Roman Inflation

by: R. L. Porter

My dictionary tells me that the word 'inflation' comes from the Latin, 'inflare, inflatio', to blow air into, blow up. To us it means, of course, that upward spiral of wages and prices, with its attendent lowering of the value of our dollar, which is the bane of modern governments and the slow ruin of the fixed income and investing segments of society. The Romans of the middle and late empire were ravaged by this phenomenon, but, curiously enough, like some stone-age savage with a disease he could not hope to understand, they floundered in relative ignorance of just what was happening to them, and, indeed, had no name to bestow on the process. The term 'inflation' is a modern one. Alas for us, though we now know what to call it, we are yokemates with the Romans in that we are unable to control it.

In our society the government helps to inflate currency by simply spending more than it takes in, and making up the difference with the creation of money through debt instruments and 'rolling those magic printing presses'. We have what is called a fiduciary currency: we take it on trust that the green back with Her Majesty's picture on the front is really worth a dollar of goods or services. In reality, as an object, it is almost valueless. Roman currency, like the Greek before it, was originally not fiduciary. It was based on the real value of metals. When such metals became formed into coins, however, this value usually rose beyond the bullion worth of the bronze, copper, silver or gold because their handiness in effecting business transactions also had to be reckoned with. In ancient societies high-value, metal coins behaved like commodities, like wheat or leather, and their value fluctuated slowly according to supply and demand. The shifts were slow because of the difficulty of bringing the precious metals, gold and silver, into the economic system by government. These metals are relatively rare and their extraction and smelting took some effort.

The Roman government was never sophisticated enough to do more than levy taxes and disburse salaries to its bureaucrats and soldiers. Its taxation system for most of the imperial period was, quite frankly, a complex mess. When the emperor Nero, caught by the expenses of rebuilding Rome after the great fire of 63 A.D., and plagued by war in Armenia and a costly revolt by Boudicca in Britain, needed extra revenue, he inadvertently did something which would have far-reaching consequences. Nero added base metal, 10% worth, to the empire's silver coinage, and thus raised additional 'free' <u>denarii</u> to pay his bills. Raising taxes is always an unpopular measure for governments: they prefer to pull the 'lana' over our 'ocelli', to 'rip us off' with sometimes the very best of intentions. Usually this deception will work for a time. With the Romans it worked for the next 200 years.

From the time of Nero to the reign of Caracalla (211-217 A.D.), the silver coins became increasingly adulterated until they were only c. 40% silver, while the gold <u>aureus</u> grew lighter in weight. To blow some smoke in the public's face, a new silver coin, the <u>Antoninianus</u>, was introduced. The brass and copper coinage of the day did not suffer too much and was useful for small transactions. However, the pivot of the system was the silver coin, and its debasement accelerated remarkedly from 235-285 A.D., during the chaos and confusion of the Barrack

Emperors - 32 legitimate rulers and pretenders in a mere 50 years. The denarius and antoninianus became, eventually, copper coins with a light, silver wash. They are seldom found with their silver coating intact. War and rival capitals in the Empire were the reasons for this debasement, since wars are the very father of taxes, and debasement helped lighten tax increases initially.

As the empire slipped into a barter economy with even state taxes and salaries now paid in wool, leather, grain, wine, etc., the need to bolster coin values became pressing. The fighting emperor Aurelian (270-275 A.D.), having run out of silver, tried a new trick (governments sometimes prefer tricks to real solutions). He replaced the worthless antoninianus with a new coin given a face value of 2 denarii, and another silver-wash coin twice as large with the marks XXI on it; i.e., 20 sesterces of the old money equaled 1 of the new. If you were asked to turn in 25 dollars of the old type money in your wallet for a 'new' Canadian 10 dollar bill it would amount to the same. The Romans had come to fiduciary currency. Money was now worth what the government said it was worth. Like other similar solutions, it worked for a while.

Eventually, when it took a whole bag of trash coins to buy a scrawny chicken, something had to be done. Diocletian, the architect of Roman reconstruction, had some answers. First, he introduced a single, large, silver-wash coin equal to the entire bag of erstwhile money, calling it a 'follis'. Second, he tried wage and price controls (he had the nerve to suggest that it was private greed that had caused inflation); they did not work. Third, he re-introduced a pure gold and silver coinage which a successor, Constantine (308-337 A.D.), caused to be entrenched. This did work, although the states' small change was never again as acceptable as it had been in the halcyon days of yore. Inflation, then, was a lingering economic sickness which the Roman Empire did manage to live with, despite its distortions and hardships for many. In the final analysis it was the barbarians who overthrew the empire, not the floundering money situation. Perhaps inflation is not so frightful after all.