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What we can learn from ancient Rome's money supply conundrum

THE OVERTON WINDOW

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"Those who cannot remember the past are condemned to repeat it." –
George Santayana, *The Life of Reason*

Many economists today believe we are committing one of the biggest economic blunders, which has brought ruin to countless past societies. Since 1971, when the world moved to a pure fiat money standard for the first time in recent history, many central banks around the world have been printing money at a faster and faster rate. This practice has been put on steroids since the 2008 financial crisis, particularly in more advanced countries such as the US and its allies; needless to say, the global impact of greater numbers of US dollars being printed is obviously more profound, given its status as the world reserve currency.

A sustained increase in the money supply of a country, when it is not commensurate with other fundamental economic factors, always leads to monetary inflation. In his book, "Immoderate Greatness: Why Civilisations fail," American political scientist and author Patrick Ophuls wrote: "No matter how modest or benign it may seem at first, an inflationary policy is... always [fatal] in the long run. It has been tried many times and has always failed. It does not solve the problems of the society; it aggravates them and leads inexorably on toward self-destruction."

If we go back in time and look at the history of the Roman Empire, after its defeat at the hands of the Germans in 9 AD, Emperor Augustus decided to end the Roman expansion policy, which put a dent in its supply of foreign wealth acquired from conquering new lands. Augustus and the emperors who followed thus faced the problem of insufficient revenues. Taxes could only be increased upto a certain point before it angered the masses. "To counter this problem, Nero began in 64 AD a policy that subsequent emperors found increasingly irresistible," writes American historian Joseph Tainter in his book, "The collapse of complex societies."

This policy involved debasing the value of the standard Roman silver coin by mixing it with cheap metals such as copper and reducing the size of gold and silver coins. The surplus precious metal obtained was then used to create more coins, which it used to cover its debts and expenses, and fill the pockets of statesmen and political insiders.

By the year 280 AD, the Roman denarius was debased of 50 percent of its original silver content, and the rising prices that followed became impossible to ignore. "By the latter part of the third century, the currency was so worthless that the State resorted to forced labour," as well as collecting "its taxes in the form of supplies directly usable by the military and other branches of government, or in bullion to avoid having to accept its own worthless coins," writes Tainter.

Between 235-284 AD, the breakdown of the social order of ancient Rome due to high inflation became increasingly evident as groups of military deserters whom the state was unable to pay roamed the countryside, pillaging small towns and farms. The average reign for an emperor came down to a few months, civil wars became common, the population declined and lawlessness prevailed.

In the first half of the 4th century, hyper-inflation kicked in due to the state's protracted inflationary policy. As Tainter writes, "In the second century a modius of wheat, during normal times, had sold for 1/2 denarius... the same modius of wheat sold in 335 AD for over 6,000 denarii, and in 338 for over 10,000." Whatever savings ordinary people held in denarii were practically wiped out. By the 5th century, the peasantry was decimated from prolonged predation, so much so that they became "apathetic about the dissolution of Roman rule," as "the empire could no longer afford the problem of its own existence."

The story of Rome contains often neglected but important lessons. One is that when a government or banking elite claims the right to expand the supply of money without limits, it starts a fire that can quickly spiral out of control, ending in economic and societal ruin. Hence why, for more than 2,000 years, we have seen every fiat currency whose supply became unrestrained lose their value (or go extinct) and states ultimately returning to the gold standard (where a country's currency has a value directly linked to gold).

While many developed countries seem to have forgotten this lesson and gotten away with such policies up until now, it is clear that not all economies can afford the same because not all of them are on the same footing. That is why it is particularly concerning that in a time of elevated inflation, the Bangladesh government has started to borrow heavily from the Bangladesh Bank to meet its budget deficit. Between July 1 and November 3 this year, the government borrowed Tk 28,378 crore from the central bank, according to the bank's data. Whereas, in all of the last fiscal year, it borrowed Tk 31,403 crore from the bank.

According to Ahsan Mansur, executive director of the Policy Research Institute, "Borrowing from the central bank means printed money is being injected into the market," which will further fuel inflation. This form of money can multiply as much as five times in Bangladesh through fractional reserve banking, a system in which only a fraction of bank deposits is backed by actual cash on hand and available for withdrawal. So, the Tk 28,378 crore borrowed by the government may end up being Tk 141,890 crore eventually.

Historically, we have seen government elites, particularly the more corrupt ones, lose control once they started the practice of printing more money, until such a policy ruined the state's economy. As the famous economist Ludwig von Mises wrote, "Just as when you start to use certain drugs you don't know when to stop nor how to stop, it is the same with [inflationary monetary policy], the governments don't know when nor how to stop." That is why, during these challenging times, it is so important for us to "remember the past", so that we too are not "condemned to repeat it."

Tea garden workers trapped in a cycle of poverty

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Tea export from Bangladesh has been consistently on the decline – from 12 million kilograms in 2001 to just 0.68 million kilograms in 2021. However, domestic consumption of tea has been growing by approximately five to six percent annually, standing at 95 million kilograms in 2019. If tea production cannot keep up with the growth in domestic consumption, Bangladesh, in the near future, may need to spend its precious foreign currency to import tea.

Historically, the tea industry in Bangladesh has been standing on the backbreaking labour of tea garden workers, most of whose ancestors were transported here from the impoverished states of Bihar, Odissa and West Bengal in British India. Currently, around 100,000 permanent workers and 30,000 seasonal workers work in 167 tea estates. The total number of tea workers and their family members is estimated to be around 500,000. The majority of them are illiterate, work for very low wages, and enjoy few rights or privileges in the tea estates where they work and live. They are ethnically, racially, religiously, linguistically and culturally distinct from other skill sets. The very few primary and secondary schools that exist are run by the tea garden authorities. Parents initially bring their kids to these schools but soon find themselves unable to pay for books, uniforms and other necessities, eventually sending their teenagers to work as casual labourers in the tea gardens to make ends meet.

Because of their socioeconomic conditions and cultural orientation, they are naturally risk averse, unwilling to take any risks in exchange for a better future. Instead, they accept their current situation because of the certainty associated with working in tea gardens. Most households with at least one permanent work permit prefer to remain on tea estates. Holding a permanent work permit guarantees access to housing within the boundaries of the gardens, weekly ration, primary medical care, retirement benefit, 20 full working days of earned leave, and other perks.

The quality of these benefits, however, is questionable. Although the majority of tea garden workers are dissatisfied with the tea garden authorities for failing to fulfil the obligations of their employment are controlled and occupied by the Bengali community. Hence, tea workers are confined to the tea garden due to a two-way link between their lack of ability to launch income-generating operations and the lack of a well-developed market for their labour/product. The garden authorities take advantage of this by offering workers wages that are lower than the equilibrium rate.

So, how can the tea workers escape the cycle of perpetual poverty they are currently trapped in as a result of the complex issues that exist among tea garden workers, garden authorities, and the surrounding Bengali community?

Besides recent government declarations for taking some measures, other short- and long-term actions should be taken to improve the plight of this impoverished community. For household members who work on a temporary basis and are unemployed, need-based skills development training should be one of the short-term solutions. A market channel should be established concurrently so that they can sell their labour or product and make some extra income. Additionally, this will raise the minimum wage in the local labour market. Steps should be taken to reduce the information asymmetry that still exists between this group and others outside of the area.

For long-term solutions, all parties involved – the government,

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Bangladeshis, intensifying their isolation and vulnerability. The well-being of tea workers would be crucial for the growth of the industry. More importantly, it is also an issue of human rights and inclusive development.

Research indicates that the exploitative attitudes of the tea garden authorities and the failure of the government to act are responsible for the appalling living conditions of tea garden workers. The households in these communities, for instance, have a high population growth rate due to a lack of education on family planning. From the authority's standpoint, however, a high population growth rate is advantageous, as it guarantees a continuous surplus of labour. The owners of tea gardens are not very concerned about improving the human capital in the tea garden areas by investing in the community's health, education, and needs-based contracts, they refuse to quit their jobs under any circumstances due to the possibility of losing their right to residential benefits. The level of security they perceive from this long-term permanent contract is greater than their anticipated risks of leaving the tea gardens in search of jobs where they could earn significantly higher daily incomes. The lack of information workers have about the growing labour market outside the tea gardens also plays a critical role in this regard.

Furthermore, in the absence of the necessary capital, skill, experience and, most importantly, distribution channels for entrepreneurial pursuits, tea garden workers are afraid to take up different income-generating activities. It is thus unsurprising that almost all small and medium business activities, other than businesses related to tea gardens, that have developed and are developing around tea gardens, the tea garden authorities, and all other individuals who occupy positions of authority in the tea garden community – should cooperate to build up the human capital of this underprivileged area. Although the government has already promised to nationalise schools in the tea gardens, establish community clinics for improved treatment facilities, etc, measures should be taken to ensure timely implementation of the given commitments. The private sector and NGOs should also step up and voluntarily launch livelihood programmes so that these vulnerable people can start some income-generating activities.

Though these initiatives might not be adequate in breaking this vulnerable and marginalised community's cycle of poverty and cultural prejudice in the near future, they could be the first steps toward removing their suffering.

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27 Radio parts
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30 DNA sample tool
31 Plumbing piece
32 Grass cutter
34 Cell phone annoyance
40 Days gone by
41 Panama explorer
42 Genesis garden
43 Like some winter days

DOWN
1 Gum mass
2 Mess up
3 Scary shout
4 Like panhandlers' hands
5 Colorado resort
6 Convene
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8 Pitcher's stat
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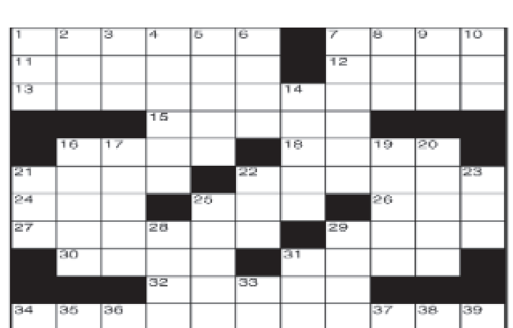

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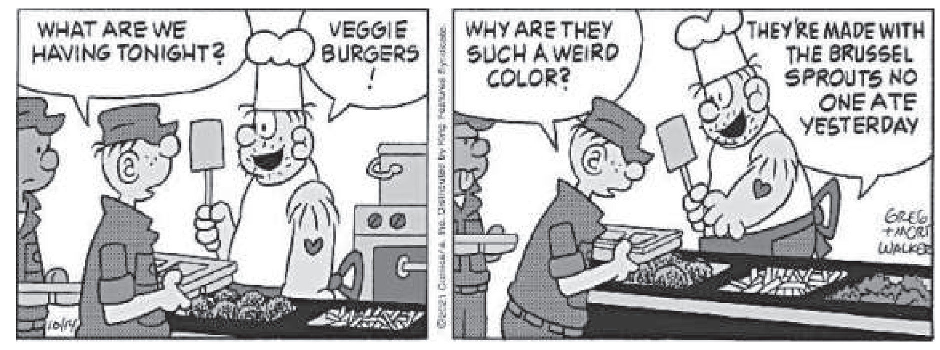

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