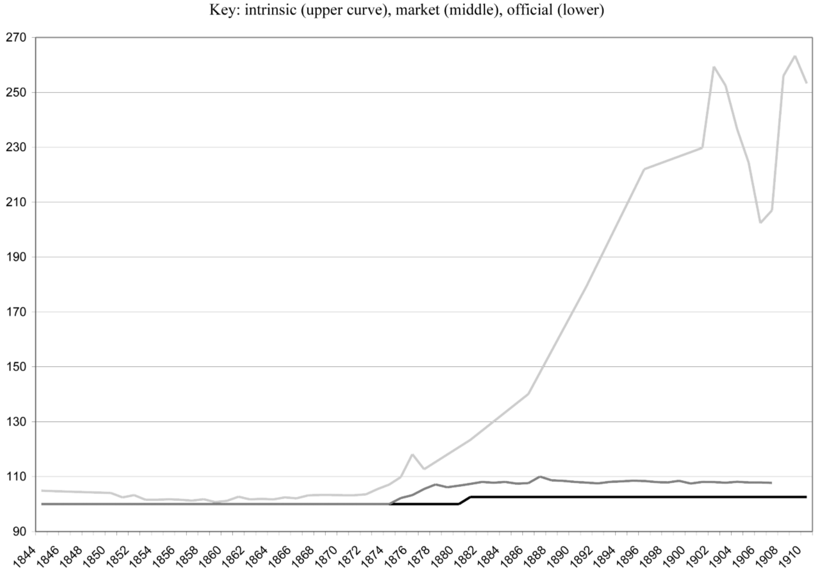


Figure 7.7
Value of the gold *lira* in silver piasters, 1844-1911



uncontrollable than that of metal. In the words of a Western observer in 1878:

> Again, in currency questions, that things are in a bad way is not to be attributed to deeply-seated causes, is not even to be primarily sought in an excessive issue of paper. If we take into account the numbers of the Turkish population and their volume of trade, and compare these with, for instance, the Austrian population and trade, it will be found that the quantity of paper in circulation is not theoretically great, or what should be much, if at all, in excess of the people's wants. That it is in excess and is enormously depreciated is due mostly to the ignorant caprices of the Government, which one day accepts and another day refuses to take its own notes, and, above all, steadily persists in preferring and keeping in circulation throughout the provinces a largely-debased copper currency. What wonder, then, that the circulation of the *caimés* is virtually restricted to the capital and to some large towns?[38]

Indeed, the Ottoman Empire was not the only economy plagued by depreciating paper money during the nineteenth century. Austria and Russia had both been through similar phases ever since the introduction of paper money in the second half of the eighteenth century, their respective currencies occasionally losing up to 80 percent of their value against hard currency. Yet, both these empires had persisted in their system and had eventually been able, by the end of the nineteenth and beginning of the twentieth centuries, to reestablish convertibility by resorting to a devaluation of their metallic currency. The advantage was the possibility of spreading the consequences of the depreciation of paper money over a long period of time, thus minimising the individual losses experienced by the public. This was the exact opposite of what the Ottomans had done: instead of devaluing their hard currency, they had opted for maintaining it at its standard

38 J. Trevor Barkley, 'Turkish Finance and Turkish Reforms', *The Times*, 23 October 1878.

level of 1844, putting all the burden of depreciation and losses on short-term paper experiments, which inevitably finalised these losses without any possibility of spreading the process and of increasing the public's capacity for absorbing these monetary shocks. Had the Ottoman government maintained and tried to stabilise, instead of redeeming, its paper currency, it might have had a chance of minimising, over time, the damage that had been done to a great portion of the population, especially the middling and lower classes, who did not have the means of compensating for their losses.

III. The 1880 reform: the illusion of stability

At any rate, it was clear that from 1880 onwards, there was no turning back, and that a return to the 1844 system, however illusory it may have been until then, was the top priority on the state's agenda. Paper money was out, and any currency that might have served a reminder of the traumatic experiences of the past was to be avoided at any cost. This was the main reason behind the very limited way in which the Imperial Ottoman Bank made use of its now restored privilege of issuing banknotes (see Appendix Table 7.4 and Figure 7.4). True, the bank itself was not keen on issuing notes that would have required the blocking of one-third of their value in gold; but even at a time when, in the late 1890s, the bank felt the urge to increase its volume of issue, this proposal met with a staunch refusal on part of the government, as did that of extending the circulation of its banknotes to some of the provinces of the empire.[39] By the 1880s, at any rate, following the catastrophic *kaime* experiment, the government had other concerns, which would once again reveal that the age-old propensity to use debasement as a means of deficit financing was still very much alive in the minds of Ottoman bureaucrats. This time, the currency concerned was not paper, but silver, whose market value had started to drop considerably in the early 1870s. The phenomenon is well-known and

39 E. Eldem, *A History...*, op. cit., 192-196.

needs not to be described in detail; suffice it to say that the discovery of new silver reserves in America had upset the gold to silver ratio across the world, causing much anxiety in bimetallic countries. The anxiety, in turn, had caused some drastic moves away from silver through demonetisation, as in the case of Germany, which had increased even more the quantity of silver thrown on the market, with a snowballing effect on the depreciation of silver. Different systems using silver responded differently to this new situation. Some, like India, maintained the circulation of silver, deemed indispensable for the functioning of the system; most shifted to gold, either fully, by moving towards gold monometallism and demonetising their silver, as in the case of Germany, or partially, as with France, by adopting what was called a 'limping' gold standard, which maintained an artificial linkage to silver. Thus, the French system effectively shifted to gold, but still remained bimetallist in theory, through the linkage provided by the five-franc silver coin, which was kept as legal tender on the basis of a strict cessation of its minting, while smaller silver coins were declared to be acceptable only for fractional purposes and for the redemption of limited debts.

As its system was bimetallic, the Ottoman government was confronted with the same problem as the French. Two options lay before it. It could revert to silver, and thus benefit from the comparative advantage of competitive exports thanks to the depreciation of silver against gold. However, its foreign debt had been contracted in gold and the transition to silver would have substantially increased the burden of the repayment and servicing of this debt. Moreover, the preservation of silver would have weakened the commercial links between Europe and the empire, jeopardising the process of integration on which the future of the empire depended to a large extent.[40] In fact, it would have been extremely difficult for the Ottoman government to follow any other path

40 Ş. Pamuk, *A Monetary...*, op. cit., 236; J. Thobie, 'Les choix financiers de l'«Ottomane» en Méditerranée orientale de 1856 à 1939', in *Banque et investissements en Méditerranée à l'époque contemporaine. Actes du Colloque de Marseilles, 4-5 Février 1982* (Marseilles, 1985), 60-61.

than that indicated by the general European trend towards the gold standard. The best they could hope for was to find an intermediate solution that would align the empire with Europe while preserving the circulation of silver on which most of the economy still depended. Thus, on 24 December 1295 (5 January 1880), a decree was issued which would radically modify the whole monetary system of the empire.[41] According to this decree, the monetary standard of the empire would be the gold *lira* of 100 piasters, and this standard would be applied to all revenues of the state, starting from 1 March 1296 (13 March 1880). As for silver, the value of the *mecidiye*, which had until then circulated (at least in theory) at 20 piasters, was reduced to 19 piasters. The state was, thus, moving towards the gold standard, while, at the same time, preserving a fixed ratio between gold and silver. This ratio, with a five percent increase over the previous bimetallic ratio of 15.0909, now stood at 15.845445. In practical terms, this meant that the state was fixing the effective rate of the gold *lira* at 105.26 (100 x 20 / 19) piasters in silver.

Why did the Ottoman solution look so complicated compared to the French one? The French had simply maintained the five-franc coin at its nominal value, controlling its eventual loss of value by starving the market and making sure no undervalued silver would make its way to the mint by ceasing its production. The Ottomans were doing the same in terms of stopping the production of their equivalent of the five-franc coin, but only after decreasing its nominal value by five percent, which amounted to increasing the silver rate of the gold *lira* by 2.60 percent. The simplest explanation for this difference lay in the timing of the two operations. The French had reacted in 1873, immediately after the gold to silver ratio had started to show a marked break from its normal value located between 15.3 and 15.7. The Ottomans, however, had waited another seven years before bringing a modification to the system, thus

41 'Meclis-i Meb'usanın in'ikadında kanuniyeti tasdik olunmak üzere meskûkât-ı Osmaniyye hakkında kararname layihası' [The Decree on Ottoman Currency to be approved by the Meeting of the Chamber of Deputies], *Düstur, Zeyl* [Code of Laws, Supplement] vol. 1 ([Istanbul], n.d.), 59-61; G. Young, *Corps...*, op. cit., vol. 5: 6.

allowing the market value of their silver currency to drop as the result of the rising gold to silver ratio. Thus, the tolerable intrinsic depreciation of the *mecidiye*, which had stood below 103.6 silver piasters to the gold *lira* until 1872, had started to rise steadily: to 105.5 in 1873, 107.1 in 1874, 109.9 in 1875, 118.2 in 1876, 112.7 in 1877 and 123.4 in 1881 (see Figure 7.7). The market rates had fluctuated at a somewhat lower, but still rising, level: 102.2 in 1875, 103.3 in 1876, 105.5 in 1877, 107.2 in 1878, 106.2 in 1879 and 108 in 1880.[42] The reason for this delay could probably be attributed to the chaotic situation of the monetary scene between 1876 and 1880: these dates corresponded to the catastrophic issue of *kaime*s, which had left the monetary system in a shambles, driving most solid currencies away from the market. It would therefore have been unrealistic to imagine that a monetary reform or adjustment concerning silver could have been introduced at the precise juncture when the market was being flooded by a depreciating paper currency.

Yet, one may wonder if this apparent apathy and helplessness of the government was not, in fact, masking a much more cynical and opportunistic attitude. According to Biliotti, following the first signs of the depreciation of silver, the government had accelerated its production of silver coinage and thus itself contributed to the further depreciation of the *mecidiye*. Indeed, Imperial Mint figures show that during the four years between 1875 and 1878, approximately 2,600,000 *lira*s in silver, almost all of it in 20-piaster coins, had been minted anew. This corresponded to the total production in the same metal during the preceding 15 years, from 1860 to 1874 (see Appendix Table 7.2). The quantity of gold minted during the same periods showed the exact opposite trend: 900,000 *lira*s between 1875 and 1878 against 15,750,000 *lira*s between 1860 and 1874 (see Appendix Table 7.1). Why, then, had the Ottoman state deliberately opted, after 1874, for an increase in silver minting? In all evidence, it had been lured by the perspective of benefiting from yet another occasion for debasement.

42 'La question monétaire en Turquie', *La Gazette financière* 67 (10 January 1911): 4.

This time, however, the debasement was of a different, and rather subtle, nature: the state did not have to resort to a real tampering with its silver currency; the drop in the international market price had done it in its place, by automatically decreasing the intrinsic value of its standard silver coinage. Once it had injected this new and intrinsically debased coinage – which represented 30 percent of all the silver minted since 1844 and probably a much higher proportion of that remaining in circulation – the government had been able to make a second profit by imposing, in 1880, a five-percent depreciation on the same currency. True, this depreciation, which corresponded to the rate of 102.60 silver piasters to the gold *lira*, was lower than the drop in the market value of silver, expressed by the rate of 108 piasters to the gold *lira*. Yet, by taking on itself the 2.6 percent difference between these two rates, the state was creating a relatively preferential rate, which was bound to attract the silver currency into its coffers. For understandable reasons, this new measure was highly unpopular among all circles, which, due to their frequent dealings with the state, would be forced to pay a 2.6 percent premium on their payments, as the *Times* commented: 'Sir Henry Layard has informed the Porte that the payment of Customs, lighthouses, and sanitary dues will be made under protest, because the order reducing the value of the medjidié to 19 piasters is equivalent to an increase of those duties'.[43]

The state did not stop at this. Carried away by its enthusiasm, it went one step further and tried to solve the age-old problem of pre-1844 coinage still circulating by including in the same decree a 'system' aimed at the eradication of this debased currency. The decree stipulated that debased coinage would be accepted at its nominal value for up to five percent of cash payments to the state, and at its real value for the rest. The real value had therefore to be fixed, and it was decreed that it would be half the nominal value of the coins. An exception was made for the *altılık*s, which had always had a higher degree of fineness. Their real value was set at five piasters, instead of their nominal value of six

43 'Turkey', *The Times*, 16 March 1880.

piasters. Considering that some 2,400,000 *lira*s in *beşlik*, and some 1,370,000 *lira*s in *altılık* were still in circulation, this meant that some 3,770,000 *lira*s in the hands of the public were suddenly reduced to 2,342,000 *lira*s overnight, representing a loss for the public of approximately 40 percent of their circulating monetary stock.

> The Government has just adopted one of those violent measures which may be introduced with impunity in Turkey, but which would certainly produce in any country of Western Europe, if not a revolution, at least very serious popular disturbances. In the hope of lightening its financial difficulties, it has suddenly declared that the debased silver coinage, which is the ordinary medium of exchange for the great mass of the people, will in future be taken merely at its intrinsic worth – that is to say about one half of its nominal value. To understand the full importance of this decision we must consider it in relation to recent measures of a similar kind. A year ago there were five distinct kinds of currency – the gold coinage, the silver or Medjidié coinage, the debased silver or metallic coinage, the copper coinage, and the *caimé* or paper money. At that time the last-named was the chief embarrassment for the Government, for all taxes, except the Customs, were paid in it, and it had sunk to about one-third of its nominal value. After repeated attempts to deal with it in a regular way, the Khaireddin Cabinet resolved to get rid of it by an arbitrary act of the supreme power. For this purpose an *iradé* was issued on March 13, declaring that in future it would be accepted in payment of only one-fifth of the taxes. The consequence of this was that it at once fell to about one-tenth of its nominal value, and disappeared from circulation. The copper coinage, for reasons not easily explained, likewise fell rapidly, and gradually became disused. The debased silver currency or metallic thus became the ordinary currency, except among the foreigners of the larger towns, who refused to deal in anything but gold and silver. It was used for paying the officials of all grades, except the diplomatic service and a few privileged individuals, and was accepted as payment of all taxes except the Customs dues. It varied in value according to the

conditions of the market, but it may be said in general terms that the depreciation was ordinarily about 20 percent, and there was little or no apprehension of a further fall until a few days ago, when vague rumors got afloat that a repudiation measure was under consideration. Suddenly in the course of a single day, the exchange between metallic and gold coinage went up from 125 to 148. The rumours were semi-officially contradicted, but were at the same time indirectly confirmed by an order of the Government forbidding the new administration of the six indirect taxes to accept metallic coinage for salt and stamps. There was, of course, a panic among the money-changers, and on Tuesday morning the worst apprehensions were confirmed by the appearance in the native papers of a decree… The practical result of the measure is that the whole of the metallic currency, representing a nominal value of £T3,770,000 according to the latest official calculations, but in reality considerably more, is demonetised, and consequently loses half its nominal value. It is hardly necessary to point out the fearful hardships which such a measure imposes on the people. Poor people, who kept their savings in metallic money, which has been since the repudiation of the *caimé* the money in ordinary use, have suddenly lost nearly half of their little fortune, and are compelled to pay nearly twice as much for taxes as before. As many of them lost nearly the whole of their little fortune last year, when the *caimé* was repudiated, it may be doubted whether they will be able to bear this new blow which they receive before having had time to recover from the previous misfortune. It is still too soon to make any confident prediction on the subject, but it is already reported that disturbances have occurred in some of the provincial towns on account of the bakers refusing to accept the metallic money, and the people having no other money to offer. Both here and in the provincial towns the Excise Revenue offices are besieged by an impatient, indignant crowd, endeavouring to buy salt and stamps with metallic currency at the nominal rate. These people have a right to get what they demand, for the decree does not come in force till to-morrow, which is the 1st of March according to the Greek calendar, and the first day

> of the Turkish financial year; but the offices in question have adopted the expedient sometimes employed by banks at moments of commercial panic – that is to say, they do not refuse to give what is asked, but they give it as slowly as possible, so that only a small proportion of the demand is satisfied. In Galata the measure has produced great indignation, for the preparation of it was kept a profound secret up to the last moment, and consequently heavy losses have been incurred. The day before its publication two of the leading bankers were still actively preparing a scheme at the request of the Government for raising the debased coinage to nearly its nominal value, and a third made large purchases of metallic money in view of the expected rise. The decree has come upon them almost as unexpectedly as the famous decree of Mahmoud Nedim in 1875. In the official class there are similar feelings of discontent, which find very free expression, for the arrears of salary are being paid in metallic money at par. These arrears are very considerable. I know one official, who is not in any exceptional position, who has to receive 41 months' arrears of pay. Some aides-de-camp of the Sultan, who are, of course, in an exceptionally favoured position, received the day before yesterday arrears of pay for 18 months. As the metallic coinage in which they were paid was calculated at par, their loyalty and devotion are being severely tried. It remains to be seen whether all classes, directly and indirectly concerned, will quietly submit to this sweeping act of official spoliation, and whether the country will be able to bear the new burdens imposed upon it by the decree.[44]

The author of the article was not mistaken in assuming that the violence of this measure would likely cause much resentment and trouble among

44 'Turkey', *The Times*, 19 March 1880. 'Greatest of all is the mistake about the metallic currency. The "metallic" was throughout the provinces the ordinary medium of exchange and the coin commonly used in commercial transactions. The Government, therefore, by reducing it to one-half of its previous value robbed the population of one-half of its cash in hand, without itself profiting from the robbery. Is it likely that the people thus impoverished will be able to pay additional taxation?' ('The Turkish Budget', *The Times*, 27 April 1880).

the population. Serious disturbances were witnessed in some provincial cities such as Thessaloniki, Aleppo,[45] and İzmir:

> On account of the order of the Porte reducing the beshliks and all small coinage to less than a third of their original value, most of the bakers and other small shopkeepers were obliged to shut up their shops, the poor people having only small change to purchase food, and nobody being willing to take it. Some hundred poor Turkish women went to the Governor [of İzmir (Smyrna)] and complained that they could get nothing to eat with the sultan's money. Being ordered away, they dispersed, and commenced stealing what they could lay their hand upon, until at length all the shops were closed. Great excitement prevailed for three or four days, but the Governor having ordered the beshliks, altiliks, &c, to be taken at half their original value, the town became quieter.[46]

That the state viewed the operation as a means of deficit financing was apparent in the hopes openly expressed by the government of realising a profit of over 1,500,000 *lira*s from the combined effects of the devaluation of the *mecidiye* and the conversion of the *beşlik* and *altılık*:

> Said Pasha, the President of the Council, having promised the Sultan to effect an equilibrium between revenue and expenditure, has established the following new revenues: – £T1,500,000 to accrue from the measures taken with regard to the debased metallic currency; £T150,000 from the reduction in the value of the medjidié…[47]

45 'Turkey', *The Times*, 19 March 1880.

46 'Turkey', *The Times*, 23 March 1880.

47 'Turkey', *The Times*, 22 March 1880. 'When it is asked where the two additional millions in the estimated revenue come from, the Prime Minister replies that they will be derived from the recent decrees reducing the value of the metallic currency, from the increase of the land and property tax, and from the new customs tariff… In the first place, the decree reducing the value of the metallic currency, while nearly doubling the direct taxes, has fearfully impoverished the people, and

The operation met with varying success. Despite the opposition of foreign powers, the devaluation of the *mecidiye* was maintained and the situation resulting from these modifications, although far from simple, did stabilise almost immediately. Despite the continuous depreciation of silver throughout the world, the Ottoman government was able to stabilise the market value of the silver *mecidiye* in Istanbul at approximately 108 piasters to the gold *lira*.[48] This was mainly due to the combined effect of the closing of the mint to silver and of the acceptance by the state of payments in silver at a premium of 2.6 percent. This last measure ensured that all payments to the treasury, particularly taxes, would be made in silver, since it incited the public to benefit from this premium on any payment expressed in the new standard gold currency. Moreover, a free market for minted silver had formed, enabling private and commercial transactions to be conducted in silver currency. Thus, in a rather strange way, silver *mecidiye*s had started to circulate at three different rates, each of which referred to a specific use of silver currency. In dealings with the state, the *mecidiye* was received at the rate of 102.6 piasters to the gold *lira*. In daily trade, it was rounded up to an average rate of 108 piasters. Finally, as a commodity in large-scale transactions, it had a fluctuating rate showing slight variations below or above the average rate of 108 piasters (see Figures 7.7 and 7.8).[49] This was partly due to the fact that the cessation of silver minting activity was rigorously observed and that a considerable quantity of 20-piaster coins (approximately one-fifth of the total issue) was gradually withdrawn from circulation to be reminted in the form of fractional coinage.[50]

will create an unusual amount of arrears' ('Turkey', *The Times*, 19 April 1880).

48 Thus the market ratio between gold and silver had, by 1900, reached approximately 36:1, or more than twice its level in the 1870s. Viewed from this perspective, the intrinsic value of the silver *mecidiye* was of 110.60 piasters to the gold *lira* in 1875, 122.70 in 1880, 129.40 in 1885, 131.60 in 1890, 210.50 in 1895 and 236.00 in 1900 (G. Young, *Corps*..., op. cit., vol. 5: 2).

49 A. Biliotti, *La Banque*..., op. cit., 117-118; G. Young, *Corps*..., op. cit., vol. 5: 2.

50 'La réforme monétaire', *La Gazette financière* 92 (4 July 1911): 7.

Figure 7.8
Minimum and maximum rates of silver, 1876-1907
(silver piasters per gold *lira*)

Despite the stability of this strange situation, the functioning of the system depended on a number of operations and services provided by financial intermediaries: *sarraf*s or moneychangers, first of all, provided the essential linkages between gold and silver, and between the 20-piaster silver coins and fractional denominations down to 20 *para*s. The relative scarcity of fractional coinage was a constant problem which encumbered everyday transactions and which imposed additional costs on individuals who needed small change for their purchases and payments. Although viewed as a plague by all contemporary observers, this situation acted as a sort of regulatory system on the circulation of devalued silver. Yet, one of the institutions that benefited most from this artificial situation was the Imperial Ottoman Bank itself, which, by taking on itself the regulation of the flow of silver *mecidiye*s back and forth between the capital and the provinces, and by constantly providing conversion services between gold and silver in a monetary market it dominated thanks to the sheer weight of its volume of transactions, realised handsome profits that varied between 10,000 and 20,000 *lira*s every year.[51] A telling proof of the importance of these 'side' revenues for the bank can be found in the opposition it showed to the gradual acceptance by the state, from 1908 onwards, of payments in gold at a rate approaching the rate of 102.6 applied to silver. This had led to a very considerable shift of payments from silver to gold, with a corresponding reduction of the bank's role in the conversion of silver back to gold, and, of course, of the profits it made through such operations.[52]

Strange as it may have been, the Ottoman system worked, at least in the imperial capital, and with respect to the slight devaluation of the *mecidiye*, which was successfully maintained until the outbreak of the Great War. However, if one is to consider the system on an empire-wide scale, and include in this evaluation the projected eradication of the older debased currency, the balance sheet of reform appears to have been much less positive. According to the available statistics, the quantity of debased coinage that was effectively withdrawn and reminted into fractional coinage of the *mecidiye* remained well under expectations. Between 1880 and 1888, the equivalent of 625,368 *lira*s in *altılık* and 400,500 *lira*s in *beşlik* seem to have made it back into the Imperial Mint. A second operation in 1903-1905 yielded only 12,682 *lira*s in *altılık*, and was followed in 1914 by a third and last withdrawal of 15,623 *lira*s in *altılık* and 61,511 *lira*s in *beşlik*. All in all, then, the state was able to withdraw 1,115,684 *lira*s of debased currency out of a (conservative) total of 3,770,000 still in circulation before 1880.[53] A similar operation was also conducted after 1898 with a view to withdrawing the Maria Theresa thalers circulating in some Arab provinces, most particularly Yemen and Hejaz. A decree issued that year reduced their value – until then taken at 23.43 piasters – to 12 piasters, corresponding more or less to their intrinsic value.[54] Until 1907, the

51 A. Biliotti, *La Banque...*, op. cit., 131-138.

52 *Ottoman Bank Archives*, Minutes of the Board of Directors, 8 April 1908, vol. 14: 398-399; 'La réforme monétaire', *La Gazette financière* 94 (18 July 1911): 5.

53 According to another source, the amount of debased currency withdrawn was 1,301,871 *liras*, of which 721,595 in *altılık* and 580,276 in *beşlik* ('La réforme monétaire', *La Gazette financière* 92 (4 July 1911): 7).

54 A. Biliotti, *La Banque...*, op. cit., 108-109.

equivalent of nearly 800,000 *lira*s in thalers was thus withdrawn, although one is at a loss to ascertain what proportion of the circulating stock this sum represented.

IV. Complexity, diversity, and chaos: understanding the 'system'

The limited success of these operations has to be understood within the context of the system on an empire-wide scale. Indeed, what most characterised the Ottoman monetary system, even in the decades following the 'adjustment' of 1880 and a return to normal financial conditions after the establishment of the Ottoman Public Debt Administration in 1881, were the wide regional variations and discrepancies in monetary practice. As early as 1881, the *Times* described to its readers how, in Beirut, the situation was the exact opposite of the 'norm' of Istanbul, and how, instead of a system based on the gold *lira*, the local monetary practice was indexed on the silver *mecidiye*, whose value was much higher than in the capital of the empire:

> As a last remark, Mr. Beaman [acting vice-consul at Beirut] points out the great inconvenience arising from the standard rate of exchange being in silver and fluctuating daily. The medjidié, at 22¾ piasters, has been adopted as the basis of monetary values. Owing to the fall in silver at Constantinople it is now at 7 percent discount. Nevertheless the medjidié is maintained in Beyrout [Beirut] at its original value, and the value of gold has been raised from 115 to 122 piasters, thus making, as it were, a merchandise of the lira, which should be the standing coin.[55]

Beirut was no exception to the rule. Syria and Palestine made a predominant use of *beşlik*s and *altılık*s almost to the exclusion of *Mecidî* coinage, and these two debased currencies were rated at 104 and 105 piasters, respectively, in total disregard of their actual silver

55 'A Turkish Port', *The Times*, 12 September 1881.

content.[56] In Palestine, the only gold coin that had a fixed rate was the French 20-franc coin, rated at 124 piasters, while the Ottoman gold *lira* had a fluctuating rate which varied at around 142-142.5 piasters.[57] İzmir functioned on a silver-based system, while other regions based their monetary system on foreign coins: Indian rupees in Baghdad, Russian rubles in northeastern Anatolia, Austrian Maria Theresa *thaler*s in Yemen and Hejaz.[58] The result was a puzzling system of multiple standards and endless variations on the rate of exchange of Ottoman coinage, wherever it was in use. In Thessaloniki, the gold *lira* was exchanged at 102.5 piasters, while the *mecidiye* was estimated at 19 piasters. The same rates were at 124 and 23 in Mersin and Adana, 123 and 22.50 in Edirne, and 127 and 23.5 in Aleppo.[59] In some areas, the combination of these variations with a local tradition of different rates based on commodities brought the complexity of the situation to a peak. Thus, in İzmir, the value of the Ottoman *lira* in silver could vary from 102.5 in administrative dealings to 108 in dealings with railway companies or in the trade of opium, oil, iron and copper. The same rate rose to 110.75 when hides, beeswax or cereals except wheat were concerned: to 124.25 for mastic and citrus from Chios, 125 for bills of exchange, cotton, wool, coal, 127 for figs, 135.25 for alcoholic beverages, steel and cotton yarn; 151.25 for butter, tin, lead or nails; and a high of 178 for wheat and liquorice.[60] Of course, such disparities had no direct relationship to the intrinsic value of money, but rather to a complex set of conventions deeply anchored in a tradition of monetary pluralism and chaos. Therefore, the difference of some 70 piasters between the Ottoman *lira* in official dealings and in wheat purchases reflected merely a difference in price rather than a difference in the value of the coins. The piaster had thus become a unit of account totally divorced from monetary reality. It was the weakness of the Ottoman

56 A. Biliotti, *La Banque...*, op. cit., 106.
57 *Ibid.*, 108.
58 *Ibid.*, 106-109.
59 *Ibid.*, 124.
60 G. Young, *Corps...*, op. cit., vol. 5: 2.

monetary system that it was incapable of imposing a monetary standard that would be reflected in an adjustment of local prices, and that, on the contrary, local prices forced the monetary system into a level of abstraction rarely matched by any other country in the world. As Biliotti put it, the Ottoman monetary system was in fact fluctuating between gold and silver monometallism. Banking and major international trading activities were made in gold, forcing *mecidiye* holders to buy gold at its daily rate; on the contrary in the provinces, there was practically no gold but only silver, sometimes even to the exclusion of the *mecidiye* coinage the government had been trying to impose ever since the reform of 1844.[61]

Under these circumstances, it seems impossible to really speak of an Ottoman monetary 'system', and 'organised chaos' seems the closest one could hope to get to a description of the complex and fragmented situation that survived until the First World War. As is often the case with Ottoman history, the combined effects of an almost exclusive focus on the imperial capital and a tendency to take for granted the normative and idealised discourse of the state have encouraged most researchers to make a number of generalisations that would hardly stand the test of a more extensive and/or in-depth analysis. It appears that there were three major dimensions characterising the Ottoman monetary system in the nineteenth century. The first of these, the 'official' or 'central' one, represented the modernist line, consisting of rationalisation, standardisation and stabilisation. This dimension included very concrete operations, such as the 1844 reform and all sorts of operations aimed at the establishment of a system compatible with the contemporary requirements of Western economic and financial development. Yet, it also relied on a lot of idealisation and wishful thinking, which, if taken too seriously, is likely to distort the overall picture in the direction of the state's own rhetoric. The second dimension, which we might still call 'official' or 'central', differs from

61 'La question monétaire en Turquie', *La Gazette financière* 67 (10 January 1911): 5.

the first in the sense that it represents the 'dark side' of the state, i.e., the persistence of arbitrary, opportunistic and sometimes violent methods aimed at promoting the immediate interests of the state, from deficit financing to crisis management. The age-old tradition of debasement belongs here, with its multiple and innovative variations of the period: paper money, redemption operations, and devaluation *cum* debasement as practiced in 1880. The clashes and compromises between this and the preceding dimension of 'central' monetary policy constitute the backbone and the basic dynamics of nineteenth-century Ottoman monetary history, as it has been written to this day, even though one can note a clear tendency of an either/or approach to dominate our perception of what, I think, has to be reconsidered within the framework of a much more integrated and interactive process.

Yet, what seems to be the most understudied aspect of Ottoman monetary history during this period is the third dimension, which I would try to describe as that of 'local resistances'. Local, because it rested mostly on a wide variety of practices spread throughout the empire, forming a fragmented and chaotic structure almost entirely autonomous from the norms supposedly implemented by the central 'system'; resistances, because resisting the norms was precisely what these localised subsystems were about. In the face of a growing central pressure to unify and standardise, local practices held on, preserving, adapting or yielding, depending on the intensity of the aggression that was directed at them, and on their own capacity to resist these onslaughts of modernity, integration or downright abuses. Interestingly, these local systems or pockets of resistance were, at the same time, the reason why the normal system could not really be established, and the reason why the system managed to function despite its inconsistencies. Yet, we have to admit that we know practically nothing of this third and most complex dimension of Ottoman monetary history, and that herein lies probably one of the keys to a better understanding of the dynamics not only of monetary, but of financial and economic, reality in the nineteenth century.

I will try to conclude on a lighter note. On 26 March 1332/8 April 1916, the government took the decisive step of doing away with all this inconsistency by promulgating a law on 'monetary unification'.[62] The provisions of the law were simple and direct. Gold was established as the only standard of the Ottoman monetary system, with the gold piaster becoming its basic monetary unit, with the *lira* of 100 piasters its multiple, and the *para* its fraction, on the basis of forty *para*s to the piaster. This monetary unification was to be extended to all of the territories of the empire. Consequently, all other regional and customary rates were abolished. More importantly, this unification rendered money changing pointless and irrelevant, putting an end to the age-old function of *sarraf*s. Thus, speculation on the value of coins was made illegal and punishable by appendix II of article 99 of the Penal Code. Any attempt at provoking differences in the rates stated above could result in three months to two years of imprisonment for individuals, and one week to three months of closure for companies and institutions.

It was perfect; except, perhaps, for a small detail. The provisions of the law dealt with every possible aspect of the question of coinage, but there was little, if any, coinage to be found throughout the empire. In fact, the whole text seemed like a farce, describing at length the nature and specificities of coins that had already disappeared under mattresses and into stockings, or had simply fled the country. They had been displaced by the only currency circulating, consisting of paper notes which the government persistently wanted to impose at par with gold. The real monetary unification of the empire had taken place in a totally different way, through the gradual replacement of metallic currency by an increasingly suspect paper currency, which would eventually conquer the market so decisively as to be inherited by the Republic of Turkey after the collapse of the empire.

62 'Tevhid-i meskûkât hakkında kanun-ı muvakkat' [Provisional Law on the Unification of Currency], 5 Cemaziülahir 1334/26 Mart 1332 (8 April 1916), law number 406, *Düstur, Tertib-i Sani* [Code of Laws, Second Collection], vol. 8: 892-894; K. Sarkis, *Türkiye Cumhuriyeti Sicilli Kavanini* [Registered Laws of the Turkish Republic], 16/189 ([Istanbul], 1936), 747-749.

Appendix

Table 7.1
Gold minting activity, 1843-1922 (in *liras*)

	Piaster coins						Total
	500 pi.	250 pi.	100 pi.	50 pi.	25 pi.	12.5 pi.	
1843			754,952				754,952
1844			754,952	55,000			809,952
1845			754,952	55,000			809,952
1846			754,952	55,000			809,952
1847			754,952	55,000			809,952
1848			754,952	55,000			809,952
1849			754,952	55,000			809,952
1850			754,952	55,000			809,952
1851			754,952	55,000			809,952
1852			754,952	55,000			809,952
1853			754,952	55,000			809,952
1854			754,952	25,000			779,952
1855			754,952	25,000	18,683		798,635
1856	40,000	120,000	754,952		18,683		933,635
1857			754,952		18,683		773,635
1858	2,850		754,952	3,685	18,683		780,170
1859			754,952		18,683		773,635
1860	2,850	7,300	754,952	3,685	18,683		787,470
1861	7,600	7,600	2,347,232	2,900	12,900		2,378,232
1862	8,300	900	3,128,599		21,600		3,159,399
1863	3,400		478,201		22,300		503,901
1864	4,500	1,200	628,100		17,250		651,050
1865			561,200		16,650		577,850
1866			330,100		18,200		348,300
1867	106,000	7,000	1,491,100	1,000	20,100		1,625,200
1868	354,600	76,200	494,600	1,000	8,900		935,300
1869	372,000	20,000	1,569,700	12,300	28,300		2,002,300
1870	148,600		304,200		16,050		468,850
1871	164,600		865,700		16,200		1,046,500
1872			371,600		30,600		402,200
1873	294,000		246,000		23,400		563,400
1874			286,000		14,500		300,500
1875			3,600		4,200		7,800
1876	1,100	300	84,900	5,100	4,700		96,100
1877	283,800		403,600		900		688,300
1878	17,000		97,400	100	1,350		115,850
1879	300		1,530		90		1,920
1880							0

	Piaster coins						Total
	500 pi.	250 pi.	100 pi.	50 pi.	25 pi.	12.5 pi.	
1881	13,000		231,020	4,100	2,475		250,595
1882			415,050	3,250	12,260		430,560
1883			18,600	1,000	1,150		20,750
1884			22,800	1,500	1,500		25,800
1885			571,800	3,000	1,700		576,500
1886	1,000	1,000	261,600	9,000	12,000		284,600
1887	1,000	1,000	2,000	1,800	9,000		14,800
1888	1,000	1,000	2,000	2,500	10,100		16,600
1889	1,000	1,000	317,850	4,000	13,000		336,850
1890	1,000	1,000	2,000	3,000	3,200		10,200
1891	76,300	1,000	721,690	1,000	500		800,490
1892	1,000	1,000	3,350	6,550	10,000		21,900
1893	1,000	1,000	164,650	3,000	3,500		173,150
1894	1,000	1,000	3,000	5,500	14,700		25,200
1895	1,000	1,000	727,800	9,000	10,650		749,450
1896	1,000	1,000	4,400	6,000	9,500		21,900
1897	1,000	1,000	182,500	6,500	9,000		200,000
1898	72,575	5,000	235,570	15,880	19,590		348,615
1899	40,240	9,150	12,450	9,490	15,075		86,405
1900	52,660	5,110	6,585	10,023	14,915		89,293
1901	46,575	7,415	7,590	9,693	13,855	90	85,218
1902	119,390	8,050	58,070	10,415	27,192		223,117
1903	183,880	21,368	878,649	21,055	21,225	100	1,126,277
1904	87,125	22,883	1,044,404	19,574	31,901	1,462	1,207,349
1905	171,665	17,055	1,666,591	42,407	46,061	1,651	1,945,430
1906	209,870	25,825	2,779,574	40,536	24,399	3,063	3,083,267
1907	168,750	28,448	1,994,278	37,771	38,424	1,799	2,269,470
1908	86,075	9,000	981,388	14,515	8,316	1,629	1,100,923
1909	195,140	16,195	1,715,274	3,138	28,871		1,958,618
1910	196,130	40,513	3,413,789	57,468	60,632	5,446	3,773,978
1911	292,655	55,185	4,680,853	49,707	80,048	6,296	5,164,743
1912	228,750	59,125	3,633,183	55,873	96,315	2,418	4,075,664
1913	210,705	87,555	940,714	28,868	48,389	1,145	1,317,376
1914	100,465	37,978	3,788,868	17,557	24,055	1,485	3,970,408
1915	3,895	75	2,989,609	4,588	5,605		3,003,772
1916	6,175	7,813	1,245,340	5,511	4,135		1,268,973
1917	110	70	3,582,005	1,000	1,015		3,584,200
1918	134,920	98	5,036,830	81,187	13,381		5,266,415
1919	110,960	15,053	43,629	173	17,663		187,478
1920	108,155	31,925	50,560	224	15,900		206,764
1921	555	50	200	100	100		1,005
1922	110	53	204	102	205		673
Total	4,739,330	763,488	71,720,808	1,237,322	1,171,789	26,584	79,659,321

Table 7.2
Silver minting activity, 1829-1922 (in *liras*)

	20 pi.	10 pi.	5 pi.	2 pi.	1 pi.	20 pa.	beşlik	altılık	Total
1829-1832							1,150,000		1,150,000
1833-1834							2,454,571		2,454,571
1834-1843								1,377,754	1,377,754
1844	402,510	33,842	67,355						503,707
1845	147,924	1,200	130,600	20,700	6,500				306,924
1846	334,133		18,100	23,000	14,200				389,433
1847	625,097		12,000	10,600	9,100	2,000			658,797
1848	203,971		12,600	10,850	9,700	4,550			241,671
1849	163,014		15,700	13,900	10,400	1,950			204,964
1850	136,769		22,600	13,700	11,000	1,350			185,419
1851	97,031		24,900	10,800	8,200	1,150			142,081
1852	126,697		17,700	5,600	7,900	900			158,797
1853	159,302		34,000	6,000	9,600	1,200			210,102
1854	64,034		48,600	10,200	12,200	1,350			136,384
1855	82,031		10,300	1,200	8,100	850			102,481
1856	68,088		10,900		7,200	1,300			87,488
1857	40,100		19,200	5,500	22,700	4,500			92,000
1858	20,634		15,500	2,100	11,650	750			50,634
1859	102,600		16,200		14,050	1,250			134,100
1860	124,819		10,700		8,250	950			144,719
1861	274,429		6,800	1,100	13,000	5,200			300,529
1862	621,234	2,800	14,000	1,300	22,450	4,250			666,034
1863	51,400	800	14,400	4,700	13,700	7,850			92,850
1864	46,798	100	14,000	2,900	9,000	4,650			77,448
1865	77,300		12,100	2,700	6,850	3,700			102,650
1866	62,700		17,100		6,300	2,600			88,700
1867	128,000		12,400		5,350	1,750			147,500
1868	291,300		1,000						292,300
1869	171,800		2,500						174,300
1870	105,600		11,500						117,100
1871	105,900		6,300						112,200
1872	46,600		9,300						55,900
1873	102,700		14,200						116,900
1874	116,700		10,100						126,800
1875	806,800		7,700						814,500
1876	305,800	400	3,100	200	6,250	550			316,300
1877	271,300		700		200				272,200
1878	1,187,900	500	800						1,189,200
1879	2,500	7,150	13,470		450	250			23,820
1880									0

	20 pi.	10 pi.	5 pi.	2 pi.	1 pi.	20 pa.	beşlik	altılık	Total
1881									0
1882									0
1883			4,100	2,050	2,100	1,750			10,000
1884			30,700	12,100	6,000				48,800
1885									0
1886			89,400	102,300	88,300				280,000
1887			94,000	6,500	10,800				111,300
1888		16,100	109,100	600	1,300				127,100
1889			19,000						19,000
1890			9,700						9,700
1891			45,675	19,600	40,000				105,275
1892			66,850	74,720	64,400				205,970
1893			600	455	400				1,455
1894			1,570	70,130	30,700				102,400
1895		3,400	8,120	67,400	41,220				120,140
1896			880	420	400				1,700
1897			420	59,600	39,790				99,810
1898			340	62,770	37,600				100,710
1899			6,285	29,800	20,405				56,490
1900			665	285	836				1,786
1901			380	336	550				1,266
1902			816	93,770	99,449				194,035
1903			318	151,330	161,388				313,036
1904			360	155,500	70,755				226,615
1905			1,907	27,315	7,072				36,294
1906		5,100	158,750	60,280	13,660				237,790
1907		57,500	166,700	32,500	11,400				268,100
1908		27,300	45,350	43,450	17,000				133,100
1909			77,877	103,146	12,700				193,723
1910		11,020	94,286	222,400	87,700				415,406
1911		760	63,654	122,192	9,366				195,972
1912		9,600	81,760	80,629					171,989
1913		3,433	9,685	6,015					19,133
1914		8,119	33,180	37,684					78,983
1915		58,153	41,730	349					100,232
1916	142,534	40,777	32,403	7,970					223,683
1917	1,192,365	29,868	197	160					1,222,590
1918	2,205,000	66,590	500	500					2,272,590
1919	306	100	102	63					570
1920									0
1921									0
1922									0
Total	11,215,720	384,612	1,955,784	1,801,369	1,129,591	56,600	3,564,571	1,377,754	21,526,000

Table 7.3
Copper minting activity, 1846-1922 (in *liras*)

	1 pi.	20 pa.	10 pa.	5 pa.	1 pa.	Total
1846				1,250	250	1,500
1847				375	94	469
1848				1,000	313	1,313
1849				3,178	41	3,219
1850				4,600	400	5,000
1851				5,800	200	6,000
1852				4,250	75	4,325
1853			1,875	6,325	175	8,375
1854		21,750	22,800	7,875	850	53,275
1855	14,500	10,250	22,775	8,125	200	55,850
1856	39,500		4,750	2,500	1,125	47,875
1857	113,000	6,000	84,000	11,625	625	215,250
1858	140,300	15,000	52,000	12,575	275	220,150
1859	93,000	42,000	18,750	7,750	500	162,000
1860	41,400					41,400
1861		18,500	25,030	8,750		52,280
1862						
1863						
1864	60,000					60,000
…						
1899			8,800	4,670		13,470
1900			31,500	5,710		37,210
1901			71,125	16,365		87,490
1902			4,200			4,200
1903						
1904			5,017	628		5,645
1905						
1906						
1907						
1908						
1909						
1910		7,620	6,440	2,080		16,140
1911	19,920	57,040	47,480	27,200		151,640
1912	87,160	54,240	46,440	26,740		214,580
1913	92,489	121,753	79,498	38,224		331,965
1914		103,018	54,200	19,689		165,279

	1 pi.	20 pa.	10 pa.	5 pa.	1 pa.	Total
1915		294	18,846	3,140		22,280
1916	163,396	2	72	926		164,395
1917	30,345		59			30,404
1918						
1919						
1920						
1921	18,334					18,334
1922	46,890					46,890
Total	960,233	457,466	605,658	231,350	5,123	2,248,202

Table 7.4
Ottoman Bank banknotes, 1863-1922 (in *liras*)

	Issue	Withdrawal	Stock	Circulation
1863	29,992		29,992	8,700
1864			29,992	7,400
1865			29,992	25,200
1866			29,992	39,900
1867			29,992	42,500
1868	50,000	29,990	50,002	96,500
1869	189,998	15	239,985	256,400
1870		78	239,907	68,500
1871		4	239,903	134,000
1872		7	239,896	247,600
1873		6	239,890	222,800
1874	100,000	350	339,540	324,500
1875	100,000	1,042	438,498	109,000
1876		586	437,912	24,500
1877		122	437,790	18,100
1878			437,790	17,700
1879		35	437,755	70,000
1880	8,000	196,475	249,280	136,000
1881	150,000	39,936	359,344	264,000
1882		183	359,161	190,000
1883	112,000	167,192	303,969	260,000
1884	95,000	82	398,887	344,000
1885	155,000	10	553,877	384,000
1886		7	553,870	387,000
1887		12	553,858	483,000
1888		785	553,073	497,000
1889		399	552,674	541,000
1890	260,000	6	812,668	732,000
1891	425,000	175,000	1,062,668	751,000
1892	15,000	5	1,077,663	957,000
1893	100,000		1,177,663	952,000
1894	375,000	125,006	1,427,657	923,000
1895	225,000	225,000	1,427,657	688,000
1896	125,000	97,320	1,455,337	652,000
1897		2	1,455,335	748,300
1898			1,455,335	896,000

	Issue	Withdrawal	Stock	Circulation
1899	240,000	240,000	1,455,335	908,000
1900	260,000	260,000	1,455,335	991,000
1901	250,000	250,000	1,455,335	1,013,000
1902	100,000	100,000	1,455,335	1,293,100
1903	70,000	70,000	1,455,335	1,259,000
1904	50,000	50,000	1,455,335	1,333,570
1905	225,000	180,335	1,500,000	1,399,754
1906	100,000	100,000	1,500,000	1,361,086
1907	125,000	125,000	1,500,000	1,248,475
1908		50,000	1,450,000	940,845
1909	800,000	900,000	1,350,000	924,060
1910	1,050,000	400,000	2,000,000	1,005,400
1911			2,000,000	1,037,300
1912			2,000,000	1,188,620
1913		350,000	1,650,000	1,221,220
1914	1,917,000		3,567,000	3,005,325
1915		147,000	3,420,000	3,060,000
1916			3,420,000	2,995,000
1917			3,420,000	2,967,700
1918			3,420,000	2,749,576
1919			3,420,000	2,749,525
1920			3,420,000	2,688,384
1921			3,420,000	2,687,002
1922			3,420,000	1,297,945

Table 7.5
Paper money issue, 1840-1922 (in *liras*)

	Issue	Withdrawal	Circulation
1840	400,000		400,000
1841	100,000		500,000
1842		119,080	380,920
1843			298,624
1844			?
1845			?
1846			?
1847			?
1848			?
1849			?
1850			?
1851			?
1852		400,000	?
1853			1,775,000
1854		856,250	?
1855			1,763,540
1856			1,720,000
1857			?
1858			6,279,250
1859		5,479,250	800,000
1860		150,000	650,000
1861	12,500,000		11,197,287
1862		9,998,007	1,199,280
1863		1,199,280	0
……			
1876	3,000,000		3,000,000
1877	10,100,341		13,100,341
1878	5,331,139	3,193,753	15,237,727
1879		8,727,237	6,510,490
1880		4,799,697	1,710,793
1881		935,164	775,629
1882		269,443	506,186
1883		349,481	156,705
1884		156,705	
……			
1915	7,900,000		7,900,000
1916	37,900,000		45,800,000
1917	78,300,000		124,100,000
1918	36,900,000		161,000,000
1919			161,000,000
1920			161,000,000
1921			161,000,000
1922			161,000,000

Table 7.6
Estimations of the Ottoman monetary stock by various authors and institutions

Date	Source	Gold minted	Gold hoarded	Gold circulating	Silver	Debased	Foreign	Banknotes	Total
1885	Haupt	31,000,000		16,000,000					
1896	Imperial Ottoman Bank			4,500,000					
1896	Crédit Lyonnais			8,000,000					
1898	Sir Edgar Vincent			4,000,000	8,000,000				
1900	Young	34,750,000		20,000,000	8,880,000	2,770,000	800,000		32,000,000
1908	Imperial Mint	48,000,000		32,000,000					
1908	Bankers	48,000,000		20,000,000					
1908	Biliotti	48,057,206			10,000,000				
1913	Cavid Bey		15,000,000						40,000,000
1914	Eldem	66,200,000	30,000,000	32,000,000	10,400,000	120,000	500,000	1,270,000	43,190,000

Sources: Haupt (1885) and Imperial Ottoman Bank and Crédit Lyonnais (1896) from A. Biliotti, *La Banque impériale ottomane*, 100-101 and 102 respectively; Sir Edgar Vincent (1898) from idem, 'Indian Currency', *The Times*, 26 May 1898; Young (1900) from idem, *Corps de droit ottoman*, vol. 5: 4-5; Imperial Mint (1908) and Bankers (1908) from 'La question monétaire en Turquie', Gazette financière 67 (10 January 1911): 5; Biliotti (1908) from idem, *La Banque impériale ottomane*, 101; Cavid Bey (1913) and Eldem (1914) from V. Eldem, *Osmanlı İmparatorluğu'nun İktisadi Şartları*, 228 and 229 respectively.