The Silk Road and Gresham's law.

We read that in some major coins at this time statements that the coin has been debased. That means it has been reduced in size. In precious metal coins this can happen if the weight is reduced or if they place a base metal such as copper in with the precious metal.

Shock stun horror. Or perhaps the marketplace and empire such as Rome could, for the most part handle such events. There may or may not be an element of inflation, but marketplaces were over time very resilient for the base goods of everyday life.

But Gresham's law did happen. "Bad Money drives out good". When a coin is debased the old "true" money is hoarded and used for other purposes (including minting of new money which means you get more of it) and the new coins take over the marketplace. Pretty simple a reasonable theory.

But what happens in international trade and there sits the key. The Silk Road as such has been in operation in various guises for thousands of years. Goods flowed from the west towards Europe and coins flowed east towards Asia. If there was a debasement what happened? Well, the spice merchant in India and the silk merchant in China were only interested in getting their share of real metal so the price appears now to have risen in the marketplace that had debased the coinage. The cost of goods outside the empire had risen by the amount of the debasement. Therefore, when they were sold in the marketplace the merchant had to obtain more of the "new" coinage for the same quantity of goods. Remember also that testing the weight and quality of coins was a simple process so the eastern merchant would not be deceived by any fooling around in Europe with debasement.

Now before we get all defensive and think that the great Europeans economies of Greece and then Rome were world almighty, there is a graph (courtesy Visual Capitalist) that shows the relative size of the economies of the world over time. The power for the time frame we are playing in shows Europe was a comparative minnow to the east.

No matter what happened in, for example Rome, with the coinage the trading partner wanted full technical price. Imported goods became much more expensive comparatively. Hoarded old money (Gresham's law) could be used or special trade monies coined (perhaps) but the cycle in an expanding empire produced a diminution of precious metal.

Again, the value of a coin outside of its place of issue was as follows:

Weight of coin x percentage of precious metal in the coin – handling fee.

As the weight could be comparatively easily found regardless of the local metrology and the percentage of precious metal also readily obtained value in local use was easily assessed.

So that is international trade, local currency debasement and Gresham's law.

Note: Items have been simplified for the audience of this article. Notes on international trade, Gresham's law etc taken from the work of CA Tariq Ansari and Visiting Fellow Arthur Needham from their various lectures (IVCoM etc.), books, articles and notes.