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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 caused hyperinflation due to incapable leadership and faulty systems. This caused a reliance on silver, which brings with it [KBhHIST201ProblemsWithSilver](#) silver problems.

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**

Ming vs. Hyperinflation

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- 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 counterfeit-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 untrustworthy

Government policies were often accidental by-products of ministerial intrigues

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

Silver!

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- 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 [KBHIST201ProblemsWithSilver](#) Problems with Silver