

A Brief Discussion on the "Balance of Power Between Silver and Paper Currency" During the Jin and Yuan Dynasties

Zun'ao Li

Hangzhou Normal University, Hangzhou, Zhejiang, 310052, China

ABSTRACT

The economy of the Song Dynasty has always been a focal point of fiscal history research, and it inherited and influenced the monetary systems of the Tang and Yuan Dynasties. The "coexistence of silver and paper currency" system during the Jin and Yuan dynasties was a product influenced by the Song Dynasty's monetary system. Studying its potential role in promoting the development of the history of the Song, Liao, Jin, and Yuan dynasties is of great significance. This paper will be divided into four parts: 1. Review of history and academic history; 2. Manifestation of the "coexistence of silver and paper currency" during the Jin and Yuan dynasties; 3. Evolution and origins of the "coexistence of silver and paper currency"; 4. Core connotation and crisis of the "coexistence of silver and paper currency".

KEYWORDS

Silver and paper currency; Monetary system; Economy

1 Introduction

Before discussing the manifestations of "the balance between silver and paper currency", we need to briefly define the meaning of this concept. In a nutshell, "the balance between silver and paper currency" refers to a currency circulation pattern where silver and paper currency maintain a relative proportional relationship. This became particularly evident during the Jin and Yuan dynasties, especially considering the gradual disappearance of copper coins and currency notes from the market since the Tang Dynasty, the replacement of copper with silver during the Jin Dynasty, and the predominance of silver currency notes during the Yuan Dynasty. The evolution of the monetary system is influenced by deep-seated factors.

2 Review of History and Academic History

From "relying on the Three Rivers and facing northwest (the grasslands)" to "relying on the southeast and facing the ocean", the geopolitical position of the Song Dynasty marked a significant turning point in traditional Chinese society, where external transportation shifted from inland to oceanic routes. This shift was not only due to the interruption of the Silk Road during the Han and Tang dynasties by fragmented regimes in Inner Asia, but also related to the inherent demand for overseas trade driven by the expansion of commodity economy along the southeast coast. This also gave rise to the southward shift of the center of gravity and the "Mazu faith". Mark Elvin analyzed this phenomenon as an "economic revolution in the medieval period", and Qi Xia also used this opportunity to point out the "two saddle-shaped" patterns of the Qin and Han dynasties and the Tang and Song dynasties, each representing a peak in the development of productive forces.

The study of this "economic revolution" has always been complex and multifaceted. Taking the monetary system before the fall of the Song Dynasty as an example, the paper currency and the over-issuance after nationalization led to severe inflation. On the other hand, the copper and iron currency, with limited mining and storage, experienced a sharp decrease due to deflation and contraction. In addition, traditional barter systems where goods such as grain and cloth were exchanged for other goods became almost worthless, and the formation of the Changping Warehouse, which adjusted "interest rates" in ancient times, became a mere formality. These factors contributed to the collapse of the financial system in the Song Dynasty.

Based on the accepted explanations of the past, the apparent lack of control over silver and paper currency, as well as the absence of a proper financial system, was actually a result of the exploitation of the common people by the scholar-bureaucrats and feudal landlords. The most significant reason was the loss of economic control.

Past research has emphasized static institutional studies and lacked dynamic studies (living fiscal history), such as (1) Qi Xia's works, which are limited by historical materialism and partially rely on argumentation to illustrate history; (2) Miyazawa Tomoyuki's works, which focus on military finance and particularly detail the relationship between military expenditure in the northwest of the Northern Song Dynasty and currency circulation; (3) Wang Shengduo's systematic study of Song Dynasty finance based on fiscal classification; and (4) Bao Weimin's works, which, although titled as studies

on local finance, actually explore the fiscal history of the Song Dynasty from a macro perspective, even delving into economic history, such as the historical significance of the two taxes, monopolistic sales, and commercial taxes. However, there is relatively little research on the consumer economy of the Song Dynasty. Guo Zhengzhong's "Salt Industry Economy in the Song Dynasty" and many classical texts, such as "Song Hui Yao · Shi Huo" and "Song Da Zhao Ling Ji", cover much of the commodity economy of the Song Dynasty. This article also aims to explore the economic system of the history of the Song, Liao, and Jin dynasties from the perspective of "the balance between silver and paper currency", in order to investigate the monetary transformations within it.

3 Manifestations of "Balance Between Silver and Paper Currency" During the Jin and Yuan Dynasties

Let's first look at the historical evidence and specific manifestations of the currency of the Yuan Dynasty. In Wang Yun's "Qiuqian Collection · Zhongtang Shiji", it is recorded: "In the second year of Zhongtong (1261), on the first day of the first month of the lunar calendar, the printed Yuanbao exchange notes were issued and intended to circulate freely in all roads under the jurisdiction of the Xuanfu Department of the Sui Road, without restrictions on the year or month. 'If anyone carries Yuanbao exchange notes, they may conveniently exchange them for silver and other goods at the warehouse. The exchange shall be carried out according to the specified quantity, and no delays shall be allowed.' For every two taels, only three cents of workmanship fee will be charged, with no additional money deducted or added. The 'Yuanbao exchange note format' shall be followed according to the following provisions." All old notes and white post-it notes from the Yuanxing in various roads, as well as the Yuanfa Department and warehouse officials, shall collect and exchange according to the specified quantity, causing losses to the people. The collection must be completed as soon as possible, and further use shall not be allowed.' Similarly, in "Yuan Shi · Shizu Benji" and "Yuan Shi · Shi Huo", it is recorded: "In the third year of Zhongtong (1262), a decree was issued in July: 'Private trading of gold and silver, as well as the payment of money and goods, shall be based solely on notes.' From this, it can be seen that the Yuan Dynasty strengthened the currency status of the precious notes in terms of issuance, transportation, circulation, and so on.

There have been numerous studies on this historical phenomenon in China, such as those by Peng Xinwei, Xiao Qing, and Li Wo. Peng Xinwei wrote in "The History of Chinese Currency": "When the Mongols ruled China, they brought about a fundamental change to China's currency system, which was to make silver the unit of value from then on. 'The Central Unification Banknotes' were backed by gold and silver, with silver being the mainstay, almost resembling a silver bullion standard system." Xiao Qing also wrote in "History of Ancient Chinese Currency": "The mandatory issuance of non-convertible paper currency was the basic monetary system of the Yuan Dynasty. At the beginning of the issuance of the 'Zhongtong banknotes', they were all guaranteed by cash silver, and silver notes could be exchanged for each other. During the reign of Kublai Khan, a unified paper currency system based on silver, known as the 'Zhongtong banknotes', was officially established." Li Wo also mentioned in "The Economic History of Ethnic Groups in the Yuan Dynasty": "In the history of currency in the Yuan Dynasty, 'the main change was from using copper coins as the unit of value to using silver as the unit of value, which was an important change in the development history of Chinese currency.' The Zhongtong banknotes 'were credit exchange certificates based on silver, and even a fully backed silver standard system.'"

In recent years, foreign scholars such as Hiroomi Takahashi wrote in "A Study of the Monetary History of the Song, Jin, and Yuan Dynasties": "In North China during the late Jin Dynasty, silver acquired the function of a unit of value, with silver weight units such as liang and qian being used for pricing... From the very end of the Jin Dynasty to the Mongol Empire period, the silver weight units became nominal and began to serve as the monetary unit for paper currency." It can be seen that the Yuan Dynasty completed the transition from a silver bullion standard system with silver as the reserve currency to a paper currency system dominated by paper notes and treasure notes. The treasure notes became a widely used currency that could be operated effectively in various transactions, including retail transactions and tax payments.

So, how was the monetary value of the Baochao (a type of paper currency) reflected in the early Yuan Dynasty? Was it circulated alongside copper coins and silver taels, and what was the ratio? According to the "Yuan Shi · Shi Huo" (Records of the Yuan Dynasty · Food and Wealth), "In the fourth year of the Zhongtong era (1263), the 'Yanjing Pingzhun Storehouse was established to equalize prices and facilitate the circulation of paper currency.' In the first month of the first year of the Zhiyuan era (1264), 'Pingzhun Storehouses were established in all circuits.' "In the third year of the Zhiyuan era (1266), Yang Hun, the head of the circuit paper currency collection, reported that 'there were abuses in the handling of white gold in and out of the Pingzhun Storehouse for use, and requested that fifty taels be cast into ingots and labeled as Yuanbao (a type of currency with a round shape and a hole in the center, used as a unit of measurement or currency).'"

It can be seen that the Yuan Dynasty established a fixed basic value for the paper currency by means of price stabilization and strict prohibition of private production. The specific exchange relationship, according to "Yuan Shi · Shi Huo", can be expressed as follows: (1) The face of the currency is printed with "Guàn Wén" denoted as "liǎng, qián, fēn lí", corresponding to the weight units of gold and silver. The value relationship between silver and money is linked through the exchange of currency. (2) From "Chào Liǎng" 1 fēn - 2 liǎng 10, to "Yín Liǎng" 1 fēn - 1 liǎng 13, (3) one liǎng of silver is

approximately equal to 2 liǎng of Zhongtong Baochao, 7 qián 5 fēn of gold. (4) The copper exchange standard was still retained, but copper coins were no longer minted because their value was too small. Paper currency with a value of less than 100 wen (1 qián) was issued to represent the value of silver liǎng, replacing copper coins in circulation. Overall, it can be seen that the Yuan Dynasty initially established a new currency issuance system through the exchange of silver and paper currency, replacing the previous circulation of copper coins in the Jin Dynasty. This system adapted to the expansion of the Yuan Dynasty and became a major financial achievement in its early stages.

Overall, in the context of silver-banknote parity, silver serves as the base currency, with prices set in silver tael. Transactions using silver are prohibited, and banks are prohibited from issuing banknotes. (Silver is used as the reserve to ensure the issuance of paper currency, with silver-banknote exchange at par value. The minimum weight unit of silver tael is used as the starting point, determined by the unit of measurement based on scales. It is also used to approximate the value of precious currency and commodities, which differs from the gold standard, where there are not as many currencies and the use of gold and paper currency alone suffices.) - The law prohibits transactions using silver, and only precious currency is allowed for circulation. Silver-banknotes are organically combined, each with its own emphasis, to fulfill the functions of currency.

4 The Evolution and Origin of "Silver and Paper Currency Co-existing"

After analyzing the monetary functions and specific manifestations of the exchange value of silver notes, let us proceed to examine the historical factors behind its emergence. During the Tang Dynasty, the country primarily issued a monetary system dominated by copper coins, with silver serving as an auxiliary currency. However, with the advent of the Song Dynasty and the rapid economic development, the copper-coin-dominated currency was gradually phased out by history due to its weight. Meanwhile, in northern China, traditional currency underwent a qualitative change.

Xiao Qing: "A History of Ancient Chinese Currency": "During the reign of Temujin, the Mongols still adhered to the barter system. However, due to the influence of the Jin people and neighboring Central Asian ethnic groups, they soon adopted the use of silver." In Peng Xinwei's "A History of Chinese Currency", it is stated that "the Mongols used silver before they ruled China, as well as in the early stages after they unified China." Regarding the surrounding situation and the use of silver before the rise of the Mongols, "The Records of the Khitan Kingdom. The Distance and Proximity of the Neighboring Countries" states that "before and after the establishment of the Khitan Kingdom, the tribes in the northern regions such as Yujue, Dada, and Monggu often traded livestock products such as cattle, sheep, camels, and horses with the Khitan."

Another example is the stage of economic and trade exchanges and the use of silver during the early rise of Mongolia. In the Mongol period, enfeoffment and rewards constituted a significant portion of imperial expenditures. Through conquests and expansions, a large amount of "balisi" was accumulated, which refers to the Song gold and silver ingots in Persian. Their use was largely sourced from the annexed Jin Dynasty in the Central Plains region. After the fall of the Northern Song Dynasty, a substantial amount of silver was obtained, leading to the "monetization of silver" and "monetization of currency" under the reign of Qian Chu Yi. The former played a crucial role in maintaining a unified and fixed currency exchange rate for the Jin Dynasty, while the latter saw the simultaneous circulation of four types of currency: large and small banknotes, and copper coins, leading to significant monetary chaos during the Cheng'an period. The Jin Dynasty intended to prohibit the circulation of copper coins. Later, it allowed silver, banknotes, and copper coins to circulate side by side, with their values tied together. Silver entered and money receded. — The elevation of silver's status from a commodity to a currency marked the monetization of silver, followed by the monetization of currency, with silver shifting towards banknotes.

In this situation, the issuance of additional silver coins led to a significant devaluation of silver coins, further promoting the development of monetization with silver. The status of silver continued to increase. In the third year of Zhenyou era (1215), Mönke abolished copper coins and exclusively used paper money and silver goods. Paper money and silver became legal currency in the late Jin Dynasty. Copper coinage was abolished for the second time (after the Tongbao of the Tang Dynasty), and thereafter, neither the Jin Dynasty nor the Yuan Dynasty minted or used coins (copper coins), only silver coins, paper money, and silver.

5 The Core Connotation and Crisis of "The Balance Between Silver and Paper Currency"

Overall, before and on the eve of the Jin Dynasty, paper currency was issued and copper coins were used. After the monetization of silver was completed, silver replaced copper coins as the value benchmark for precious currency notes. Copper coins were abolished and ceased to circulate during the history of the Jin Dynasty. It transitioned to the Yuan Dynasty, forming a currency circulation pattern where silver was the value benchmark for paper currency and the

exclusive circulation of silver-denominated paper currency was prohibited.

"Silver Banknote Co-circulation" is a monetary circulation pattern that gradually emerged during the Jin and Yuan dynasties and was formally established between the Yuan Dynasty's unification and the Yuan Dynasty itself. It is based on silver, uses silver taels as the unit of value, and integrates banknotes and banknotes. Its establishment is the result of inheriting and developing the Jin Dynasty's stage of using both coins and banknotes and the monetization of silver - the monetization of silver into currency. It leverages private commercial credit, investment - mediation - noble credit, as well as imperial authority and official credibility to solve monetary problems in cross-regional bulk trade and fiscal transfer.

"The currency circulation pattern of silver and paper currency was based on the unprecedented development of economic exchanges between agricultural and pastoral areas inside and outside the Great Wall during the Song, Liao, Xia, and Jin dynasties." Based on the accelerated integration of markets, the expansion of market capacity, the replacement of market entities, the northward expansion of market space, and the changes in market hierarchical structure, a new era of traditional Chinese market-money history has begun since the Jin and Yuan dynasties, which is of great significance for further promoting the integration and development of traditional Chinese markets. At the same time, a crisis is brewing behind the balance of silver and paper money, with the government becoming the issuer and regulator of paper currency. The over-issuance of currency and market turmoil caused by multiple changes in currency types, coupled with the lack of monitoring and corresponding fiscal policies, can result in valuable rolls of precious paper money ultimately becoming mere empty words. This also provides profound inspiration and a wake-up call for our research on today's monetary system.

6 Conclusion

This article begins with a review of the economic and fiscal history of the Song Dynasty. Through an attempt to analyze the economic system of the Song Dynasty and based on a review of academic history, it selects the "balance of silver and paper currency" during the Jin and Yuan dynasties for research. Firstly, it analyzes the connotation and manifestation of the balance of silver and paper currency, which is issued through government credit, with silver as the paper currency base, priced in silver taels, and banking paper currency is prohibited. Then, it analyzes its evolution and origin, completing the monetization of silver and the monetization of currency in the process of imperial division. Finally, it discusses its core connotation and crisis. The balance of silver and paper currency represents the expansion of markets and the innovation of the financial system under the blending of civilizations. This has a certain warning effect on the research and reform of the current monetary system.

About the Author

Zun'ao Li, male, born in 2001, of Han ethnicity, is a native of Shangqiu, Henan Province. He holds a master's degree from Hangzhou Normal University, specializing in the history of specialized fields and the history of the Republic of China.

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