

1. Introduction

Beginning in the 1570s, silver initiated significant and continuous trade at the global level. Conservative official estimates indicate that Latin America alone produced about 150,000 tons of silver between 1500 and 1800\(^2\), perhaps exceeding 80% of the entire world’s production over that time span\(^3\). And virtually all of this silver engaged in intercontinental trade. Explanation for the spectacular dominance of silver in the early-modern world economy requires analysis of both the demand and the supply sides of that industry. On the demand side, China was by far the most significant end-market customer. China’s paper money system suffered a crisis in the fourteenth century and had virtually collapsed by the middle of the fifteenth century\(^4\); silver imports provided a stable substitute for fiduciary money\(^5\). Thus, a partial explanation for significant demand for silver in China dates to the fifteenth century when silver helped satisfy the void created by worthless paper money. China’s multi-century appetite for silver did not stem, however, solely from the monetary sector; rather, it grew from a mix of fiscal (government revenues and taxation), monetary (medium of exchange), and private-sector developments. The private sector favored silver and, increasingly, taxes became payable in that medium. This trend spread to the government sector, culminating with the Ming Dynasty’s “single lash-of-the-whip” tax system, which consolidated numerous Chinese taxes and specified payment in silver during the second half of the sixteenth century\(^6\).

On the supply side of the equation, silver originated mostly from Peru and Mexico in the West and Japan (especially in the late 16th and early 17th centuries) in the East. Supplies were controlled by the Spanish King and the Shogun. Both Japanese and Western producers indirectly sold to China. Political hostilities precluded direct official trade of Japanese silver into the Chinese market by merchants of either country, although private Chinese merchants did call on Nagasaki\(^7\). That role fell to European and other Asian intermediaries in the Sino-Japanese silver trade.

Europeans were also middlemen in the silver trade between Spanish America and China. New World silver traversed the Atlantic and passed through Europe—following countless trade routes via the Baltic, the Levant, and the Cape—and eventually on to a Chinese destination. Attman’s “minimum estimates” of bullion flows through Europe and on to Asia are 2-3 million rix-dollars in 1550, 4.4 millions in 1600, 6 millions around 1650, and 8.5 millions by 1700 [one rix-dollar = approximately one peso]\(^8\). The Pacific Ocean furnished an alternative, the direct trade route from America to China. Silver-laden Manila Galleons sailed out of Acapulco to the Philippines, where the cargo was transferred to junks for shipment to China.

The contention of this essay is twofold. First, the amount of silver flowing to China via the Manila Galleons was far larger than is generally recognized; at times it may have equaled the volume of silver passing to China via Europe. Looking at the seventeenth century as a whole, these Acapulco-Manila galleons seem to have carried as much silver to Asia as the Portuguese Estado do India and the Dutch and English East India Companies combined. Second, the demand for silver in China implies immense repercussions in terms of Western history: there would not have been a Spanish Empire\(^9\) in the absence of the transformation of the Chinese society to a silver base, nor would there have been the same sort of “Price Revolution” (i.e. inflation) around the globe in the early modern period\(^10\).

The use of paper money was widespread in China dating from at least the eleventh cen-
tury. The state sought to fix the value of paper money to coins, but such efforts were futile because the paper was inconvertible. As a result, a promissory note with a nominal value of one liang of silver in 1375 (= one thousand copper coins) fell to less than one-thousandth of a liang (= less than one copper coin) by the year 1445: “Instead of paper currency, silver had become the major medium of exchange. The note practically ceased in circulation from the sixteenth century.” Atwell has correctly pointed to China’s transition to silver-based money as a significant source of demand for silver).

It is noteworthy that the Ming never did mint silver coins in any serious way after the collapse of their paper money system. Copper cash was used for normal day-to-day purchases. Increased use of silver ingots for larger transactions evolved in the merchant community early in the fifteenth century, especially in commercial regions like Guangdong and the Lower Yangzi. Demand in these regions alone must have been significant considering that Nanjing contained over one million inhabitants and Beijing around 660,000 in the late Ming period.

Payments in silver emerged in a somewhat disorderly way, but the trend toward silver gained momentum in the second half of the fifteenth century. The emergence of local silver production within China and the clandestine trade with Japan (the main source of the white metal) resulted from this conversion to silver in the private sector, which ultimately had a profound effect on the Ming fiscal structure.

To reiterate the main points, the gradual conversion of imperial China to a “silver zone” was initiated by merchants in south-east China—the center of foreign trade—when the fiduciary money system collapsed. Local and regional taxes came to be paid in silver:

The commutation of land tax and labor service payments to silver was an adaptation on the part of the state to the expanding market economy and, in turn, promoted the further commercialization of the economy. Not only merchants and landowners but also poor peasants were involved in the empire-wide commercial network partly because of the tax system, which demanded payment in silver.

Imperial tribute became payable in silver too, but not necessarily by Ming design. On the contrary, the dynasty at times attempted to thwart the pro-trade and pro-silver forces of trade and industry. Regulation of the tribute-trade system did indeed stifle private trade, but this policy alienated merchants, some of whom sided with the Manchus in overthrowing the Ming Dynasty in the mid-1600s. According to Hamashita, it was the private-sector challenge to the traditional tribute-trade monopoly which nudged a reluctant China into the silver camp. The Qing Dynasty, successor to the Ming, also had to eventually acknowledge the influence of the merchant class:

“Modernization” in Asia was generated as a negative reaction to the all-inclusive superior-subordinate relations of the traditional tribute system. Mercantilist control over tribute by the Chinese dynasty led overseas Chinese merchants to oppose the trade policy and expand their own private trade. As a result, the Ch’ing dynasty was in turn compelled to shift from the role of monopolistic trader-merchant to that of tax collector (in silver).

According to this interpretation, China began to modernize when the central government was forced to reduce its role as imperial trader in favor of collecting taxes from the private sector. The Ming were imperial traders to a far greater extent than were the Qing.

The important point for our purposes is to establish that China’s demand for silver was vast and growing over time. China contained over a quarter of the world’s population late in the Ming period and it was the center of the largest tribute/trade system in the world: “Even in late Ming times the Chinese economy was huge, and... silver use was expanding at this time...” When such a large percentage of the world economy is committed to purchase of a specific commodity that is high in value and transportable among continents, the impact on that industry is bound to be global. The early-modern silver industry was no exception.

It was the conversion of China’s economic structure to silver that caused its value to soar above that of any other location in the world. Relative bimetallic ratios are perhaps the clearest indicator of silver’s high valuation in China.