

A Thirst for Silver: Trade Disruption, Silver Shortage, and the Institutional Causes of Unrest in Nineteenth-Century China

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Abstract :

We provide new evidence that rigid trade and taxation systems, together with a global decline in silver production following the Spanish American wars of independence, fueled rising silver prices and subsequent social instability in early nineteenth-century Qing China. Drawing on newly assembled county-level panel data and historical commercial routes, we show that regions farther from Canton—the empire’s sole legal international port—faced sharper silver price increases and higher conflict incidence after the silver shock. We argue that silver taxation was central to this relationship: because taxes were fixed in silver, price increases raised the real tax burden and heightened the risk of unrest. Quantitative estimates indicate that the global silver shock lowered China’s aggregate welfare by 1.1%, with taxation accounting for most of the loss. Counterfactual analysis suggests that opening additional international ports would have made the negative impacts more uneven across regions and hence more politically destabilizing, though the effect was limited. By contrast, fiscal reform emerges as a more critical policy lever for mitigating the adverse consequences of the silver shock.