

## *Activities - Summaries*

### **From Bimetallism to the "Limping Gold Standard": The Ottoman Monetary System in the Nineteenth Century**

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For the Ottoman economy, the nineteenth century was a period of greater integration into the world economy brought about by rapid expansion in foreign trade and European investment in the Ottoman Empire. These far-reaching economic developments were accompanied by major changes in the Ottoman monetary system that brought it more in line with the prevailing international trends.

In the 1840s, under domestic and international pressure, the Ottoman government abandoned debasements and adopted bimetallism and stable coinage. It was hoped that this move would achieve greater price stability and help expand both trade and capital flows between Europe and the Ottoman Empire. The adoption of bimetallism did not mean the end of Ottoman monetary difficulties, however. Throughout the century, Ottoman governments had difficulties balancing the budget and resorted to a variety of methods, both short and long term, to deal with the fiscal problems. These attempts to raise additional revenue or borrow had important implications for the monetary system.

In the 1870s most of the leading economies around the world abandoned bimetallism and adopted the gold standard. These changes took place at a time when the Ottoman government was especially vulnerable to European pressures due to the moratorium on its external debt. As part of the debt settlement in 1881, the Ottoman government moved away from the bimetallic system. The link between silver and the gold was severed and gold was accepted as the standard for Ottoman currency. Nonetheless, the silver kurus or piaster remained the basic unit of account for most daily transactions. Receiving primary support from gold and partial support from silver, the Ottoman currency system thus became another example of the "limping" gold standard (topal mikeyas). In many ways, the emerging system was a compromise between the preferences of European interests for stability and greater integration into the international system and the realities of a low income, agrarian country.