1. THE FALL OF THE ROMAN EMPIRE

> "*Determine what is best for the government and know* *that* *is what the powers are working to make happen. Inflation is what is 'best' for a government with enormous debt."* Ayn Rand.

Many theories and views have been proposed, for example by Edward Gibbon's "Decline and Fall of the Roman Empire". A good overview can be found in "Peak Civilization, The Fall of the Roman Empire" article by Ugo Bardi . Quote:

> *On reading Gibbon's work, you understand that he thinks there was a sort of loss of moral fiber in the Romans. He attributes this loss to the negative effect of Christianity. That is, the noble virtues of the Ancient Romans - he says - had been corrupted by this sect of fanatics coming from the East. This had made the Romans unable to resist to the invading barbarians.*

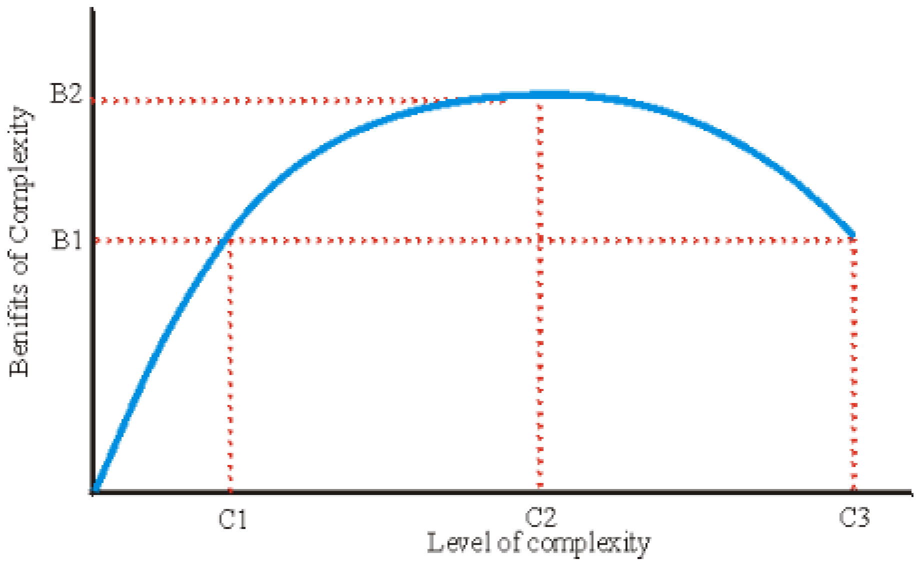
See also this.

Another view on this topic was presented by Joseph Tainter with his "The Collapse of Complex Societies". His book was published for the first time in 1990. An interview with Tainter can be listed to here: http://www.netcastdaily.com/broadcast/fsn2010-0908-1.mp3

Bardi summarized Tainter's view as follows, quote:

> *But that is not the point. The point is that the Roman Empire had started undergoing a catastrophic loss of complexity already during the third century. So, that was the real collapse. What happened later on is another story.*
> *After that, Tainter spoke of complexity, and of the energy cost of complexity, it is perhaps surprising for us that he doesn't consider resource depletion as a cause of collapse. Resource depletion, after all, is the main theme of Jared Diamond's book "Collapse". It is how he interprets the collapse of many societies. Tainter explicitly denies that in his book. He says that if such a thing as depletion appears, then society should react against it. After all, it is normal: society always reacts to all kinds of crisis, and why shouldn't it react to resource depletion? This point made by Tainter may appear surprising - actually unpalatable - to people who have made resource depletion the centerpiece of their thought. Peak oilers, for instance.*
> …
> ***In Tainter's view, societies always face crisis and challenges of various kinds. The answer to these crisis and challenges is to build up structures - say, bureaucratic or military - in response. Each time a crisis is faced and solved, society finds itself with an extra layer of complexity. Now, Tainter says, as complexity increases, the benefit of this extra complexity starts going down - he calls it "the marginal benefit of complexity". That is***

because complexity has a cost - it costs energy to maintain complex systems. As you keep increasing complexity, this benefit become negative. The cost of complexity overtakes its benefit. At some moment, the burden of these complex structures is so great that the whole society crashes down - it collapses.



I find Tainter's view fascinating and very plausible, but it also made me curious on the exact mechanism of the collapse. Why did the very center of the empire the city of Rome and surroundings, hollowed-out itself economically to such an extent that virtually all economic activity in the agriculture, mining and trade ground to a halt within one generation, in the mid 400-eds AD? Why the infrastructure such as roads, bridges, trading posts, legions' garrisons, seaports, aqueducts, buildings and sewage systems have not been repaired as was done in the past? The issue is not that the economic infrastructure would have been destroyed due to frequent warfare, the issue is why was it NOT repaired after 450-ties?

A vision I entertained was one similar to Tainter's but looking from a different perspective. Picture economy of the empire in shape of a large green leaf . The middle of the leaf begins rotting and drying out, becomes dead while the periphery - the peripheral provinces are still thriving and growing. In fact the population moves out of the economically stagnating and dying central provinces around the capital, out to the outer limits of the empire where all the sectors of the economy such as agriculture, craftsmanship, mining and trade are still working. Away from the Center, the flow of people was accompanied by the flow of newly minted coinage in the same direction: from the center to the provinces. More on the Roman currency can be read [here](#).

Destruction of the central economy was coincidental with the continuing debasement of newly minted coinage. Issuing of large amount of new coinage of lesser intrinsic value (lower the silver or gold contents to mint more coins of a given nominal) was required to pay for state expenses, beyond what the government was able to raise through taxes. To allow the government live beyond its means. The more the economy and tax revenues of the capital province declined, the more expenses a government had to cover by issuing ever larger amount of debased coinage. That classical inflationary scenario brought decline in the money producing centre, that surprizingly - did not seem to hurt (and perhaps may even stimulated) the economic activity in the peripheral provinces! All those silver denominated silverless coins ended up in the provinces, in return for the goods, produce and services sent back to Rome, ultimately ended up hurting Roman farmers and Roman traders more than anybody else.

- Why?

Why counterfeiting one's own currency by the government hurts the issuer more than it hurts (if at all) the producers in a far away provinces?

> **Because the excess (fiat) money distributed through the central administration, through the paid civil servants and state functionaries pushes up local wages and thus raises the costs of production in the capital province faster than the rate of goods and services price inflation, thus destroying the economic profitability!**

Pricing for agricultural and crafted goods imported from peripheral provinces are lagging in time, while the government wages are paid immediately locally in the capital province. Thus, it becomes eventually more economical to use the newly minted coinage to buy goods elsewhere at the old prices than produce them locally. As the local producers decline, close down their shops and farms and move elsewhere, the roads and bridges can no longer be maintained due to the lack of local traffic. The same applies to maintaining general infrastructure due to the outflow of skills.

This in turns increases the cost of transportation and living, pushing the costs of running the central administration up, forcing the central imperial government to counterfeit more coinage just to maintain the existing level of activity and so on. It is a positive (self-reinforcing) feedback mechanism that leads straight down into economic abyss. At the end the only people left are civil servants, military, their families and slaves with no productive bussineses or farms left.

If money creation of of thin air appears to destroy the local economy due to destruction of profitability, could the converse be true? Can an empire with a stable solid currency system survive for a very long time in spite of really bad oppressive or incompetent governments?

2. BYZANTIUM

Gold and silver coinage was minted all throughout the thousand years of its independent existence after the Western Empire fell. No mention is made of any major debasement or falsifications by the imperial governments.   More can be read on Byzantine coinage here.

Solidus-Justinian II (wiki)

Any speculation on other alternative mechanisms behind the fall of Rome must deal with and must explain the lack of collapse in the Eastern Roman Empire!   The mechanism that lead to a collapse in the West must have been absent in the East. All those alternative factors such as those postulated by Gibbons' (Christian doctrine), or Tainter (excessive socio-economic complexity), barbarian invasions, degeneration of the rulling elites, running out of resources have all been present within the sphere of Eastern Empire (if not more so) yet it did survive for a thousand more years!

Other examples of economic industrial/agricultural decline that may be tied to government-instigated currency destruction: French Kingdom just before the revolution, German Weimar Republic 1918-1933, Great Britain after 1945. Argentina and Brasil 1960-ties to 1980-ties, communist Poland in the 1980-ties, debasement/manipulation of the Japanese currency after the property crash of the 1990, debasement of the United States dollar after the banking near-crash of the 2008.

Stan (Heretic)
26-June-2011
18-Oct-2011 (small edits, picture etc)

Addendum (06/11/2014)

There appears to be another (in addition to the currency) factor at play that seems to lead to a systemic collapse: - the lack of legal limitation on the lifespan and the size of the institutional *entities within the economy. This idea came up in a personal communication. I will expand upon this insight in another essay.*