A Monetary History of the Ottoman Empire

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CHAPTER 1

Introduction

Trade, money, and states in the Mediterranean basin

Money is usually defined by economists in terms of its functions, most prominently as a means of exchange, but also as a means of payment, a unit of account and a store of value. These roles also articulate a logical explanation of how and why the use of money originated. In the economists' view, true money or full-fledged money needs to fulfill all of these functions. In fact, we know from its actual historical development that many forms of money performed only some of these functions.

Historically, the function of money as a means of payment appears to be older than its role as a means of exchange. Ancient rulers collected tribute and other forms of payment long before a market and the use of money as a means of exchange emerged. Even in a city like Carthage, and exclusively in the Persian empire, for instance, the coinage of money appeared solely for the purpose of providing a means of making military payments and not as a medium of exchange.[1] It is thus possible to have money without market exchange and market exchange without money as in the case of barter.[2] Barter was a costly and unwieldy system of exchange, however. With the establishment of a stable measure of value, exchange was greatly facilitated. Although many goods served in this capacity, metals eventually began to be employed both as a unit of account and a means of exchange. The general acceptability of metallic money in effect reduced transaction costs and stimulated the expansion of trade. As a result, monetization, the expansion

[1] Max Weber, *General Economic History* (Glencoe, IL: The Free Press, 1927), chapter 19. See also Michael Crawford, "Money and Exchange in the Roman World," *Journal of Roman Studies* 60 (1970), 40–48; and Michael F. Hendy, *Studies in the Byzantine Monetary Economy c. 300–1450* (Cambridge University Press, 1985) arguing the same for a much later period, for the Romans and the Byzantine state.

[2] A decline in the availability of money did not always lead to a decline in market exchange. When the former occurred, market exchange came under pressure but in some cases survived as barter and other practices, such as payment of taxes in kind, took over. For an example from Medieval India, see John Leyell, *Living Without Silver: the Monetary History of Early Medieval North India* (Delhi: Oxford University Press, 1990).

of the use of money, has been associated with commercialization, the emergence and spread of markets. Both the notion of money itself and the historical development of different forms of money depended critically on the institution of the market.[3]

Even more important than exchange and markets in the spread of the use of money was the expansion of long-distance trade. Many societies which possessed large resources in precious metals did not begin exploiting them until the development of trade called for plentiful supplies of money. An important forerunner of coined money was the precious metal bars privately stamped by merchants which appeared in Indian commerce and later in Babylonia and China. The *shekel* of the Ancient Near East was nothing but a piece of silver bearing the stamp of a certain mercantile family, which was recognized for conscientousness in weighing. The Chinese *tael* was similarly a piece of bar silver stamped by the mercantile guilds. It is thus clear that exchange and trade preceded and created money rather than the other way around.[4]

States did not take over the creation of money and assume a monopoly of that process until later. In the form of coinage, money first appeared in seventh century BC Lydia, located not coincidentally, on the Anatolian coast, well within the trade networks of Antiquity. An important motive for the political authorities in issuing coin was to provide themselves a convenient means of extracting and mobilizing revenue. By issuing coin and demanding its use in tax payments, the states established both a definition of legal tender for state payments and a uniform standard for private exchange. Nonetheless, we should underline that money as a means of state payments is logically distinct from its function as a means of exchange.[5]

After the earliest coinage of the Greek city states circulated around the Aegean and the Mediterranean as a medium of exchange, the conquests of Alexander the Great were instrumental in their introduction to Egypt, the Persian Empire and northern India.[6] The Roman Empire represented an important stage in the development of money and monetary systems. The political and economic unification of the Mediterranean basin and the lands beyond facilitated the emergence of a monetary system based on gold, silver and copper coinage in this large area. With state regulation of the standards of each, a reasonably well-defined relationship developed between the

[3] Sanjay Subrahmanyam (ed.), *Money and the Market in India, 1100–1700* (Delhi: Oxford University Press, 1994), 1–19.

[4] Paul Einzig, *Primitive Money, in Its Ethnological, Historical and Economic Aspects*, revised and enlarged edition (Oxford: Pergamon Press, 1966); Philip Grierson, *The Origins of Money* (University of London: The Athlone Press, 1977); Weber, *General Economic History*, 236–44; Pierre Vilar, *A History of Gold and Money, 1450–1920* (London: New Left Books, 1976), pp. 16–29.

[5] Richard von Glahn, *Fountain of Fortune, Money and Monetary Policy in China, 1000–1700* (Berkeley and Los Angeles, CA: University of California Press, 1996), 18–20.

[6] Philip Grierson, *Numismatics* (Oxford University Press, 1975), pp. 9–44.

different types of coinage. Gold was used for large transactions and for the store of wealth while bronze and later copper dominated the small daily transactions. Silver coinage occupied the middle ground. As prime examples of commodity money, the value of gold and silver coins remained closely linked to the commodity value of the metals they contained. In contrast, bronze and copper coinage often circulated as fiat money at values attached to them by the state which was above their metal content.[7] The development of this system went hand in hand with the expansion of markets, the commercialization of the economy and the increasing use of money.[8] Many of the monetary terms used in Europe and the Middle East during the modern era date back to the Roman period.

The Antiquity also took seriously the coinage monopoly of the state. The issuing of coinage has been considered an important symbol of sovereignty for rulers since the early coinage of Ancient Greece.[9] The Romans' motives for issuing coinage went beyond the representation of sovereignty, however. Like the earlier states, the Romans needed some form of money in order to collect taxes and make payments to the soldiers, bureaucrats, and others. Perhaps more importantly, they were aware that there existed a linkage between the availability of money and the well being of the economy. Coinage was thus issued to facilitate exchange and trade and promote a better functioning economy.[10]

Monetization needs to be interpreted in a broader context, however. Although the main function of money or a monetary system was to facilitate the exchange of goods and services and discharge of fiscal and other obligations, the presence of money did more than simply reduce transaction costs. With the advent of money, economic relationships became more abstract and less personal. Cash payments tended to replace seasonal labor obligations, further weakening traditional means of maintaining power and influence. In the longer term, as payments were conventionalized and

[7] Premodern states lacked the authority to maintain fiat currency for a long period of time. The ultimate example of fiat money is paper money which has virtually no commodity value. Before the modern era, paper currencies were successfully used only in China until the fourteenth century. Von Glahn, *Fountain of Fortune*, 48–70.

[8] R. A. G. Carson, *Coins of the Roman Empire* (London and New York: Routledge, 1990); Keith Hopkins, "Taxes and Trade in the Roman Empire," *Journal of Roman Studies* 70 (1980), 101–25; E. Lo Cascio, "State and Coinage in the Late Republic and Early Empire," *Journal of Roman Studies* 71 (1981), 76–86; Louis C. West and Allan Chester Johnson, *Currency in Roman and Byzantine Egypt* (Princeton University Press, 1944); Richard Duncan-Jones, *Money and Government in the Roman Empire* (Cambridge University Press, 1994); and Marcello de Cecco, "Monetary Theory and Roman History," *The Journal of Economic History* 45 (1985), 809–22.

[9] Thomas R. Martin, *Sovereignty and Coinage in Classical Greece* (Princeton University Press, 1985).

[10] An excellent discussion is provided by Hopkins, in "Taxes and Trade," 101–25. The fiscalist position has been argued by Crawford, "Money and Exchange," 40–48 and Hendy, *Byzantine Monetary Economy*.

regularized, the expansion in the sphere of money had ever greater impact on society as well as the economy.[11]

Ever since the first appearance of metal coins, the large geographical area from Persia in the east to western Europe, with the Mediterranean basin often providing the critical medium of interaction, has witnessed some of the most lively exchanges in the evolution of coinages. These exchanges were due, above all, to the maintenance of commercial contacts within and between these regions. Not only Ancient Greek, Roman, Sassanian, Byzantine, Islamic, and Western European coinage and design but also techniques of production and mint administration have interacted in this basin. The Mediterranean basin also remained in contact with the other two independent monetary traditions of the Old World, that of the Indian subcontinent and that of China together with east and southeast Asia.[12] Over the centuries, the Mediterranean and Indian traditions of coinage continued to be influenced by each other thanks to the maintenance of commercial linkages while the east and southeast Asian coinage pursued a mostly independent line until the modern era.[13] Paper money was used in China sporadically between the eleventh and fourteenth centuries after having first appeared there several hundred years earlier. It reached Iran via the Mongols in the thirteenth century. Marco Polo, for example, refers to the use by the Mongols of paper money, which did not appear in Europe until the seventeenth century.

With the Germanic invasions, the monetary traditions as well as economy and commerce in the Mediterranean basin were divided into two branches. In the western provinces of the Roman Empire, the decline of population, trade, and the urban economy was accompanied by a sharp decrease in the availability and use of coinage and other forms of money. Gold disappeared and European coinage came to consist mostly of small silver pennies. An increasing proportion of payments began to be made in kind or in terms of labor. There thus emerged in feudal Europe a growing distinction between the standard of value and the means of exchange. The means of exchange

[11] For recent essays on the social impact of money, see Jonathan Parry and Maurice Bloch (eds.), *Money and the Morality of Exchange* (Cambridge University Press, 1989).

[12] Grierson, *Numismatics*, pp. 9–44. For the early evolution of monetary systems in India and Southeast Asia, see Leyell, *Living Without Silver*; and Robert S. Wicks, *Money, Markets and Trade in Early Southeast Asia, the Development of Indigenous Monetary Systems to AD 1400* (Ithaca, NY: Cornell University, Studies on Southeast Asia, 1992).

[13] Grierson, *Numismatics*, 44–71; for the monetary system of Mughal India during the sixteenth and seventeenth centuries, see J. F. Richards (ed.), *The Imperial Monetary System of Mughal India* (Delhi: Oxford University Press, 1987). For a more general perspective emphasizing the continued commercial, monetary, and financial interaction between Europe and Asia during the Early Modern period, see Frank Perlin, "Monetary Revolution and Societal Change in the Late Medieval and Early Modern Times – a Review Article," *Journal of Asian Studies* 45 (1986), 1037–48; and Frank Perlin, "Financial Institutions and Business Practices across the Euro-Asian Interface: Comparative and Structural Considerations, 1500–1900," in Hans Pohl (ed.), *The European Discovery of the World and its Economic Effects on pre-Industrial Society, 1500–1800* (Stuttgart: Franz Steiner, 1990), 257–303.

were sometimes coins but more often other commodities and primitive moneys, foods, spices, cloth, jewelry, and animals. Barter or other forms of moneyless exchanges also became widespread. Coins were in many respects no more money than many other commodities. Only in international trade were they still preferred as a means of exchange to any other commodity.[14]

Since the urban economy and economic activity remained stronger in the eastern Mediterranean, the Roman traditions of gold, silver, and copper coinage continued to flourish in the Byzantine Empire.[15] Until the eleventh century, the gold *nomizma* or *bezant* of the Byzantine Empire unified the Mediterranean as "the dollar of the Middle Ages."[16] When the Islamic states began to expand from Arabia and Syria in the seventh century, the two economies they came into contact with, the Byzantine and the Sassanian, already were highly monetized. From the outset, the Islamic rulers attempted to integrate these established monetary systems into their own fiscal and economic framework. The first truly Islamic coins were issued as part of the famous monetary reform of Caliph Abd al-Malik in AD 696–97.[17] These efforts were mostly successful, and one of the salient features of almost every Islamic state in the Middle Ages, stretching from Spain to the Indian subcontinent, has been the prominent role of gold, silver, and copper coinage. In Islam too, issuing of coinage as well as having prayers read for one's name, "*sahib-i sikke ve hutbe*," came to be considered the most important symbols of sovereignty for a ruler.[18] In short, Islamic states were influenced by and carried on many of the monetary traditions of the Mediterranean basin.

From a numismatics perspective, the common denominators of Islamic coinage were their almost entirely epigraphic character and the use of Arabic script which contrasted both with the pictorial coin types and the

[14] Peter Spufford, *Money and its Use in Medieval Europe* (Cambridge University Press, 1988), 7–105; also, Carlo M. Cipolla, *Money, Prices, and Civilization in the Mediterranean World, Fifth to Seventeenth Century* (Princeton University Press, 1956), 3–11; Cipolla, "Currency Depreciation in Medieval Europe," *Economic History Review* 15 (1963), 413–22 and Marc Bloch, *Esquisse d'une Histoire Monetaire de l'Europe* (Paris: Librarie Armand Colin, 1954), 3–28. Such a breakdown of the monetary system and the shift to a barter economy occurred, of course, not only in feudal Europe but in many other societies at other times although perhaps not always so dramatically.

[15] Hendy, *Byzantine Monetary Economy*, and P. Grierson, *Byzantine Coins* (London: Methuen & Co. Ltd., 1982); also West and Johnson, *Currency in Roman and Byzantine Egypt.*

[16] Robert S. Lopez, "The Dollar of the Middle Ages," *The Journal of Economic History* 11 (1951), 209–34; Cipolla, *Money, Prices and Civilization*, 13–23; and Robert S. Lopez and W. Raymond Irving, *Medieval Trade in the Mediterranean World, Illustrative Documents* (New York, NY: Columbia University Press, 1955), 10–16.

[17] P. Grierson, "The Monetary Reforms of ʾAbd al-Malik," *The Journal of the Economic and Social History of the Orient* 3 (1960), 241–64; and Andrew S. Ehrenkreutz, "Monetary Aspects of Medieval Near Eastern Economic History," in M. A. Cook (ed.), *Studies in the Economic History of the Middle East* (London: Oxford University Press, 1970), 38–41.

[18] The right to issue *sikke* applied only to gold and silver coinage. From the beginning, the Islamic tradition regarded copper coinage as an essentially local affair. See S. Album, *A Checklist of Islamic Coins*, second edition (Santa Rosa, CA: S. Album, 1998), 9.

Latin characters that dominated Europe.[19] Despite these external differences, however, the two traditions continued to interact throughout the Middle Ages thanks to the strength of the commercial linkages across the Mediterranean. The traditional Islamic denominations were the gold *dinar*, the silver *dirham* and the copper *fels* or *fulus*, terms which had Roman, Antiquity and Byzantine origins, respectively. Late medieval Europe, in turn, owed and borrowed much from Islamic monetary practices and traditions. In the twelfth and thirteenth centuries, in the waning days of Byzantine economic and commercial power, the Islamic gold *dinar*s provided an internationally recognized standard of payment and sometimes served as the medium of exchange around the Mediterranean, replicating the role played earlier by the *nomizma*.[20] Other commercial and monetary forms were also exchanged across the Mediterranean. The commenda, for example, the most popular type of business partnership in medieval Europe owes its origins to the *mudaraba* of medieval Islamic societies and found its way through trade across the Mediterranean to western Europe. There is a good deal of debate as to whether the European bills of exchange were influenced by the Islamic *suftadja* and *hawala*.[21]

In Islamic states, too, the monetary practices of governments were conditioned by the needs of markets and especially long-distance trade and recurring shortages of specie and coinage that affected all medieval economies. Even though the influence of merchants in these states was limited, they were listened to and tolerated by the rulers because of their important economic role. In comparison to the Italian city states, for example, the medieval Islamic states were not the states of merchants, but most often, the states were not against them either.[22] Most Islamic states made efforts to maintain steady supplies of coinage. The authorities often adopted free minting in order to encourage and increase the availability of coinage. Even more importantly, many states were careful not to adopt interventionist practices and allowed money markets to function on their own in order to maintain the circulation of specie and coinage.[23]

[19] Michael L. Bates, "Islamic Numismatics, Sections 1–4," *Middle East Studies Association Bulletin* 12/3 (1978), 1–16; 12/4 (1978), 2–18 and 13/1 (1979), 3–21; and Ehrenkreutz, "Monetary Aspects," 37–50.

[20] Cipolla, *Money, Prices and Civilization*, 13–23; Andrew S. Ehrenkreutz, "Studies in the Monetary History of the Near East in the Middle Ages," *Journal of the Economic and Social History of the Orient* 2 (1959), 128–61; and A. M. Watson, "Back to Gold – and Silver," *The Economic History Review* 20 (1967), 1–34.

[21] Abraham L. Udovitch, "At the Origins of the Western Commenda: Islam, Israel, Byzantium," *Speculum* 37 (1962), 198–207 and Eliyahu Ashtor, "Banking Instruments between the Muslim East and the Christian West," *Journal of European Economic History* 1 (1972), 553–73.

[22] A. L. Udovitch, "Merchants and *Amirs*: Government and Trade in Eleventh Century Egypt," *Asian and African Studies* 22 (1988), 53–72.

[23] S. D. Goitein, *A Mediterranean Society, the Jewish Communities of the Arab World as Portrayed in the Documents of the Cairo Geniza*, vol. I: *Economic Foundations* (Berkeley and Los Angeles, CA: University of California Press, 1967), 229–66; Gilles P. Hennequin,

One state with considerable influence on Ottoman monetary practices was that of the Ilkhanids, the Mongols of Persia. Thanks to Mongol control of the long-distance trade routes from China to Western Asia where they were connected to merchants arriving from Europe, the Ilkhanids had access to large amounts of silver. After converting to Islam towards the end of the thirteenth century, they established a new monetary system in Persia and went on to produce prodigious quantities of gold and silver coinage which included some of the most interesting examples of calligraphic engraving by an Islamic state. The network of Ilkhanid mints increased dramatically to more than 200 locations, mostly in western and northern Persia but also in eastern and central Anatolia, which was ruled directly from the capital city of Tebriz. The quality and the abundance of Ilkhanid coinage provides strong evidence for the revival of economic and commercial activity both in Persia and Anatolia during the thirteenth century.[24]

While the states of Antiquity and medieval Islam took the coinage monopoly seriously, in feudal Europe the rule was the appropriation of the coinage function by numerous jurisdictions and their proprietors. The coinage right remained officially reserved for the king or the emperor, but the actual manufacture of coins was carried out by an association of handicraft producers. The revenue from the coinage business thus fell to the individual coinage lord and the latter began to derive considerable revenue from seigniorage or minting fees. With the rising importance of taxation as a source of revenue, there emerged a new need for steady supplies of coinage. An even greater tendency for debasement arose from the growth of government expenditure and budget deficits which steadily increased with the consolidation of centralized states and the rise in the costs of warmaking and military spending, especially from the fourteenth century onwards.[25] There were losers as well as winners from debasements, however, and whether strong or weak money prevailed often depended on the balances of power between those that held onto state power and benefited from debasements and those that stood to suffer from a sliding currency and spiraling prices.[26]

"Points de vue sur l'Histoire Monetaire de l'Egypte Musulmane au Moyen Age," *Annales Islamologiques*, Institut Français d'Archéologie Orientale du Caire, 12 (1974), 3–44 and Gilles P. Hennequin, "Nouveaux Aperçus sur l'Histoire Monetaire de l'Egypte au Moyen Age," *Annales Islamologiques*, Institut Français d'Archéologie Orientale du Caire, 12 (1974), 179–215; Bates, "Islamic Numismatics," 1–16; 2–18 and 3–21. For a brief but insightful discussion of the importance of numismatics and metrology for the historiography of Islamic societies, also see R. Stephen Humphreys, *Islamic History, a Framework for Inquiry*, revised edition (Princeton University Press, 1991), 49–53.

[24] John Masson Smith Jr. and F. Plunkett, "Gold Money in Mongol Iran," *Journal of the Economic and Social History of the Orient* 11 (1968), 275–97 and John Masson Smith Jr., "The Silver Currency of Mongol Iran," *Journal of the Economic and Social History of the Orient* 12 (1969), 16–41; also M. A. Seifeddini, *Moneti Ilkhanov XIV veka* (Baku: 1968).

[25] Cipolla, "Currency Depreciation in Medieval Europe," 413–22.

[26] For an insightful account, see Spufford, *Money and its Use*, chapter 13.

Trade and especially payments along the Mediterranean had been dominated by the merchants and currency systems from the eastern end during most of the Middle Ages. As late as the thirteenth century, the eastern Mediterranean and the Near East enjoyed a higher degree of commercialization, monetization, and sophistication of the related institutions.[27] However, a major shift was already underway in Europe beginning in the eleventh century. Over the following two centuries, the growth of trade and monetization were supported by the expansion of silver coinage.[28] With the reappearance of gold in the thirteenth century, European coinage returned to a three tiered structure of gold, silver, and copper.[29] Once again, trade and money went hand in hand. The currencies of the commercially prospering Italian city states began to dominate the Mediterranean and European trade.

The competition between the gold coinage of the city states was eventually won by the Venetian ducat. By the second half of the fourteenth century, the ducat had gained the position of prominence as the most important coin and the principal standard for commercial payments around the Mediterranean and beyond. In order to facilitate trade, scores of European states adopted its standards for their own gold coinage.[30] Later, during the sixteenth century, large inflows of gold and silver from the Americas were to change fundamentally the monetary landscape of the Old World, paving the way for the emergence of both trade and monetary flows on a global scale. Increased availability of specie also made possible the minting of larger silver coins in America and Europe. Along with rising European influence in the world markets, these coins became the globally recognized standards and means of exchange during the seventeenth century.

While rulers and states exercised their powers by trying to collect seigniorage by coining a higher value of precious metals than the amount they paid for them and by regulating the relative values in coins of gold, silver, and billon, actions by individuals in the private realm contributed just as much to the development of money and monetary systems. In sixteenth-century Europe, for example, merchant bankers and money-lenders developed an intensive network of payments flows in and around

[27] Janet L. Abu-Lughod, *Before European Hegemony, The World System AD 1250–1350* (New York and Oxford: Oxford University Press, 1989), Parts I and II.

[28] R. S. Lopez, *The Commercial Revolution of the Middle Ages, 950–1350* (Cambridge University Press, 1976), 56–122 and Spufford, *Money and its Use*, pp. 240–66.

[29] Bloch, *Esquisse d'une Histoire Monetaire de l'Europe*, 3–78; R. S. Lopez, "Back to Gold, 1252," *Economic History Review* second series, 9 (1956), 219–40; Watson, "Back to Gold – and Silver" 1–34; Spufford, *Money and its Use*, pp. 267–88.

[30] Spufford, *Money and its Use*, 267–88; Herbert E. Ives and Philip Grierson, *The Venetian Gold Ducat and its Imitations* (New York: The American Numismatic Society, 1954); Jere L. Bacharach, "The Dinar Versus the Ducat," *International Journal of Middle Eastern Studies* 4 (1973), 77–96. For the beginning of Ottoman gold coinage in the second half of the fifteenth century, see chapter 4.

local fairs through the use of bills of exchange, as an example of truly international private money.[31] On the other end of the scale, in Mughal India, it was the widespread use of small denominations of coinage or "humble" money by the rural population which tied the rural society and economy to the larger regional and world economies by a web of money, credit and market transactions and gave the Mughal monetary system its distinct character. As Frank Perlin has argued in the context of eighteenth-century western India, it would in fact be impossible to understand the monetary systems of the Old World in the early modern era, without understanding the role played by humble money and the ordinary people.[32]

Ottoman economic policies

Virtually every state in the Old World had to address a common range of economic problems during the late Medieval and Early Modern periods. The most basic of these problems were related directly to the maintenance of the states themselves. The provisioning of the capital city, the armed forces, and to a lesser extent other urban areas, taxation, support, and regulation of long-distance trade, and maintaining a steady supply of money were amongst the leading concerns of economic policy.[33]

Even though the capacity of states to deal with these economic problems was initially quite limited, important changes took place during these centuries in the capacities, institutional equipment, and even the nature of governments. With these changes came a corresponding transformation of the scope and effectiveness of government intervention in economic affairs. It was precisely this struggle to build the organizations and institutions necessary for the pursuit of these policy goals that led to the emergence of more powerful state apparatuses in much of Europe and parts of Asia.[34]

One important determinant of the specific forms taken by economic

[31] Marie-Therese Boyer-Xambeu, Ghislain Deleplace and Lucien Gillard, *Monnaie Privée et Pouvoir des Princes* (Paris: Editions du CNRS, 1986).

[32] Frank Perlin, "Money-Use in Late Pre-Colonial India and the International Trade in Currency Media" in J. F. Richards (ed.), *Imperial Monetary Systems in Early Modern India* (Delhi: Oxford University Press, 1987), 232–373.

[33] One should add the qualification that for most societies in the late Medieval and Early Modern periods, it is difficult to talk about an economic sphere separate from the political, administrative, and fiscal. See Edward Miller, "France and England," in "The Economic Policies of Governments," M. M. Postan, E. E. Rich and E. Miller (eds.), *The Cambridge Economic History of Europe* vol. 3 (1963), 282–91; for a similar discussion of the problems of economic policy in Islamic societies, see Sabri F. Ülgener, "İslam Hukuk ve Ahlak Kaynaklarında İktisat Siyaseti Meseleleri," *Ebulula Mardin'e Armağan* (Istanbul: Kenan Matbaası, 1944), pp. 1151–89; and Sabri F. Ülgener, *Darlık Buhranları ve İslam İktisat Siyaseti* second edition (Ankara: Mayaş Yayınları, 1984), 66–102.

[34] Charles Tilly provides a detailed examination of this process with specific reference to the provisioning of urban centers in Europe: Charles Tilly, "Food Supply and Public Order in Modern Europe," in C. Tilly (ed.), *The Formation of Nation States in Western Europe* (Princeton University Press, 1975), 35–151.

policies and institutions was the nature of the state and state–society relations. State economic policies did not pursue public interest in some abstract sense of the term. Instead, both the goals and design of economic policies as well as institutions related to their implementation were shaped by the social structure, the relationship between state and society, the interests of different social groups aligned with or represented by the state, and more generally, by the social and political influences acting on the state.

To put it differently, social actors molded state policy. Interest and pressure groups and social classes sought to protect and promote their interests through the state. In some cases the influence of a particular social group was so strong that the state simply acted in their interest, became their state. In other cases, the state was in the hands of a bureaucracy which acted independently or was insulated from these social groups.

To understand the nature of Ottoman economic policies or practices, it is thus essential to examine the nature of the Ottoman state and its relations with different social groups. Until late in the fifteenth century, there existed a considerable amount of tension in Ottoman society between the Turkish landed aristocracy of the provinces, who were deeply involved in the territorial conquests, and a bureaucracy at the center made up mostly of converted slaves (*devşirme*), with the balance of power often shifting between the two. The successful centralization drive of Mehmed II in the second half of the fifteenth century moved the pendulum again, this time decisively. The landed aristocracy was defeated, state ownership was established over privately held lands, and power concentrated in the hands of the central bureaucracy. After this shift, the policies of the government in Istanbul began to reflect much more strongly the priorities of this bureaucracy. The influence of various social groups, not only of landowners but also of merchants and moneychangers, over the policies of the central government remained limited.

The central bureaucracy tried, above all, to create and reproduce a traditional order with the bureaucracy at the top. The provisioning of the urban areas, long-distance trade and imports were all necessary for the stability of that social order. The state tolerated and even encouraged the activities of merchants, domestic manufacturers more or less independent of the guilds and moneychangers as long as they helped reproduce that traditional order.[35] Despite the general trend towards decentralization of the Empire during the seventeenth and eighteenth centuries, merchants and

[35] Cipolla argues that there was a virtual identity between the merchants and the state in the trading towns of medieval Italy. "More than once the action of the guild of merchants seemed to imply the affirmation, *l'état c'est moi*." Ottoman merchants during the Early Modern era could not possibly make a similar claim. Instead, as Udovitch has concluded, for the merchants of eleventh-century Egypt, Ottoman merchants could at best proclaim "*l'état n'est pas contre moi*." Cipolla, "Currency Depreciation," 397 and Udovitch, "Merchants and *Amirs*," 53–72.

domestic producers who were the leading proponents and actual developers of mercantilist policies in Europe, never became powerful enough to exert sufficient pressure on the Ottoman government to change or even modify these traditional policies. Only in the provinces, locally powerful groups were able to exert increasing degrees of influence over the provincial administrators.

In a recent essay, Mehmet Genç examined the economic functions and priorities of the central bureaucracy based on years of research on the archives of the central government.[36] After cautioning that these never appeared in purely economic form but always together with political, religious, military, administrative, or fiscal concerns and pronouncements, he argues that it is, nonetheless, possible to reduce the Ottoman priorities in economic matters to three basic principles. The first priority was the provisioning of the urban economy including the army, the palace, and the state officials. The government wanted to assure a steady supply of goods for the urban economy and especially for the capital city. The bureaucracy was very much aware of the critical role played by merchants in this respect. With the territorial expansion of the Empire and the incorporation of Syria and Egypt during the sixteenth century, long-distance trade and the control of the intercontinental trade routes became increasingly important and even critical for these needs.[37] Foreign merchants were especially welcome because they brought goods not available in Ottoman lands. Ottoman encouragement of European merchants and the granting of various privileges, concessions and capitulations as early as the sixteenth century can be best understood in this context. Occasionally, however, foreign merchants also contributed to domestic shortages by exporting scarce goods and the Ottomans had to impose temporary prohibitions on exports.[38]

The emphasis on provisioning necessitated an important distinction

[36] Mehmet Genç, "Osmanlı İktisadi Dünya Görüşünün İlkeleri," *İstanbul Üniversitesi Edebiyat Fakültesi Sosyoloji Dergisi* 3. Dizi 1 (1989), 175–85; for a similar argument see Halil İnalcık, "The Ottoman Economic Mind and Aspects of the Ottoman Economy," in Michael Cook (ed.), *Studies in the Economic History of the Middle East* (London: Oxford University Press, 1970), pp. 207–18; and Halil İnalcık and Donald Quataert (eds.), *An Economic and Social History of the Ottoman Empire, 1300–1914* (Cambridge University Press, 1994), 44–54. For Ottoman economic thought before the nineteenth century, also see Ahmed Güner Sayar, *Osmanlı İktisat Düşüncesinin Çağdaşlaşması* (Istanbul: Der Yayınları, 1986), pp. 55–165; and Ülgener, *Darlık Buhranları*, pp. 66–102.

[37] Halil İnalcık, "The Ottoman State: Economy and Society, 1300–1600," H. İnalcık and D. Quataert (eds), *An Economic and Social History of the Ottoman Empire, 1300–1914* (Cambridge University Press, 1994), 48–52 and 179–379; Lütfi Güçer, "XVI–XVIII. Asırlarda Osmanlı İmparatorluğunun Ticaret Politikası," *Türk İktisat Tarihi Yıllığı*, No. 1 (İstanbul Üniversitesi İktisat Fakültesi, 1987), 1–128; also Palmira Brummett, *Ottoman Seapower and Levantine Diplomacy in the Age of Discovery* (Albany, NY: State University of New York Press, 1994), 131–74.

[38] Halil İnalcık, "İmtiyazat," *Encyclopedia of Islam, Second Edition* (Leiden and New York: E. J. Brill, 1971); and Halil İnalcık, "The Ottoman Economic Mind and Aspects of the Ottoman Economy," in Michael Cook (ed.), *Studies in the Economic History of the Middle East* (Oxford University Press, 1970), 207–18.

between imports and exports. Imports were encouraged as they added to the availability of goods in the urban markets. In contrast, exports were tolerated only after the requirements of the domestic economy were met. As soon as the possibility of shortages emerged, however, the government did not hesitate to prohibit the exportation of basic necessities, especially foodstuffs and raw materials.

The contrasts between these policies and the practices of mercantilism in Europe are obvious. It would be a mistake, however, to identify the concern with the provisioning of urban areas solely with Ottomans or Islamic states.[39] Frequent occurrences of crop failures, famine and epidemics combined with the primitive nature of the available means of transport led most if not all medieval governments to focus on the urban food supply and more generally on provisioning as the key concerns of economic policy. These Ottoman priorities and practices had strong parallels in the policies of the governments in western and southern Europe during the late Middle Ages, from the twelfth through the fifteenth centuries.[40] The contrasts between Ottoman and European economic policies emerged during the era of mercantilism in Europe.[41]

Genç also points out that a second priority of the center was fiscal revenue. The government intervened frequently to collect taxes from a broad range of economic activities and came to recognize, in the process, that at least in the longer term, economic prosperity was essential for the fiscal strength of the state. In the shorter term and especially during periods of crises, however, it did not hesitate to increase tax collections at the expense of producers.

A third priority, which was closely tied to the other two, was the preservation of the traditional order. For the Ottomans, there existed an

39 İnalcık, "The Ottoman Economic Mind"; and Bruce Masters, *The Origins of Western Economic Dominance in the Middle East: Mercantilism and the Islamic Economy in Aleppo, 1600–1750* (New York University Press, 1988), chapter 6.

40 Miller, "France and England," pp. 290–340; and C. M. Cipolla, "The Economic Policies of Governments, The Italian and Iberian Peninsulas," in M. M. Postan, E. E. Rich and E. Miller (eds.), *Cambridge Economic History of Europe*, vol. III, 397–429.

41 The Ottomans were not unaware of mercantilist thought and practice. Early eighteenth-century historian Naima, for example, defended mercantilist ideas and practices and argued that if the Islamic population purchased local products instead of the imports, the akçe and other coinage would stay in Ottoman lands; see Naima, *Tarih-i Naima*, Zuhuri Danışman, Istanbul: Danışman Yayınevi, 1968, vol. IV, 1826–27 and vol. VI, 2520–25; also İnalcık, "The Ottoman Economic Mind", 215 and Sayar, *Osmanlı İktisat Düşüncesi*, 110–12. One important reason why mercantilist ideas never took root in Ottoman lands was that merchants and domestic producers whose ideas and perspectives were so influential in the development of mercantilism in Europe did not play a significant role in Ottoman economic thought. Instead, the priorities of the central bureaucracy dominated Ottoman economic thought and policy. For mercantilism in Europe, compare F. Eli Heckscher, *Mercantilism*, revised second edition (London: George Allen and Unwin, 1955); D. C. Coleman, *Revisions in Mercantilism* (London: Methuen and Co., 1969); and Robert B. Ekelund, Jr. and Robert F. Hebert, *A History of Economic Theory and Method* (New York, NY: McGraw Hill, 1990), 42–72.

ideal social order and balances between social groups such as the peasantry, guilds and the merchants. The sultan and the bureaucracy were placed at the top of this social order. There was some flexibility in this view. The ideal of what constituted this traditional order and the social balances may have changed over time with changes in the economy and society. The government took care to preserve as much as possible the prevailing order and the social balances including the structure of employment and production. From this perspective, for example, rapid accumulation of capital by merchants, guild members or any other group was not considered favorably since it would lead to the rapid disintegration of the existing order.[42]

As a result, the government's attitude towards merchants was profoundly ambiguous. On the one hand, merchants, large and small, were considered indispensable for the functioning of the urban economy. Yet, at the same time, their profiteering often led to shortages of basic goods bringing pressure on the guild system and more generally the urban economy. Thus the central administration often considered as its main task the control of the merchants, not their protection. At the same time, however, the control of merchants was much more difficult than the control of guilds. While the guilds were fixed in location, the merchants were mobile. Needless to say, the official attitude towards financiers, and moneychangers (*sarraf*s) was similarly ambiguous.[43]

In pursuit of these priorities, the Ottoman government did not hesitate to intervene in local and long-distance trade to regulate the markets and ensure the availability of goods for the military, palace, and more generally, the urban economy. In comparison to both Islamic law and the general practice in medieval Islamic states, the early Ottomans were definitely more interventionist in their approach. In economic and fiscal affairs as well as in many administrative practices, they often issued their own state laws (*kanun*) even if those came into conflict with the *shariat*. The practices they used such as the enforcement of regulations (*hisba*) in urban markets and price ceilings (*narh*) had their origins in Islamic tradition but the Ottomans relied more frequently on them.[44]

[42] Sabri F. Ülgener, *İktisadi İnhitat Tarihimizin Ahlak ve Zihniyet Meseleleri* (İstanbul Üniversitesi İktisat Fakültesi, 1951), 92–189.

[43] Huri İslamoğlu and Çağlar Keyder, "Agenda for Ottoman History," *Review, Fernand Braudel Center* 1 (1977), 31–55.

[44] Ülgener, "İslam Hukuk ve Ahlak Kaynaklarında," pp. 1151–1189; Mübahat S. Kütükoğlu, *Osmanlılarda Narh Müessesesi ve 1640 Tarihli Narh Defteri* (İstanbul: Enderun Kitabevi, 1983), 3–38; Sayar, *Osmanlı İktisat Düşüncesi*, 55–165; M. Çağatay Uluçay, "Narh," *Gediz* 5/55 (1942); for an idealized interpretation of *narh*, see Ahmet Tabakoğlu, "Osmanlı Ekonomisinde Fiyat Denetimi," in S. F. Ülgener'e Armağan, *İstanbul Üniversitesi İktisat Fakültesi Mecmuası* 43 (1987), 111–50. For the texts of late fifteenth and early sixteenth century laws regulating the markets in large Ottoman cities, see Ömer Lütfi Barkan, "Bazı Büyük Şehirlerde Eşya ve Yiyecek Fiyatlarının Tesbit ve Teftişi Hususlarını Tanzim Eden Kanunlar," *Tarih Vesikaları* 1/5 (1942), 326–40; 2/7 (1943), 15–40; and 2/9 (1943), 168–77. A detailed inventory of Ottoman practices for ensuring the grain supply of the urban areas is

Genç's scheme is very useful in analyzing the priorities and intentions of the Ottoman bureaucracy. As Genç himself emphasizes, however, priorities and intentions need to be distinguished from the actual policies. Whether the governments succeeded in bringing about the desired outcomes through their interventions depended on their capabilities. It has already been argued that there existed serious limitations on the administrative resources, organization, and capacity of the states in the late Medieval and Early Modern periods. They did not have the capacity to intervene in markets comprehensively and effectively. The mixed success of government actions inevitably led the Ottoman authorities to recognize the limitations of their power. As a result, Ottoman governments moved away from a position of comprehensive interventionism as practiced during the reign of Mehmed II (1444 and 1451–81) towards more selective interventionism in the later periods.

Unfortunately, this evolution and the more selective nature of government interventionism after the fifteenth and sixteenth centuries has not been adequately recognized.[45] The laws issued by Mehmed II and his immediate successors continue to be referred to as examples of government interventionism in the economy. The inability of many historians to make a more realistic assessment about interventionism is primarily due to a state-centered perspective. In addition, there are a number of practical reasons why archival evidence has misled historians to exaggerate both the frequency and the extent of state intervention in the economy. One basic source of error has been the unrepresentative nature of the available material. Each government intervention is typically recorded by a document in the form of an order to the local judge (*kadı*) or some other authority. In contrast, there are no records for the countless numbers of occasions when the government let the markets function on their own. Faced with this one sided evidence, many historians have concluded that state intervention and regulation was a permanent fixture of most markets at most locations across the Empire.

The case of the official price ceiling (*narh*) lists provides an excellent example in this respect. After collecting a few of these from the court archives, many have assumed that *narh* was a permanent fixture of urban economic life. In fact, my recent searches through all of the more than thousand registers of three of Istanbul's courts, those of the Old City, Galata, and Üskudar from the fifteenth through mid-nineteenth centuries indicate that *narh* lists were not prepared regularly. They were issued primarily during extraordinary periods of instability and distress in the

available from Lütfi Güçer, *XVI. ve XVII. Yüzyıllarda Osmanlı İmparatorluğunda Hububat Meselesi* (İstanbul Üniversitesi İktisat Fakültesi, 1964).

45 One notable exception is Ahmed Güner Sayar who points to a change in Ottoman attitudes towards *narh* after 1650. See, Sayar, *Osmanlı İktisat Düşüncesi*, 73–74.

commodity and/or money markets when prices, especially food prices, tended to show sharp fluctuations or upward movements. Wars, crop failures, other difficulties in provisioning the city, and monetary instabilities such as debasements or reforms of coinage were examples of these extraordinary periods. In the absence of such problems, however, there were long intervals, sometimes lasting for decades, when the local administrators did not issue *narh* lists.[46]

Another bias is related to the fact that a large part of the available documents provide evidence of state intervention directly related to the economy of the capital city.[47] This evidence has led many historians to assume that the same pattern applied to the rest of the Empire. In fact, Istanbul was unique both in terms of size and political importance. With its population approaching half a million, it was the largest city in Europe and West Asia during the sixteenth century. As was the case with monster cities elsewhere, government economic policy often revolved around it. In contrast, the central government was much less concerned about the provisioning of other urban centers, the state organization was not as strong there and the local authorities, who were appointed by the center, were more willing to cooperate with the locally powerful groups, the guild hierarchy, merchants, tax collectors and moneychangers.[48]

A more realistic assessment of the nature of Ottoman state interventionism in the economy is long overdue. When the biases of archival evidence and the limitations on the power and capabilities of the state are taken into account, Ottoman policy towards trade and the markets, is best characterized not as permanent and comprehensive interventionism, but as selective interventionism. In the later periods, interventions were used primarily for the provisioning of selected goods for the capital city and the army and during extraordinary periods when shortages reached crisis conditions.

[46] *Narh* lists were issued most frequently during 1585–1640 and 1785–1840. These were both periods of monetary and price instability as will be examined in chapters 8 and 12. Otherwise, there were long stretches, often decades, when no *narh* list was issued in the city of Istanbul. This clear pattern would not change even if some of the *narh* lists are missing from the court archives. The search for the narh lists was undertaken as part of the ongoing work on the history of prices and wages in Istanbul. For preliminary results of that study, see appendix II.

[47] Istanbul was a giant, consuming city dependent on its vast hinterland. The classic work on the economy of the capital city and the nature of state intervention in that economy remains Robert Mantran, *Istanbul dans la seconde moitié du XVIIe siècle* (Paris: 1962), 233–86. Also İnalcık and Quataert (eds.), *Economic and Social History of the Ottoman Empire*, 179–87.

[48] See, for example, Halil İnalcık, "Bursa and the Commerce of the Levant," *Journal of the Economic and Social History of the Levant* 3 (1960), 131–47; Masters, *Origins of Western Economic Dominance*; and Daniel Goffman, *Izmir and the Levantine World, 1550–1650* (Seattle, WA: University of Washington Press, 1990).

Money, economy, and the Ottoman state

In the coinage they issued and in their monetary practices, the Ottomans were influenced by and became the carriers of the great monetary traditions of the Old World and especially the Mediterranean basin, from the Roman and Byzantine empires to the medieval Islamic states, the Mongols of Persia, Italian city states, and the Spanish Empire after the conquest of the Americas. Before we examine these monetary practices in the rest of the volume, however, we need to consider the most basic questions: why did the Ottomans issue coinage and why did they strive, over many centuries, to maintain a stable monetary system?

First, following the Islamic tradition, the Ottomans accepted *sikke* (coin) along with *hutbe* (prayer in the ruler's name) as the two symbols of sovereignty. The sixteenth-century Ottoman historian Ali, for example, considered the *hutbe* and *sikke*, the "two special divine gifts," and distinguished between the abstractness of the former and the concreteness of the latter. For him, the *hutbe* was an expression of the "idea of the greatness of the royal prestige" and a reminder to the subjects of the obedience due to their ruler, while the *sikke* transmitted the message of "royal power" in a clearly expressed and written down manner. As they circulated from person to person, area to area, the gold and silver coins thus bore testimony to a ruler's power.[49]

Second, the Ottomans needed some form of money in order to collect taxes and make payments to the soldiers, bureaucrats, and others. As argued earlier, this motive, too, had a lineage in the Mediterranean basin going back to Antiquity. It would be a narrow interpretation, however, to view the Ottoman approach to monetary affairs solely in terms of these two motives. The Ottomans were also aware that there existed a strong link between the availability of money and the prosperity of trade and the economy. From its earliest days, the Ottoman state was located on long-distance trade routes and trade always involved money of one kind or another. In addition, while the degree of monetization certainly varied over time and space, the use of money was not limited to narrow segments of the urban population. The use of money increased substantially during the sixteenth century, both because of the increased availability of specie and the growing economic linkages between the urban and rural areas. Large sectors of the rural population came to use coinage, especially the small denominations of the silver *akçe* and the copper *mangır*, through their participation in markets and because of state taxation of a wide range of

[49] Cemal Kafadar, "When Coins Turned into Drops of Dew and Bankers Became Robbers of Shadows; the Boundaries of Ottoman Economic Imagination at the end of the Sixteenth Century," PhD thesis, McGill University (1986), 86; also Cornell H. Fleischer, *Bureaucrat and Intellectual in the Ottoman Empire, the Historian Ali (1541–1600)* (Princeton, NJ: Princeton University Press, 1986), 279.

economic activities. Moreover, small scale but intensive networks of credit relations developed in and around the urban centers during the same period. Peasants as well as urban residents took part in these monetary transactions. On the face of this evidence, there is no doubt that a considerable part of the Ottoman economy as well as state finances depended on money and monetary stability, and the Ottoman administrators were well aware of that.[50]

Just as Ottoman economic policies reflected the priorities and interests of a central bureaucracy, Ottoman monetary practices were closely linked to the same priorities and interests. Ottoman monetary practices were also characterized by comprehensive interventionism during the heyday of Otttoman centralization in the second half of the fifteenth century. However, the limitations of the central government were even more apparent in the case of money markets. In comparison to goods markets and long-distance trade, it was more difficult for governments to control physical supplies of specie or coinage and regulate prices, that is exchange rates and interest rates.[51] The Ottoman administrators thus came to recognize that participants in the money markets, merchants, money-changers, and financiers were able to evade state rules and regulations more easily than those in the commodity markets. Observing the mixed success of government actions, they learned that interventionism in money markets did not always produce the desired results. There is a good deal of evidence which will be examined in the remainder of this volume indicating that government interventions in money markets also became more selective after the fifteenth century. On the whole, Ottoman monetary practices in later periods were in fact characterized by a remarkable degree of pragmatism and flexibility.

Even with pragmatism and flexibility, however, to establish and maintain a stable monetary system in a large empire located at the crossroads of intercontinental trade was a complicated task. The difficulties faced by the Ottomans in this respect require some emphasis. First, the difficulties of establishing and maintaining a stable monetary system during the Medieval and Early Modern periods, common to all states, need to be considered. Since demand for money was met mostly by coinage minted from gold, silver, and other metals, a strong linkage existed between the availability of these metals and the supply of money. If a region experienced a trade deficit, specie flowed out and the money supply was affected adversely. Similarly, hoarding of precious metals and coinage due to a decline in

[50] The availability and use of coinage reached a peak in the sixteenth century. In comparison, shortages of specie and coinage were frequent occurrences during both the fifteenth and seventeenth centuries. See chapters 3, 4, 7 and 9.

[51] Spufford, *Money and its Use*; Hennequin, "Points de vue sur l'Histoire Monetaire", 3–44 and "Nouveaux Aperçus sur l'Histoire Monetaire", 179–215; and Goitein, *A Mediterranean Society*, 209–72.

confidence or in response to the instability of the currency would lead to a decrease in the money supply. Most of the Medieval and Early Modern states were in fact subject to recurring shortages of specie which had adverse consequences on the economy.[52] The Ottomans struggled with the same problems.

The Ottomans also faced a number of other challenges arising from the size of the Empire and its location. Despite the emphasis of some historians on the extent of government control, the Ottoman economy was not a closed or well-controlled entity with a single division of labor. From the Balkans to Egypt, from the Caucauses to the Maghrib, different regions of the Empire were drawn into commercial relations with distant parts of the Old World. The Balkans, for example, engaged in trade with central and eastern Europe and across the Black Sea. Egypt, on the other hand, was linked to the Indian Ocean and the trade of South and Southeast Asia. These far reaching commercial linkages made it very difficult to control the movements of specie and maintain monetary stability.

In addition, the Ottoman Empire happened to be located on major trade routes between Asia and Europe. Ever since the discoveries of major silver deposits in Bohemia and Hungary in the twelfth century, Europe tended to import more commodities from Asia such as spices, silk, textiles, and other goods while Asia demanded specie in return.[53] The arrival of large amounts of gold and silver from the Americas did not initiate these movements but certainly added to their volume. As the Ottomans began to establish control over the major trading routes in the eastern Mediterranean in the second half of the fifteenth century, they welcomed the arrival of specie from the west. Yet, they could not prevent the outflow of specie to the east arising from the trade deficits in that direction. Fluctuations in these commodity and specie flows brought increasing pressure on the Ottoman monetary system.[54]

More generally, of course, the monetary difficulties faced by the Ottomans were also a reflection of the underlying economic and fiscal realities. With the growing economic strength and commercial presence of the European states, on the one hand, and declining Ottoman power on the other, it became increasingly difficult after the sixteenth century to control the large

[52] See, for example, Spufford, *Money and its Use*; Hennequin, "Points de vue sur l'Histoire Monetaire", 3–44 and "Nouveaux Aperçus sur l'Histoire Monetaire", 179–215.

[53] Spufford, *Money and its Use*.

[54] In this respect, there are sharp differences between the Ottomans and their Muslim contemporaries, the Mughals of India. While the Ottomans struggled with trade deficits and resulting instabilities of their monetary system, the Mughals enjoyed large trade surpluses, inflows of specie and a flourishing monetary system during the sixteenth and seventeenth centuries. The contrasts between Ottoman flexibility in monetary affairs and willingness to allow the circulation of foreign coinage and the Mughal insistence on monetary unity and the prohibition of foreign coinage can not be adequately understood without reference to the respective trade balances. For the Mughal monetary system, see Richards (ed.), *Imperial Monetary System*.

fluctuations in commodity and specie flows and maintain a stable monetary system. Ottoman difficulties were compounded by the recurrence of fiscal crises which played havoc with money. In the face of these difficulties, the Ottoman governments had mixed success in their attempts to maintain monetary stability, as will be argued later in this volume.

It is thus clear that a monetary history of the Ottoman lands during these six centuries can not treat the large empire in isolation, but as an integral part of the world economy and subject to its vicissitudes. It would be best to think of this empire, especially when dealing with monetary processes, not as a closed and well-controlled unit, but as a porous, sieve-like entity with loosely defined borders.

A periodization

The world economic environment and the monetary arrangements prevailing in different parts of the Empire as well as the nature of the Ottoman entity itself underwent major changes during the six centuries to be examined in this volume. To summarize, the Ottoman state evolved from a small *beylik* located on the trade routes of northwestern Anatolia in the fourteenth century into a large, far-flung empire at the crossroads of intercontinental trade during the sixteenth and seventeenth centuries. The empire also came into contact with global flows of specie during this period. The Ottoman monetary system functioned reasonably well until the last quarter of the sixteenth century. From the 1580s until the 1640s, however, was an unusually turbulent period with frequent debasements and major fluctuations in the value of the currency which eventually led to the cessation of mint activity in the Balkans and Anatolia. The *akçe* was reduced to an invisible unit of account while actual exchanges were often undertaken with European coinage. The Ottoman monetary system did not follow an unbroken path of decline and disintegration after the seventeenth century, however. The central government was able to establish a new and reasonably stable currency during the eighteenth century and strengthen the monetary linkages with the periphery of the Empire. From the middle of the eighteenth century, as the large empire began to shrink in size due to territorial losses and secessionist movements, it was also drawn into the commercial and financial networks originating from western Europe. With the dramatic expansion of trade and capital flows after the 1820s, these trends accelerated. The nineteenth century was also a period of reform in the Ottoman Empire. In monetary affairs, the government first adopted bimetallism and then moved towards the gold standard, along with many other states around the world.

The monetary currents and problems as well as the nature of monetary institutions or arrangements were profoundly different during each of these centuries. For this reason, I will identify in this volume five distinct time periods and treat the issues of each separately. Even though this periodization has been defined, above all, in terms of the prevailing monetary arrangements, I will show that it also coincides, to a large extent, with the broad trends in economic history during these six centuries.

I. *1300 to 1477* Silver based and relatively stable currency (akçe) of an emerging state on the trade routes of Anatolia and the Balkans.

II. *1477 to 1585* Gold, silver, and copper coinage during a period of economic, fiscal, and political strength; the unification of gold coinage, the ultimate symbol of sovereignty, the emergence of different silver currency zones within the Empire; the development of intensive networks of credit in and around urban centers.

III. *1585 to 1690* Monetary instability arising from fiscal, economic, and political difficulties compounded by the adverse effects of intercontinental movements of specie; the disappearance of the akçe and increasing circulation in the Ottoman markets of foreign coins and their debased versions.

IV. *1690 to 1844* The establishment of a new silver unit; the strengthening of the monetary linkages between the center and the periphery of the Empire; the relative stability of the new *kuruş* until the 1780s, followed by severe fiscal crises and rapid debasement; the transformation of the traditional moneylenders of Istanbul to a financial bourgeoisie through large-scale lending to the state.

V. *1844 to 1918* Integration into the world markets in the aftermath of the Industrial Revolution; a new bimetallic system based on the silver *kuruş* and gold *lira*; the abandonment of debasement as a means of creating fiscal revenue and the growth of external borrowing; adoption of "limping" gold standard in the 1880s; the development of commercial banking.