

OTTOMAN INTERVENTIONISM IN ECONOMIC AND MONETARY AFFAIRS

In Honor of Professor Halil Sahillioğlu

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Professor Halil Sahillioğlu devoted a significant part of his distinguished research and writing career to Ottoman monetary history (1). My own work on the same subject owes a good deal to his path breaking work (2).. In this essay, I examine the approach of the Ottoman central government to economic and monetary affairs. I question the prevailing interpretation in Ottoman historiography which assumes that government interventionism in economic and monetary affairs was the rule and, by implication, that these efforts were generally successful.

Ottoman Economic Priorities and Policies :

To understand the nature of Ottoman economic policies or practices, it is essential to examine the nature of the Ottoman state and its relations with different social groups. Until late in the fifteenth century, there existed 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 (*devshirme*), 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. Despite the general trend towards decentralization of the empire during the seventeenth and eighteenth centuries, merchants and

(1) For his seminal article in English, see Halil Sahillioğlu, "The Role of International Monetary and Metal Movements in Ottoman Monetary History" in J. F. Richards (ed.), *Precious Metals in the Later Medieval and early Modern Worlds*, Durham, North Carolina: Carolina Academic Press, 1983, pp. 269-304.

(2) Şevket Pamuk, "Money in the Ottoman Empire, 1326-1914" in Halil İnalcık with Donald Quataert (eds.), *The Ottoman Empire: Its Economy and Society, 1300-1914*, Cambridge University Press, 1994, pp. 947-980 and Şevket Pamuk, *A Monetary History of the Ottoman Empire, 1300-1918*, Cambridge University Press, 1999 (forthcoming).

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 examines the economic functions and priorities of the central bureaucracy based on years of research on the archives of the central government (3). 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 control of the intercontinental trade routes became increasingly important and even critical for these needs.

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.

The emphasis on provisioning necessitated an important distinction 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.

Genç emphasizes 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 ideal social order and balances between social groups such as the peasantry, guilds and the merchants. The sultan and the bureaucracy were placed at

(3) Mehmet Genç, "Osmanlı İktisadi Dünya Görüşünün İlkeleri", *Istanbul Üniversitesi Edebiyat Fakültesi Sosyoloji Dergisi*, 3. Dizi, No. 1, 1989; for a similar argument see Halil İnalcık, "The Ottoman State: Economy and Society" in Halil İnalcık and Donald Quataert, (eds.), *An Economic and Social History of the Ottoman Empire, 1300-1914*. Cambridge University Press, pp. 44-54.

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.

As a result, the governments' attitude towards merchants was profoundly ambiguous. On 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, on 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*) was similarly ambiguous.

In pursuit of these priorities, Genç argues, 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 Ottomans thus appear 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. In addition, in the provisioning of the army and the urban economy, deliveries at fixed prices were required from merchants for some of the more important goods.

Based on extensive research on documents prepared by the bureaucracy, 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 central governments. States in the late medieval and early modern periods 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 in the second half of the fifteenth century (1444 and 1451-1481) towards more selective interventionism in the sixteenth, seventeenth and eighteenth centuries.

Unfortunately, this evolution and the more selective nature of government interventionism after the fifteenth century has not been

recognized by historians (4). In addition to the biases arising from state-centered perspectives shared by many, 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 (**kadi**) 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, 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. Historians who have run into individual documents with **narh** lists or those who obtained a few of these from the archives of the Islamic court records, have assumed that these lists were issued regularly and that **narh** was a permanent fixture of urban economic life. In fact, my recent searches through all of the more than one thousand registers of three of Istanbul's courts, those of the Old City, Galata and Üsküdar from the fifteenth through the mid-nineteenth century indicate that **narh** lists were prepared and issued primarily during extraordinary periods of instability and distress in the commodity and or money markets when prices, especially food prices, tended to show sharp fluctuations or upward movements. Wars, crop failures and / 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 (5).

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 (6). 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.

In short, it is now time to make a more realistic assessment of the nature of Ottoman state interventionism in the economy. When the biases

(4) One notable exception is Ahmed Güner Sayar who points to a change in Ottoman attitudes towards **narh** after 1650. Sayar, *Osmanlı İktisat Düşüncesinin Çağdaşlaşması*, Istanbul, 1986, pp. 73-74.

(5) This search was undertaken as part of ongoing work on the history of prices and wages in Istanbul.

(6) 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, pp. 233-286. Also Halil Inalcik, "Trade", in Inalcik and Quataert, (eds.) *An Economic and Social History of the Ottoman Empire, 1300-1914*, pp. 179-87.

of archival evidence and the limitations of the power of states 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.

The limitations of the central government was 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. The Ottoman administrators were well aware that participants in the money markets, merchants, moneychangers and financiers were able to evade state rules and regulations more easily than those in the commodity markets (7). Observing the mixed success of government actions, they learned that interventionism in money markets did not always produce the desired results. For this reason, government interventions in money markets remained selective and occurred mostly during extraordinary periods such as extreme monetary turbulence or wars. In fact, Ottoman monetary practices during this period exhibited a remarkable degree of flexibility and pragmatism.

One of the most telling examples of Ottoman flexibility concerned the determination of exchange rates between different kinds of coinage. In an environment of frequently recurring shortages of specie, the Ottoman administrators knew that it was essential to attract into the Ottoman lands and maintain in circulation as much coinage and bullion as possible. Their monetary practices were guided more by this concern than any other. They were also aware that the ratio between gold and silver as well as the value of different types of coins was subject to fluctuations. Under these conditions, a policy of fixed exchange rates between different coins would have driven the good or undervalued coins out of circulation through the workings of Gresham's Law. Instead, the authorities typically allowed local markets to determine the exchange rates, thereby reducing if not eliminating the distinction between good and bad coins and encouraging the circulation of all coins. Local court records show that the *kadis* relied on these market rates to settle disputes between individuals. In addition, the government announced the official rates at which different coins, gold and silver, would be accepted as payment. Usually, these rates, expressed in Ottoman units, did not diverge greatly from the prevailing market rates for the same coins. Large differences between official and market rates tended to be short in duration and took place mostly under crisis conditions such as wars or severe financial difficulties (8).

(7) Gilles P. Hennequin, "Points de vue sur l'Histoire Monétaire de l'Égypte Musulmane au Moyen Âge", *Annales Islamologiques*, Le Caire, Institut Français d'Archéologie Orientale du Caire, vol. 12, 1974, pp. 3-44, "Nouveaux Aperçus sur l'Histoire Monétaire de l'Égypte au Moyen Âge", *Annales Islamologiques*, Le Caire, Institut Français d'Archéologie Orientale du Caire, vol. 12, 1974, pp. 179-215 ; 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*, University of California Press, 1967, pp. 209-272 ; Peter Spufford, *Money and Its Use in Medieval Europe*, Cambridge University Press, 1988.

(8) See, for example, Halil Sahillioğlu, "XVII. Asrın ilk Yarısında İstanbul'da Tedavüldeki Sikkelerin Raici", *Türk Tarih Kurumu, Belgeler*, Vol. 1, No. 2, Ankara, 1965, pp. 227-34.

The Ottoman attitude towards foreign coinage provides another example of Ottoman flexibility. From the earliest days, Ottoman authorities encouraged the circulation of foreign coinage. The government and courts accepted foreign coinage as payment. Official lists indicating the exchange rates between different types of coinage always included the European pieces. The primary reason for embracing foreign coinage, of course, was to add to the amount of specie in circulation. The Ottoman government exempted precious metals and foreign currency from import dues. In capitulations or privileges given to merchants of certain European states, the Ottoman government exempted them from all customs duties for the foreign coinage they brought. In addition, customs and mints officials were told not to demand that these coinage be surrendered to the authorities for the minting of Ottoman coinage. These privileges were eventually extended to the merchants of most European states.

Flexibility in Monetary Affairs :

Yet another example of Ottoman pragmatism in monetary affairs is the emergence of separate monetary zones within the empire during the sixteenth and seventeenth centuries. The newly conquered territories, each of which was subject to different economic forces, already had well established currency systems of their own. In most cases, the Ottoman governments did not attempt to change them as they wished to avoid economic disruption and possibly popular unrest. On the one hand, the central government insisted on the unification of all gold coinage, the ultimate symbol of sovereignty, around the sultani which began to be issued in 1477. At the same time, the government allowed the continuation of the local silver currencies in many regions of the empire. Although the silver coinage minted in these territories began to bear the name of the Sultan, they remained distinct from the Istanbul based akçe.

During the sixteenth and seventeenth centuries, the Balkans together with western and central Anatolia remained as the core regions of the akçe/sultani system described earlier. In outlying Wallachia, Moldavia and Hungary, on the other hand, Austrian, Poland, Hungarian and German coins were used more widely than Ottoman coins. In Crimea, coins were minted in the name of the local Khans even though Istanbul exerted some influence in monetary affairs especially since the prices of agricultural imports from Crimea played an important role in the economic life of Istanbul.

When the Ottomans conquered Egypt, they retained the standard small silver coin called **meidin**, **nisf** or **nisf fidda** which dated back to the early fifteenth century. Over time, this unit began to be called **para** and remained the basic silver standard in Egypt until the end of the eighteenth century. During the sixteenth century, the **meidin** also circulated in Arabia and Yemen. Other Ottoman coins were also minted in Yemen from the 1520s to the middle of the seventeenth century, but they do not appear to be significant economically. Syria, which remained as a transitional monetary zone between Egypt and Anatolia, akçes circulated together with **meidins**.

The areas neighboring Iran, from Eastern Anatolia to Iraq, were especially sensitive for the Ottoman government. In this region, the Ottoman mints produced a coin called **dirham** by the numismatists and **shahi** by the Ottoman documents and the local population. Its weight and silver content was similar to the **shahis** of Persia. Political factors may have contributed to this strategy of having a separate monetary zone next to Safavid Empire. Finally, in the Maghreb, political and economic ties to

Istanbul remained rather weak. Even though local coins carried the name of the Ottoman ruler, Istanbul exerted little influence over the evolution of the monetary system in Algeria, Tunisia and around Tripoli (9).

In conclusion, I would like to suggest that we need to revise our current views about the interventionism of the Ottoman governments especially in view of the serious limitations of the capabilities of pre-modern governments. The Ottoman governments were certainly well aware of these limitations and, for this reason, they chose to pursue a selective rather than comprehensive interventionism in economic and monetary affairs.

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(9) For further details, see Pamuk, *A Monetary History of the Ottoman Empire*, chapters 6 and 11.