

## **Currencies in Contest: Monetary Decentralisation and Financial Innovation in Song China**

### *1. Research Problem and Motivation*

The Song dynasty (960–1279) occupies an important place in global economic history: it is associated with extraordinary commercialisation characterised in the Great Divergence literature, the largest-scale coin production in Chinese economic history, and the earliest sustained experiment with paper money in financial history.<sup>1</sup> Its monetary record has often been read as further evidence of a characteristically centralised Chinese state.<sup>2</sup> Yet the empirical foundations of this centralised portrayal are uneven. Much of what we “know” about Song money is filtered through imperial records, which were the most commonly used source and naturally foreground state intentions and normative claims of control.

This project reopens the question of monetary governance from below the surface of official rhetoric. Motivated by the existence of multiple non-state and provincially managed paper notes in the second half of the Song dynasty, Southern Song (1127–1279) era, I wonder: Was Song monetary control as centralised as official discourse implied? If not, how did decentralisation structure the path to the world’s first paper money, and what monetary functions did these earliest

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<sup>1</sup> Xinwei Peng, *Zhongguo Huobi Shi* 中国货币史 (a Monetary History of China) (Bellingham, WA (Kindle Edition): Western Washington Univ., 1994).

<sup>2</sup> Sen Liu, *Song Jin Zhi Bi Shi* 宋金纸币史 (*History of Paper Currencies in Song and Jin Dynasties*) (Zhong Guo Jin Rong Chu Ban She, 1993); Tomoyuki Miyazawa, “Genchō No Zaisei to Kō 元朝の財政と鈔 (Yuan Dynasty’s Fiscal Policies and and Paper Currency),” *Bukkyō Daigaku Rekishi Gakubu Ronshū* 2012, no. 2 (2012): 43–61; Tomoyuki Miyazawa, “Chūgoku Shijō No Zaisei Kahei 中国史上の財政貨幣 (Public Finance and Currency in Chinese History),” *Bukkyō Daigaku Rekishi Gakubu Ronshū* 2015, no. 5 (2015): 57–60.

paper notes perform in practice? My key claim is that Song monetary plurality had a directional political economy: a transition from a centralised copper regime toward regional iron coin zones and, finally, to a paper-note landscape in which decentralised issuance and credibility management were institutionalised. Paradoxically and remarkably, this decentralisation was not necessarily a sign of backwardness but formed the institutional conditions for the world's earliest paper-note innovation.

Methodologically, the project combines close textual analysis across official state sources, legal code, private contracts, numismatic records, and literary sources collected in China, Japan, and Harvard's Yenching Library. I created novel datasets by line-by-line reading from the above-mentioned sources to quantitatively reconstruct issuance series and seigniorage estimates. I also used ArcGIS to map monetary zones and their production sites to uncover nuances in the rights of issuance and production that underlie my narrative. This mixed strategy makes it possible to reconstruct decentralisation as an evolving process through mapping official records with real ground practice gauged from my various data sources explored.

## *2. Literature Review and Contributions*

This study contributes to two debates that rarely speak to each other directly. The first contribution is to the Great Divergence, which pivots around centralised China versus decentralised Europe, as Jones, Greif, Tabellini, Broadberry, Guan and Li have provided incredible insights across diverse dimensions.<sup>3</sup> This binary becomes more nuanced once we examine how

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<sup>3</sup> Eric Jones. 2003. "The European Miracle: Environments, Economies, and Geopolitics in the History of Europe and Asia," 225–238. Cambridge, UK; New York, NY: Cambridge University Press; Avner Greif and Guido Tabellini. 2010. "Cultural and Institutional Bifurcation: China and Europe Compared." *American Economic Review* 100 (2):

governance operated across different levels of the Chinese polity. Deng and Wong emphasised that strong ideological and fiscal claims at the centre often coexisted with substantial local discretion.<sup>4</sup> Yet this insight has been developed and adopted primarily for the Ming–Qing period (1368–1911) and for topics such as lineage institutions, fiscal collection, and local governance.<sup>5</sup> Medieval China, and money in particular, remained integrated under the centralisation framework. By reconstructing Song monetary decentralisation, this project supplies precisely the kind of evidence needed to refine what “centralised China” can mean in comparative debates as a shifting balance among central court ambitions, provincial administration, and market practice.

This research also seeks to contribute to financial history’s research on monetary functions and the credibility of money. Polanyi’s work on the functions of money stresses that premodern monetary systems often rely on multiple instruments performing partially overlapping functions (means of exchange, unit of account, store of value, means of payment), rather than a single general-purpose currency as modern money.<sup>6</sup> Comparative monetary history, framed through the coexistence of multiple monies in African monetary history, the Holy Roman Empire, or complementary currency circuits, as inspiringly suggested by Kuroda, has shown that monetary plurality is historically common.<sup>7</sup>

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135–40; Stephen Broadberry, Hanhui Guan, and David Daokui Li. 2018. “China, Europe, and the Great Divergence: A Study in Historical National Accounting, 980–1850.” *The Journal of Economic History* 78 (4): 955–1000.

<sup>4</sup> Kent G Deng. 2016. *Mapping China’s Growth and Development in the Long Run, 221 BC to 2020*. Singapore: World Scientific Publishing Company, Chapter 2; Roy Bin Wong. 1997. *China Transformed: Historical Change and the Limits of European Experience*. Cornell University Press, Chapter 5.

<sup>5</sup> Taisu Zhang (2017). *The Laws and Economics of Confucianism: Kinship and Property in Preindustrial China and England*; Richard Von Glahn. 2016. *The Economic History of China: From Antiquity to the Nineteenth Century*. Cambridge, UK: Cambridge University Press, Chapter 9; Stelios Michalopoulos and Melanie Meng Xue. 2021. “Folklore.” *The Quarterly Journal of Economics* 1:54

<sup>6</sup> Karl Polanyi, *Trade and Market in the Early Empires*, 1957, pp. 264–66.

<sup>7</sup> In Hammurabi’s Babylonia barley was the means of payment while silver was the universal standard. They were all paired with oil, wool, and some other staples when transactions were made across distance; Guyer and Pallavar note

Song China is frequently discussed as a state-centred money story in which credibility is explained primarily through state power or institutional sophistication. By focusing on how credibility was maintained in a decentralised issuing environment, this research speaks directly to the mechanisms that allow fiduciary instruments to circulate when state monopoly is partial and contested. In other words, the Song case is remarkable not only for issuing the first paper money in history but also as an early laboratory for understanding the institutional foundations of monetary credibility under plural and decentralised conditions.

### *3. A Narrative of Decentralisation*

#### *3.1 Centralised Copper As the Ideal and Its Institutional Signatures*

Copper coins were China's longest-standing and foundational form of currency throughout much of the imperial period and functioned as the proper state currency. The Song court's centralising ambition is visible in three dimensions. First is administrative oversight. Key state offices handled copper matters as strategic concerns, with reporting lines that emphasised direct central authority.<sup>8</sup> Second is the monopolised control of raw materials of production. Legal restrictions repeatedly asserted that copper mining and key uses of copper were state-regulated,

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that monetary multiplicity was a core feature in Africa's monetary history, see Jane I. Guyer and Karin Pallaver, "Money and Currency in African History," in *Oxford Research Encyclopedia of African History* (Oxford University Press, 2018). Volckart's latest monograph provides detailed evidence of monetary diversity in the Holy Roman Empire before alliances were forged to create a common currency in 1559-66, see Oliver Volckart, *The Silver Empire* (Oxford University Press, 2024); Kuroda suggests an assortment of currencies coordinated with each other complementarily at large scale in history, and sustained the market what any single money could not provide, see Akinobu Kuroda, "What Is the Complementarity among Currencies? An Introductory Note," *Financial History Review* 15, no. 1 (April 2008): 7–15.

<sup>8</sup> Note: Coinage was under *Yantiesi*, one branch of *Sansi* before the *Yuanfeng* era. After emperor *Shenzong* restructured the bureaucratic system in 1076, it was then handed over to *Gongbu*. Evidence is seen from *Tuo Ketuo*, *Song Shi* 宋史 (the *History of Song*) , vol. *Zhiguan Zhi* 职官志 (Treatise on Official Posts) , *San Si* 三司, 1343.

prohibited private extraction, and imposed harsh penalties for illicit trade.<sup>9</sup> Lastly, it is evident in the standardisation of coin styles. The formal uniformity of copper cash, evident in shape and inscriptions, operated as a soft assertion of sovereignty, less personal than Roman portraits, but still a powerful claim that copper currency was centrally authorised.

This architecture of control helps explain why Song monetary history is so often narrated as a triumph of centralised capacity. But the puzzle is that, despite impressive mint output in the first half, the so-called Northern Song era (960-1126), copper scarcity and fiscal-military pressure repeatedly constrained what the court could actually achieve as the Song dynasty repeatedly faced warfare with its neighbors, and its territory even shrank to half in the second half, during the Southern Song era (1127-1279).

### *3.2 Iron Zones: Decentralisation by Design and Local Autonomy Emerged*

The frontier wars and military logistics of the Northern Song created persistent pressure on the monetary system. In several strategically significant regions along frontier-intensive circuits, the state promoted the production and circulation of iron coins.<sup>10</sup> At first glance, this was a central policy tool: zoning would economise the precious copper coins from outflowing to the enemies. In practice, it unintentionally became a mechanism that widened the space for local monetary autonomy.

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<sup>9</sup> Tuo Ketuo, *Song Shi* 宋史 (*the History of Song*), vol. 180 Qianbi 钱币 Currency, 1343; Kejia Liang, *Song Huiyao Jigao* 宋会要辑稿, ed. Song Xu, *Xingfa* 刑法二 (Criminal Law, Volume Two), vol. 52, 1820; Shenfu Xie, *Qingyuan Tiaofa Shilei* 庆元条法事类 (*Classified Statutes and Precedents of the Qingyuan Era*), vol. 28, 1260.

<sup>10</sup> Tuo Ketuo, *Song Shi* 宋史 (*the History of Song*), vol. 180 Qianbi 钱币 Currency, 1343.

Iron coin regimes differed from copper in three ways that matter for decentralisation. First is a weaker standardisation. Numismatic evidence points to extreme diversity in iron coin forms and series.<sup>11</sup> Archaeological evidence finds that even within the same nominal reign period, iron coins display significant variation in calligraphy, layout, and mint identifications, as presented in Figure 1.<sup>12</sup> The second aspect concerns regional design and denominational differences. Coins in different iron zones were often deliberately distinguishable by style and denomination, reinforcing bureaucratic and economic boundaries across circuits and making cross-zone circulation difficult.<sup>13</sup>

Figure 1 Iron Coins of Qing Li Zhong Bao



Source: Fushan Yan et al.,  
*Liang Song Tie Qian* 两宋铁钱 (*Iron Coins in Song Dynasty*) (Zhong Hua Shu Ju, 2000), 23

Lastly is on the production patterns. Although the setup of iron currency zones required approval from the central court, this zoning measure invariably led to stronger local participation. By meticulously pairing references to mints produced at the back of the excavated coins and

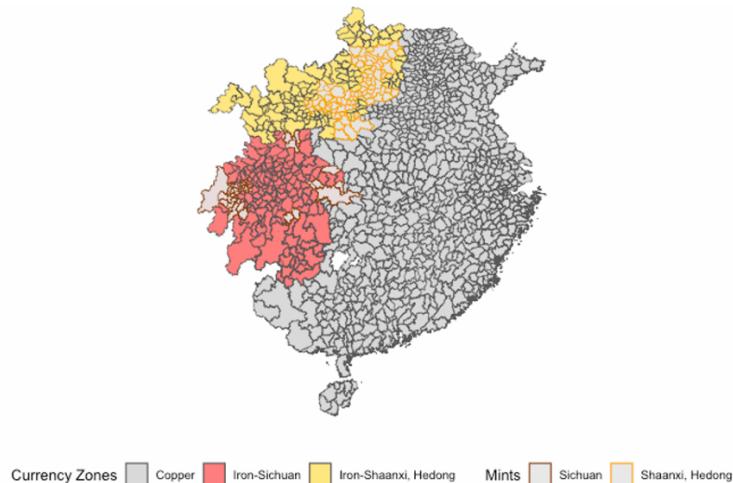
<sup>11</sup> In Yan et al.'s collections, which is one of the most authoritative numismatics collections in the field, more than 1800 different styles of iron coins were identified, see Fushan Yan et al., *Liang Song Tie Qian* 两宋铁钱 (*Iron Coins in Song Dynasty*) (Zhong Hua Shu Ju, 2000), 23.

<sup>12</sup> Zhonghui Sun and Wei Hu, *Gu Qian Bi Tu Jie* 古钱币图解 (*Illustrated Guide to Ancient Coins*) (Shanghai Shu Dian, 1986), 52.

<sup>13</sup> Numismatic findings reveal these coins produced and circulated in *Sichuan lu*, *Hedong lu*, and *Shaanxi lu* displayed varying details in structures of formats, calligraphic styles, and had clear identifications of the circulation zones, see Fushan Yan et al., *Liang Song Tie Qian* 两宋铁钱 (*Iron Coins in Song Dynasty*) (Zhong Hua Shu Ju, 2000), 126.

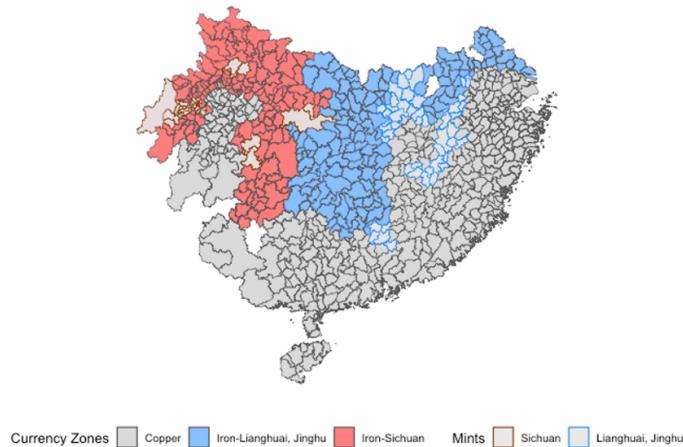
mentioning of each series in the policy records, I traced each type of iron coins to the mints where they were produced and found a persistent pattern of “regionally produced and consumed” embedded in local administrative structures, as presented in Figures 2 and 3. Iron’s lower value and physical clumsiness further reduced incentives for interregional movement, aligning economic behaviour with bureaucratic boundaries. Thus, what begins as a central fix for copper constraints paves the way for an unintended monetary fragmentation. The central court’s attempt to preserve the prestige and fiscal role of copper cash effectively delegates monetary discretion to frontier administrations, many of which were empowered by military imperatives and administrative distance.

**Figure 2 Patterns of Iron Mints and Circulating Zones in the Northern Song Dynasty (960-1126)**



Source: Tuo Ketuo, *Song Shi* 宋史 (The History of Song, 1343); Duanlin Ma, *Wenxian Tongkao* 文献通考 (Comprehensive Examination of Literature), vol. 8, 1317; Duanlin Ma, *Wenxian Tongkao* 文献通考 (Comprehensive Examination of Literature), vol. 9 Qianbi 钱币 (Currency), 1317; Fushan Yan et al., *Liang Song Tie Qian* 两宋铁钱 (Iron Coins in Song Dynasty) (Zhong Hua Shu Ju, 2000)

**Figure 3 Patterns of Iron Mints and Circulating Zones in the Southern Song Dynasty (1127-1279)**



Source: Tuo Ketuo, *Song Shi* 宋史 (The History of Song, 1343); Duanlin Ma, *Wenxian Tongkao* 文献通考 (Comprehensive Examination of Literature), vol. 8, 1317; Duanlin Ma, *Wenxian Tongkao* 文献通考 (Comprehensive Examination of Literature), vol. 9 Qianbi 钱币 (Currency), 1317; Fushan Yan et al., *Liang Song Tie Qian* 两宋铁钱 (Iron Coins in Song Dynasty) (Zhong Hua Shu Ju, 2000)

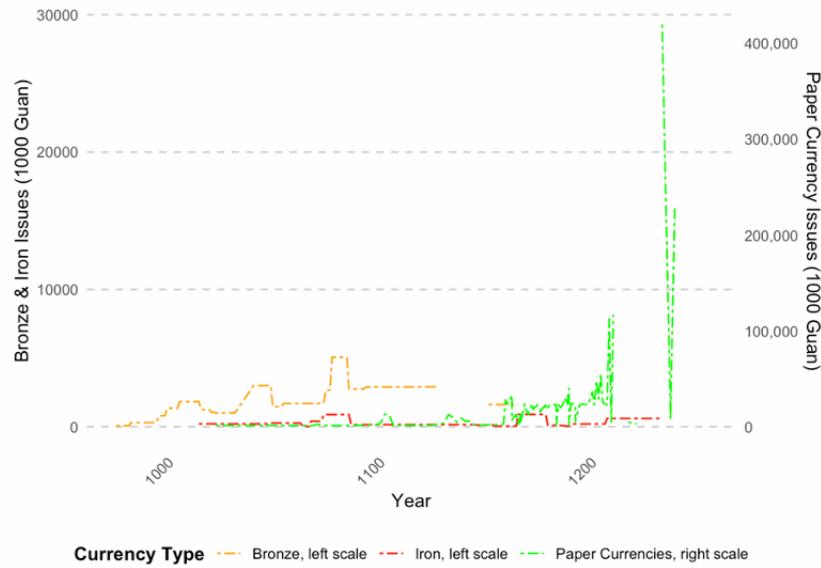
**Table 1: Institutional Differences between Copper Coins and Iron Coins**

Coin Type	Issuing Rights Approval	Production Details	Monopolization of Raw Materials	Standardization
Copper Coins	Central Authority	Central Authority	Strict	Universal
Iron Coins	Central Authority	Local Officials	Loose	Regional

### *3.3 Seigniorage and Issuance: the Quantitative Signs of Weakening Monetary Governance*

The decentralisation narrative is not only institutional but also visible in quantitative evidence. I created my own estimates of the Song's copper coins, iron coins and paper notes, as presented in Figure 4. The overall trend is that copper coin issuance remained relatively steady throughout the Northern Song (960-1126) but declined significantly in the Southern Song (1127-1279). Iron coinage displays a long and consistent history of circulation, with relatively stable issuance over time. Paper notes, on the other hand, show exponential growth in circulation beginning in the late twelfth century. The data presented here are flow-based, intended to reflect the volume of currency issuance rather than to estimate monetary value.

Figure 4 Issues of Bronze, Iron, and Paper Currencies, 976-1255



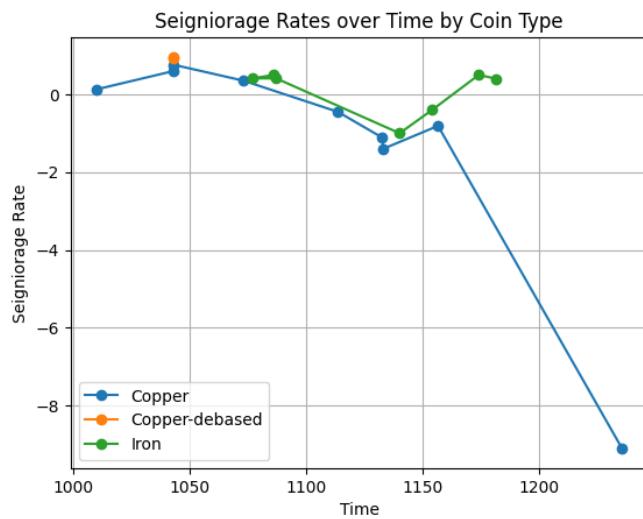
Source: Tuo Ketuo, *Song Shi* 宋史 (*The History of Song*), Si Ku Quan Shu Ben, vol. 180 Qianbi 钱币 (Currency), 1343, p. 23; Duanlin Ma, *Wenxian Tongkao* 文献通考 (*Comprehensive Examination of Literature*), Si Ku Quan Shu Ben, vol. 9 Qianbi 钱币 (Currency), 1317; Yinglin Wang, *Yu Hai* 玉海, Si Ku Quan Shu Ben, 1293; Jun Chen, *Huangchao Biannian Beiyao* 皇朝编年备要 (*Essential Annals of the Imperial Dynasty*), vol. 30, 1244; Pingzhong Kong, *Heng Huang Xin Lun* 环璜新论 (*New Treatise on Heng and Huang*), vol. 1, 1240.

By reconstructing seigniorage estimates from scattered records in policy discussions and cross-validating them against evidence of actual minting activity, I also estimated Song's real seigniorage rates and identified several patterns, as shown in Figure 5.<sup>14</sup> In the earlier phase, when copper remained dominant and central control was comparatively strong, seigniorage appears robust, averaging 46% in normal years and 95% in debased series. Castille's copper coin seigniorage could serve as an intuitive comparative benchmark for evaluating the Song court's seigniorage capacity. According to Motomura's estimate, it was 10% in normal years and 70% in

<sup>14</sup> Data obtained from Shengyi Wang, Liang Song Cai Zheng Shi 两宋财政史 (*the Fiscal History of Song Dynasty*) (Zhong Hua Shu Ju, 1995); Ouyang Xiu, "Qi ba tieqian zhazi" (Memorial on Requesting the Abolition of Iron Coinage), in *Ouyang Wenzhong gongji* 欧阳文忠公集, juan 115, *Hedong fengshi zoucao* 河东奏使奏草 (upper juan), Sibu congkan (Jingyuan ed.); Zhang Ruyu, *Qunshu kaosuo* 群书考索, houji 后集, juan 61, Zhengde Liu shi Shendu shuzhai edition (Jianning Jianyang, 1508–1518; revised 1521), p. 6.

years of debasement.<sup>15</sup> With this comparison, it is tempting to suggest that the Song court possessed relatively strong financial capacity in its early years, which matches my conclusion drawn from textual and numismatic evidence that state control over copper coinage was both robust and markedly centralised. Over the late Northern Song into the Southern Song, as iron zones expand and paper issues proliferate while metallic issuance falters, seigniorage for copper and iron coinage deteriorates sharply to negative, fitting my narrative finding that the court's monetary grip weakened.

**Figure 5: Estimates of Song Coins' Seigniorage Rates**



#### 4. The Pivot: Decentralisation as the Precondition for Notes Innovation

It is precisely within the iron-zone context that paper notes become thinkable and useful. The earliest paper instrument, *jiaozi*, is best understood not as a sudden state invention, but as a market solution to a regional monetary problem: transporting and settling large values in bulky,

<sup>15</sup> Akira Motomura, “New Data on Minting, Seigniorage, and the Money Supply in Spain (Castile), 1597–1643,” *Explorations in Economic History* 34, no. 3 (July 1997): 342, <https://doi.org/10.1006/exeh.1997.0675>.

low-value iron coins. The key transition, therefore, could be interpreted as from centralised copper to regional iron regimes and to paper notes, where the last step is not a leap beyond decentralisation but its institutionalisation in a new form. What remains remarkable is that the world's first paper-note system did not emerge from perfect central control but rather from a constrained, regionally differentiated monetary landscape.

#### *4.1 Issuer Diversity: Merchants, Provincial Authorities, and the Central Court*

Paper notes intensified decentralisation through issuer diversity and geographically anchored credibility. Through meticulous reading of administrative correspondence and policy memos, I classified notes by issuers into three groups, as outlined in Figure 6. First are the Merchant-origin notes. The earliest *jiaozi* was created by merchants in Sichuan.<sup>16</sup> Merchant initiatives also shaped early *huizi* in the Southern Song capital region.<sup>17</sup> These cases vividly show that the foundational logic of paper notes was not initially monopoly issuance, but reputational and institutional design in a commercial setting.

The second type is provincially managed notes. These were issued and managed by circuit-level or frontier administrations, as highlighted by orange lines in Figure 6. Central approval was often necessary, but day-to-day issuance, circulation management, and convertibility practice were local responsibilities.<sup>18</sup> Lastly are central-court notes, most notably *Huizi* in its last form and

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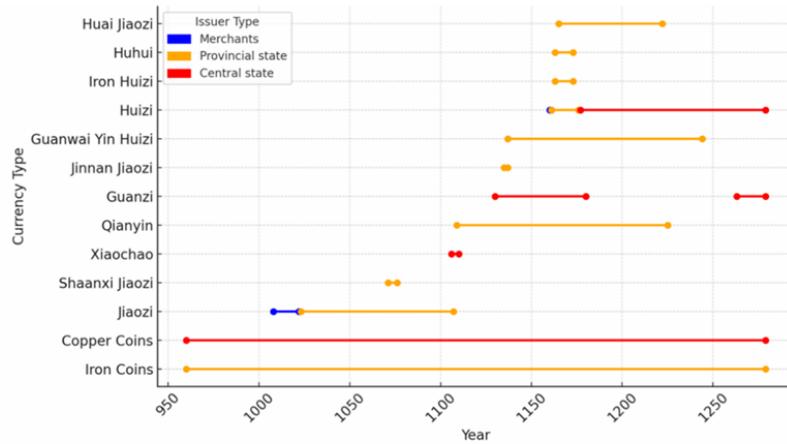
<sup>16</sup> Wang Changyi was one of them whose name survived in the record, see Ming Chang and Fangcan Yang, *Sichuan Tongzhi* 四川通志 (*Comprehensive Gazetteer of Sichuan*), vol. 204, 1817.

<sup>17</sup> Xinchuan Li, *Jianyan Yilai Chaoye Zaji* 建炎以来朝野杂记 (*Miscellaneous Records of Court and Country since the Jianyan Reign*) , vol. 3 (1260; repr., Zhong Hua Shu Ju, 1985), 238.

<sup>18</sup> The crucial role played by individual officials such as *Qian Duanli* in facilitating this shift mirrors the transformation of *Hedong* into an iron currency zone, which was closely tied to the relocation of a high-ranking Shaanxi commissioner, as found in Xinchuan Li, *Jianyan Yilai Chaoye Zaji* 建炎以来朝野杂记 (*Miscellaneous Records of Court and Country since the Jianyan Reign*) , vol. 3 (1260; repr., Zhong Hua Shu Ju, 1985), 238.

*Guanzi*. By tracing the timeline of emergence, I found the provincial and central notes were embedded in a negotiated hierarchy of authority rather than a single, top-down monetary design.

**Figure 6 Song Dynasty Currencies Categorised by Issuers**



Source: Sen Liu, *Song Jin Zhi Bi Shi* 宋金纸币史 (*History of Paper Currencies in Song and Jin Dynasties*) (Zhong Guo Jin Rong Chu Ban She, 1993); You Li, *Songchao Shishi* 宋朝事实 (*Facts about the Song Dynasty*), Si Ku Quan Shu Ben, vol. 15, 1240; Tu Ketuo, *Song Shi* 宋史 (*The History of Song*), Si Ku Quan Shu Ben, vol. 180 Qianbi 钱币 (*Currency*), 1343; Duanlin Ma, *Wenxian Tongkao* 文献通考 (*Comprehensive Examination of Literature*), Si Ku Quan Shu Ben, 1317; Jun Chen, *Tongjian Xubian* 通鉴续编 (*Sequel to the Comprehensive Mirror*), Si Ku Quan Shu Ben, vol. 24, 1400; Xinchuan Li, *Jianyan Yilai Xinian Yaolu* 建炎以来系年要录 (*Essential Chronological Records since the Jianyan Reign*), Si Ku Quan Shu Ben, vol. 9, 1240; Kuo Hong, *Panzhou Wenji* 盘洲文集 (*Collected Literary Works of Panzhou*), Si Ku Quan Shu Ben, 1184; Shiqi Yang and Huai Huang, *Lidai Mingchen Zouyi* 历代名臣奏议 (*Memorials and Deliberations of Eminent Ministers through the Dynasties*), Si Ku Quan Shu Ben, vol. 272, 1416; Shenfu Xie, *Qingyuan Tiaoza Shilei* 庆元条法事类 (*Classified Statutes and Precedents of the Qingyuan Era*), vol. 30, 1260; Shichang Ye, "Lun Huizi 论会子 (On Huizi Notes)," in *Dongzhi Guanzi Chaoban Ji Liang Song Zhibi* 东至关子钞版暨两宋纸币 (*The Copperplate Printing of Guanzi Notes at Dongzhi and the Paper Currency of the Two Song Dynasties*) (Huangshan Shu She, 2005).

#### 4.2 Geographic Anchoring and Limited Universality

Unlike coins, paper notes are fiduciary instruments as their value depends on confidence in redemption and the institutional backing of their issuers. Song notes were issued in series, often with explicit terms and conversion rules, and redemption was commonly tied to specific exchange offices in the region of issue.<sup>19</sup> This anchored convertibility and, by extension, credibility

<sup>19</sup> Xinchuan Li, *Jianyan Yilai Chaoye Zaji* 建炎以来朝野杂记 (*Miscellaneous Records of Court and Country since the Jianyan Reign*), Si Ku Quan Shu Ben, vol. Jia 17, 1260, 8–11.

geographically. Even when notes travelled, their ultimate promise remained local. These characteristics created an interesting paradox. While paper notes could dramatically reduce transaction costs within the same currency zone, they were poorly suited to serve as a universal currency across zones, especially when multiple issuers used different backing strategies. In this sense, paper notes did not unify Song's complicated monetary regime but further deepened the logic of currency circuits.

#### *4.3 Competition and Overlap*

Once paper notes proliferated nationwide, overlaps and tensions became visible. Different notes circulated simultaneously in adjacent or partially overlapping regions, sometimes even denominated in different metallic bases (iron vs copper), producing moments of practical confusion and implicit rivalry between provincial and central instruments, as found in the competition between *Huai Jiaozi* and *Huizi*, and also *Huhui* and *Huizi*.<sup>20</sup> These episodes reveal traces of jurisdictional competition over what counts as credible paper notes in this early exploration.

#### *4.4 Credibility Maintenance: Reserve Assets Beyond Coins*

So, how were these notes' values backed and maintained? Promised convertibility to the base currency did not last long. As my previous analysis of the money issues reveals, the numbers

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<sup>20</sup> For instance, *Jiaozi/Qianyin* circulated in the iron currency zones of *Sichuan*, *Shaanxi*, and *Hedong*, while *Huai Jiaozi*, also denominated in iron coins, was used in the iron zones of *Lianghuai* circuits. Before 1166, both *Huai Jiaozi* and the state-issued *Dongnan Huizi* circulated simultaneously, despite being denominated in different currencies. This overlap introduced significant monetary confusion as iron and copper paper notes circulated side by side in regions that presumed to allow iron coins but not copper coins in circulation. Although this dual-use arrangement was later revoked, it stands as a clear episode of currency competition, see *Tuo Ketuo, Song Shi* 宋史 (*the History of Song*) , *Si Ku Quan Shu Ben*, vol. 181, 1343.

of metallic coins and notes were notably mismatched. The notes issuers found a solution that rested on leveraging credibility: specifically, they relied on a portfolio of non-conventional reserve assets and fiscal instruments, including silver and textiles, as high-credibility stores of value during depreciation episodes.<sup>21</sup> State-monopolised goods and their licenses (e.g., salt, tea, incense) also functioned as quasi-reserve assets.<sup>22</sup>

These commodities were not merely backing as nominal money. I found they functioned as media of exchange and units of payment in frontier procurement in international trade, interregional trade, and military markets as common practices.<sup>23</sup> Their credibility frequently exceeded that of debased or geographically constrained coin regimes, helping explain why they could stabilise paper promises.

This is where the monetary-functions contribution becomes sharp: Song money operated as a system of complementary instruments, in which paper notes could serve as convenient media of exchange within bounded monetary circuits, while premium commodities (silver, textiles, monopoly goods) acted as reserve-like stores of value and as cross-zone mediums of exchange.

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<sup>21</sup> Duanlin Ma, *Wenxian Tongkao* 文献通考 (Comprehensive Examination of Literature), Si Ku Quan Shu Ben, vol. 9 Qianbi 钱币 (Currency), 1317, 30-31.

<sup>22</sup> Wokun Hu, *Qian Tong* 钱通 (Comprehensive Treatise on Money), Si Ku Quan Shu Ben, vol. 4, 1600, 19–20.

<sup>23</sup> A 1159 record from *Qiongzhou* in *Sichuan* details the exchange of one *pi* (a unit of cloth) of *juan* (a fine silk) for fifteen *jin* (weight unit) of salt, see Xinchuan Li, *Jianyan Yilai Xinian Yaolu* 建炎以来系年要录 (Essential Chronological Records since the Jianyan Reign), Si Ku Quan Shu Ben, vol. 183, 1240; Sichuan Wujia Zhi Bianzuan Weiyuanhui, *Lidai Sichuan Wujia Shiliao* 历代四川物价史料 (Historical Materials on Prices in Sichuan through the Dynasties) (Xinan Cajing Daxue Chu Ban She, 1989), 14.

### *5. Conclusion*

By reconstructing the political economy of monetary decentralisation in the Song dynasty, this study seeks to contribute in three ways. First, it challenges the long-standing depiction of the Song monetary system as a coherent, centrally commanded apparatus. I propose a fluid and contested regime in which court ambitions, frontier exigencies, and market practices interact to produce a plural and adaptive monetary order.

Second, for debates on the Great Divergence, this analysis offers an additional perspective on the institutional category of “centralised China.” The Song case suggests that even within a politically unified empire, monetary authority could be differentiated through currency zoning, issuer plurality, and geographically bounded mechanisms of credibility. Recognising these features enriches comparisons with Europe and encourages more fine-grained, mechanism-based discussions of state capacity and monetary governance.

Third, for monetary theory and global financial history, the emergence of the world’s first paper notes appears not as a straightforward triumph of state sophistication, but as the outcome of decentralised monetary pressures and deliberate strategies of credibility construction that relied on heterogeneous reserve assets. Paper money, in this sense, was less the culmination of centralisation than an institutional response to its limits.

Taken together, the Song experience emerges as an early and ambitious experiment in governing monetary plurality under constraint. By tracing the transition from centralised copper coinage to regional iron regimes and, ultimately, to decentralised paper-note circuits while identifying the reserve assets and monetary functions that sustained their credibility, this study

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Zoey (Ziyue) Shen

offers a nuanced reinterpretation of monetary decentralisation and its relationship to monetary innovation. It thereby underscores why the Song's monetary experimentation provides valuable insight into long-run comparative development and the history of money.

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