

## 1 | China's Decline: Currency

After a less-than-successful KBhHIST201ChinasDeclineWRTReopening reopening after KBhHIST201ZhengHeSeafaring Zheng He's expeditions, there was a run on currency that cause hyper in- and de-flation due to incapable leadership and faulty systems. This caused a reliance on silver, which brings with it KBhHIST201ProblemsWithSilver silver problems.

### 1.1 | A little history lesson...

KBhHIST201MannMing (C. Mann's) 1500s Ming

- Originally started as bronze coins
- Became inefficient and so started printing paper money
- Bronze production could not match paper money
  - Paper money became *fiat money*— had purchasing power but no backing
  - But! Fiat money is usually good for government
    - \* Not influenced by metal prices
    - \* Could be decoupled and printed at will
  - \* Which.... Resulted in the Yuan overdoing it and inventing **hyperinflation**

### 1.2 | Ming vs. Hyperinflation

KBhHIST201MannMing (C. Mann's) 1500s Ming

- China tried to counter inflation by not printing money
  - Caused economic hardship
  - Deflation to the point where merchants are starting to accept counterfeits
  - One emperor came up with the brilliant idea of counterfit-proof currency, but that only helped adoption for about a year
  - Emperors kept banning and failing to ban currencies
    - \* Used the strategy of "your money is not worth it anymore" to prevent hyperinflation
    - \* Unfortunately, caused problems surrounding the fact that currency as a whole became un-trustworthy

Government policies were often accidental by-products of ministerial intrigues

This widespread distrust of currencies caused the Ming to leverage...

### 1.3 | Silver!

KBhHIST201MannMing (C. Mann's) 1500s Ming

- People resorted to carrying around silver, which was... better, but it is quite inefficient as well => coins ultimately made up 1/10ths of transactions

- Government gave in, started asking for taxes in silver too
- Creating unhealthy feedback loop leading to KBhHIST201ProblemsWithSilver Problems with Silver
  - \* People sold silk and porcelain to side silver merchants
  - \* Used silver to pay taxes
  - \* Taxes fund operations against silver merchants
  - \* "Ming government was at war with its own money supply"
- Eventually, government gave in and allowed people to trade overseas with, sigh..., silver, ushering in KBhHIST201ProblemsWithSilver Problems with Silver