

# Monetary Policy as Key to State Authority and Income in Tang China\*

Tan Mei Ah  
Hang Seng Management College

## Part I: Introduction

The Tang dynasty was the era when the precursor of paper money appeared and when economic innovations imprinted their mark on the history of China.<sup>1</sup> However,

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<sup>1</sup> The most comprehensive study of money in Tang China is Peng Xinwei's 彭信威 *Zhongguo huobi shi* 中國貨幣史, 2nd ed. (Shanghai: Shanghai renmin chubanshe, 2015), which covers the period from the pre-Qin to the Qing dynasty. He discusses the economic and political conditions that gave rise to the origin of various forms of money; monetary development; and the emergence of fiat money, nearer to the modern era. He also explains the monetary theories in different eras, and their significance. In addition, numerous photos and figures are provided to illustrate the species and design of various coins. Peng's achievement is impressive. In the chapter on the Tang dynasty are four sub-sections: monetary system, purchasing power of coins, monetary studies, and credit institutions. Edward H. Kaplan translated this monumental work into English in 1994. See Peng Xinwei, *A Monetary History of China*, trans. Edward

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there has not been a comprehensive study on the monetary system and policy of the dynasty. This paper aspires to build on earlier scholarship and, using a multi-disciplinary approach, to fill the gap by unearthing the rationale behind the complicated monetary system and often-changing policies of Tang China.<sup>2</sup> Throughout its 289 dynastic years, the Tang rulers took many different measures to control the monetary market. One key concept behind the measures was the control of the money supply as a tool to regulate purchasing power. Many literati regarded this control as a method to maintain steady price levels, and believed that the ability to regulate prices would earn the court respect for its proper governance. The power to affect the distribution of wealth also made the throne more secure.<sup>3</sup>

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(Note 1—*Continued*)

H. Kaplan (Bellingham, WA: Center for East Asian Studies, Western Washington University, 1994). In the West, Denis C. Twitchett has provided a succinct discussion of Tang currency and credit. See Twitchett, *Financial Administration under the T'ang Dynasty* (Cambridge: Cambridge University Press, 1970), pp. 66–83. Another key figure in the study of monetary policy is Richard von Glahn, who focuses on the post-Tang period. For his representative works, see von Glahn, *Fountain of Fortune: Money and Monetary Policy in China, 1000–1700* (Berkeley and Los Angeles: University of California Press, 1996). His most recent publication provides an overview of the economic history of China from the pre-Qin through the Qing dynasty. See von Glahn, *The Economic History of China: From Antiquity to the Nineteenth Century* (Cambridge: Cambridge University Press, 2016). Earlier, Robert M. Hartwell, who was von Glahn's teacher, made tremendous contributions to the area. The datasets he created under the auspices of his Chinese Historical Studies, now operated by Harvard University, provide a useful means of generating approximate spatial entities correlating to historical administrative units. Hartwell focused on the northern Song dynasty. For a complete list of his publications, see “Publications of Robert Hartwell (1932–1996),” accessed 28 August 2016, <http://faculty.washington.edu/ebrey/hartwell.htm>.

<sup>2</sup> Despite Peng's great achievement, the last revisions of his work were made in 1962. New archaeological and numismatic evidence has appeared since then, and techniques for analysing coins have advanced, as have scholarly studies that focus on different aspects of monies in Tang China. Because his book is a broad review of the entire monetary history of China, he does not attempt to investigate the central ideas behind the monetary policy in the Tang dynasty. The more influential work in recent years is the special issue of *The Journal of the Royal Asiatic Society* on “Textiles as Money on the Silk Road,” which brought together research by scholars of various backgrounds, including history, art history, archaeology, linguistics, and economics. See special issue: “Textiles as Money on the Silk Road,” *Journal of the Royal Asiatic Society*, 3rd ser., 23, no. 2 (April 2013). There is an introduction to the issue by the editor, Sarah Ansari.

<sup>3</sup> Liu Zhi 劉秩 quoted from the *Guanzi* 管子 to support his argument that coinage should be used to regulate prices. He emphasized Guan Zhong's 管仲 idea, stated in the “Qing zhong pian” 輕重篇, that price levels had to be controlled by the emperor so that he held the ultimate

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This paper argues that the monetary policy of the Tang actually had two main priorities, beyond regulating price levels. These were the preservation of state authority and the augmentation of state income. The court had various motives when it implemented new monetary policy. Throughout the nearly three hundred years of the Tang dynasty, there were bound to be shifts in policy and even monetary philosophy. These shifts were largely related to the political and economic situations of the time, although the ideas of the emperor and his subjects also played a role. Nonetheless, this paper shows that the major objective in issuing full-bodied coins was to establish state authority, sometimes even at the cost of losing state income due to the huge production cost. It also reveals that this method no longer functioned when the court could no longer afford to issue such coins. This was manifest during the An Lushan rebellion 安史之亂 (755–763), when the court decided to cry up (i.e., to overvalue) the coinage in 758 and 759 in order to fund military activities. The court turned to using coinage as a means to increase state income so as to meet expenses. Although it faced resistance from the markets, the court managed to extract the much-needed money from its people by using coins of extravagantly large denomination and larger size for state expenditure. These coins began to disappear from the market only when Daizong 代宗 (r. 762–779) came to reign. Throughout the Tang dynasty, the court also instituted various anti-counterfeiting policies. The major aims were again to reinstate sovereignty and also to withhold the rightful seignorage, if there was any.

In order to investigate the two objectives of the court, a complete picture of the Tang monetary system and policy is necessary. This paper discusses the intrinsic problems associated with the Tang's multi-currency system and analyses its various monetary measures, which I argue were implemented to preserve the authority of the sovereign, by issuing full-bodied coins (i.e., their face value is not higher than the intrinsic value of the metal), especially before the An Lushan rebellion that broke out in 755, and to increase state income, mainly by crying up the coinage as a form of indirect taxation, during the An Lushan rebellion. Special focus will be given to silk tabbies (plain-weave bolts of silk, often used as commodity money during Tang times) and bronze coins, and to their limitations. The monetary measures discussed include the issuance of various types of coins in different periods; anti-counterfeiting policies and the reasons that led to counterfeiting, including the shortage of coins; the debate on private casting of coinage; and the regulations on the circulation of monies. To be specific, these regulations concerned the use of bronze coins as a uniform unit

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(Note 3—*Continued*)

key to decide whether his people were rich or poor. By doing so, everyone would respect the emperor as if he were the sun and the moon, and they would be also as fond of him as if he were their father and mother. See “Shi huo zhi,” in Liu Xu 劉昫 (887–946) et al., comps., *Jiu Tang shu* 舊唐書 (1975; reprint, Beijing: Zhonghua shuju, 2002), *juan* 48, p. 2097.