**Genghis Khan, Trade Warrior**

Economist History

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His Pax Mongolica connected Europe and China, leading to exchanges of technology and culture

It was no coincidence that Marco Polo’s famed trip to China came at the Mongol Empire’s peak in the 13th century. His party of Venetian merchants traversed an overland route between the Middle East and China on what would much later be called the Silk Road. Their passage over the perilous terrain would scarcely have been possible without the system of order, referred to by historians as Pax Mongolica, that the empire had imposed across central Asia.

Polo’s party traveled under the sponsorship of Mongol ruler and Yuan dynasty emperor Khubilai Khan, the grandson of the Mongol Empire’s founding ruler or “khan,” Genghis. The sponsorship took the form of an extraordinary passport. According to Polo’s account, they had been given a “Tablet of Gold on which was inscribed that [they] should be supplied with everything needful in all the countries through which they should pass — with horses, with escorts, and, in short, whatever they should require.” With this tablet, Polo’s party was able to draw on the substantial infrastructure that the empire maintained along central Asian trade routes.

Apparently, the Venetian merchants were far from alone in their use of this infrastructure. By the time they reached Cambaluc, the winter capital of the Yuan dynasty at the site of modern-day Beijing, they discovered that numerous European merchants had preceded them. The vast suburbs of Cambaluc, according to Polo, “lodge the foreign merchants and travelers, of whom there are always great numbers who have come to bring presents to the Emperor, or to sell articles at Court, or because the city affords so good a mart to attract traders.” Separate inns were provided for merchants from different parts of the world, including “one for the Lombards, another for the Germans, and a third for the Frenchmen.”

These direct contacts between Europe and China appear to have been a wholly new phenomenon, something that had not occurred before Pax Mongolica. “Prior to this period, we don’t have evidence of direct trade between Europe and China,” says anthropologist Jack Weatherford, author of *Genghis Khan and the Making of the Modern World*.

It is hard to overestimate the historical significance of Pax Mongolica. Its establishment had come at a terrible price. In conquests that expanded the Mongolian Empire to China in the East and to the Danube River in the West, the Mongol armies may have killed upward of 40 million people. Yet Pax Mongolica created a relatively stable environment for the development of global trade and the cross-fertilization of cultures and knowledge that came with it. Spices, tea, porcelain, and silk moved west, along with numerous Chinese technological innovations. Gold, medical manuscripts, and astronomical tomes headed east. These new exchanges had enormous implications and have been judged by one historian as the “onset of global history.”

**GENGHIS KHAN, ADMINISTRATOR**

Genghis Khan, born under the name Timüjin, was an unlikely candidate to unify the warring Mongol tribes of his homeland, much less found a vast empire. The future emperor was the son of an outcast family — a family abandoned by its clan to die on the steppes. Yet it appears that he came to believe that he was divinely destined to unify the world — all the land under Tengri, the sky god of his shamanistic religious tradition. In an ascent marked by incredible political and military savvy, he proceeded to defeat a long string of ever more powerful enemies.

What is perhaps equally incredible is that this man with no formal education and an extremely limited understanding of the outside world would prove to be an adept administrator. Breaking with Mongol tradition, Genghis was a strong adherent of meritocracy. To overcome intra-Mongol tribal rivalries, he organized his army and much of the remaining population into groups of 1,000. He tended to promote and demote based on performance, with little or no regard to tribal connections.

A fundamental problem Genghis faced was the growing numerical mismatch between the conquerors and the conquered. “He had an army of 100,000 and he ruled over hundreds of millions of people,” says Weatherford. “There is no way you could rule over that many people solely by force with such a relatively small army. It’s just not possible.” To complement his military power, he relied on non-Mongol advisers to provide the know-how and manpower to administer his expanding empire. As a means of countering local...
sources of power in conquered territories, Genghis and his successors frequently brought in advisers from other lands. Such was the case in China, where Khubilai relied heavily on Muslim advisers from central Asia out of distrust for the indigenous Chinese Mandarin class.

One of the great strengths of Genghis and his immediate successors was their openness to new ideas. Without their own systems to draw upon, the Mongol leaders proved willing to apply newfound knowledge and techniques. They combined various systems, generally favoring pragmatic solutions. In the first stages of the empire, the Mongols’ gains from conquered territories came from the spoils of victory (war booty, military requisitioning, and tribute). By Khubilai’s time, however, they had developed a much more systematic tax system. The collection and allocation of war gains and taxes over such vast territories required massive record keeping, so their clerks used the abacus for calculations and drew on innovations from Arabic and Indian mathematics (such as the number zero and negative numbers). Effective administration also required the ability to accurately mark time across far-flung territories that used different calendars, so Khubilai established the Academy for Calendrical Studies and a printing office that mass produced calendars.

The Mongol conquest and occupation were devastating for Chinese agriculture. Large parts of the rural population were killed or enslaved, and many of the remaining farmers were subject to capricious taxation and the transformation of their farms into grazing and hunting grounds. Yet some of Khubilai’s policies, such as the provision of social insurance against crop failures and natural disasters, suggest a real concern for the welfare of his subjects. According to Marco Polo’s account, “if the people are afflicted by any dearth through unfavorable seasons, or storms or locusts, or other like calamity... no taxes are exacted for that year; nay more, he causes them to be supplied with corn of his own for food and seed.”

**TRADE PROMOTER**

The Mongols relied heavily on trade, even before the establishment of their empire. As a nomadic people whose sustenance relied on herding and hunting, they had little in the way of industry. Although they crafted some basic items, it appears they had few weapons makers, potters, or weavers. They traded frequently with their neighbors in China and central Asia, primarily offering animals and animal-based products in exchange for craft articles and grain.

With the growth of their empire, the Mongols’ fondness for trade was enhanced by the method they used to divide the spoils of conquest. Their traditional system of shares, called “khubi,” was formalized by Genghis Khan. Under the system, each member of the ruling family was entitled to a share of wealth from each part of the empire. The shares were paid in kind: Mongols who ruled in Persia would send spices, steel, jewels, and pearls to their counterparts in China, while the rulers in China would send porcelain and medicine to Persia.

The transport of war booty was not limited to goods, as the Mongols recognized the usefulness of having people with knowledge and skills at their disposal. Even in cases where the Mongols would massacre most of the people in a conquered territory, the Mongol armies would round up craftsmen, translators, doctors, astronomers, and mathematicians to be allocated across the empire.

The khubi system encouraged trade, as the recipients of in-kind payments would naturally wish to trade at least some of their allocations for alternative goods. Combined, the allocation system and its ripple effects on trade created a constant flow of goods and people between the Middle East and China. Even during periods of intense conflict among different parts of the empire (and there were many), the flow of goods was usually not interrupted for long. The shared interest in the allocation of war booty and the exchange of goods through trade appears to have outweighed competing interests.

The Mongols also sought to encourage trade by elevating the societal status of merchants, offering them strategic inducements and providing them with a vast infrastructure and a good measure of security. The Mongols’ attitude toward merchants stood in stark contrast to that of the Chinese, whose social hierarchy prior to the Mongol-ruled Yuan dynasty ranked merchants just one step above robbers. The Mongols officially raised the status of merchants in China to the highest level of all professions, just below government officials. “The Chinese gradually acquiesced to Mongol practices,” says Morris Rossabi of the City University of New York, who has written extensively about Mongol history. “That is, they accepted the idea of merchants, and the status of merchants rose during that period and China never went back. During the Ming dynasty, after the Mongols left, merchants became more and more powerful and respected.”

Genghis Khan would often offer highly favorable terms in his direct dealing with merchants — and his son and immediate successor, Ogodei, was even more generous. “When a merchant came to him, Ogodei would pay them double, triple what they asked for,” says Weatherford. “He did that because he was trying to encourage trade.” A further encouragement for merchants was the granting of special passports that
provided the holders with protection, accommodations, transport, and exemption from local taxes and duties. Marco Polo’s golden tablet was the highest level of these.

**NETWORK BUILDER**

The Mongols developed a vast system of roads, canals, and postal stations. They originally did so for military reasons, but the resulting network eventually facilitated trade. The postal system, known as the Yam system, was a sort of medieval pony express with stations positioned at intervals of 20-30 miles. At each station, an “arrow messenger” would mount a fresh horse and ride to the next station at a full gallop. According to Marco Polo’s account, “at each of these stations used by the messengers, there is a large and handsome building … with fine beds and all other necessary articles … on all these posts taken together there are more than 300,000 horses kept up … and the great buildings … are more than 10,000 in number.”

The Yam postal system was devised mainly for the benefit of the Mongols’ communications system, but they also extended it to merchants. For passport-holding merchants, such as Marco Polo, the Yam system provided indispensable support. Yet the Yam system’s value to merchants hinged on the security that the Mongols could provide along the routes. “The big obstacle to open trade was security, because the trade routes crossed a lot of dangerous territory,” says economist Kevin O’Rourke of New York University Abu Dhabi, co-author of *Power and Plenty: Trade, War, and the World Economy in the Second Millennium*. “One of the main reasons the Mongols were so beneficial to trade was that their unification of large chunks of Eurasia provided people with security.” Indeed, the Mongol military operated and maintained troops along the entire Yam system.

**FINANCIAL INNOVATOR**

The Mongols relied extensively on foreign merchants as agents to conduct their business. The trade and money-lending partnerships they formed were called the Ortoq system, a term that derived from the Turkic word for “partner.” Ortoq partnerships were similar in many respects to modern limited partnerships because a principal’s liability was capped at the amount of the original investment.

Ortoq partnerships arose relatively early during the reign of Genghis, and by the time of Kubilai’s reign, most Mongol-ruled territories that bordered the sea had begun to employ the partnerships for maritime trade. This coincided with Kubilai’s massive expansion of China’s maritime fleet. “The Ortoqs helped reduce risks in case something went wrong,” says Rossabi. “If one merchant financed a whole venture, and the caravan or ship didn’t make it, he’d be wiped out. But if you spread the risk, no one would suffer dramatically.”

Women played a dominant role in the Mongol side of the Ortoq partnerships. “Mongol men were not supposed to be concerned with the accumulation of wealth. They were not supposed to be concerned with anything beyond warfare, religion, and hunting animals,” says Weatherford. “Women handled money and wealth and the accumulation of goods.
And therefore, the women were involved with the trading system of merchants.”

The Ortoq system helped Mongol women convert the spoils of war into money, which they used to buy luxury consumption goods or lend at interest. Lending money must have been particularly attractive, since, unencumbered by the usury laws of the Islamic and Christian worlds, the Ortoqs reportedly lent money at a compound annual rate of 100 percent.

Khubilai greatly expanded the use of paper money in China. The currency issued under his reign—the Zhongtong Chao—was ostensibly backed by silver, and it kept its value in the early years after its introduction. Marco Polo observed that the currency was accepted throughout the empire, stating, “Nobody, however important he may think himself, dare to refuse [it] on pain of death.” But the evidence suggests that additional measures were required to maintain its value. In the early years, the government periodically supported the currency by buying it back with silver. The government also used what amounted to exchange controls. According to Marco Polo’s account, “All merchants arriving from India or other countries, and bringing with them gold or silver or gems or pearls, are prohibited from selling to anyone but the Emperor.” Occupants of the empire were similarly prohibited from buying and selling silver among themselves. The currency’s value fluctuated over time with the forces of supply and demand, ultimately depreciating greatly during the later years of the Yuan dynasty as the regime’s fiscal situation deteriorated.

**THE LEGACY OF PAX MONGOLICA**

There is a broad consensus among scholars that Pax Mongolica transformed world history. The period of relative stability, which spanned roughly 1250-1350, allowed for an unprecedented exchange of goods and ideas. In *Power and Plenty: Trade, War, and the World Economy in the Second Millennium*, O’Rourke and his co-author Ronald Findlay of Columbia University go so far as to argue that “globalization...began with the unification of the central Eurasian landmass by the Mongol conquests.”

Many Chinese innovations had made their way from China to the Middle East and Europe prior to Pax Mongolica, silk and porcelain among them. The Byzantines had obtained silkworm eggs and begun their own silk production as early as the sixth century, and recent archaeological evidence has discovered Chinese porcelain on the Iberian Peninsula dated to between the ninth and 11th centuries. But there is no evidence of direct contact between Europe and China prior to the 13th century. In *The Mongols and Global History*, Rossabi posits that “The thirteenth century witnessed the first direct and personal contact between Europe and China.”

Pax Mongolica changed the world in many ways. It introduced new goods to Europe, including fabrics such as satin, damask silk, and muslin. It also allowed for the exchange of technology. With Mongol encouragement, Muslim doctors gained knowledge of Chinese pharmacology, while Chinese doctors learned surgical techniques from their counterparts in the Middle East. On the less benign side of the ledger, the Mongol introduction of gunpowder, a Chinese invention, to the Western world accelerated the history of European warfare. Increased long-distance trade also facilitated the transmission of deadly diseases, such as the bubonic plague.

Yet perhaps the greatest consequence of Pax Mongolica stemmed from the enormous profits that it conferred on successful traders. Trade, whether across land or sea, was a high-risk, high-reward venture. *Power and Plenty* recounts a story of how a single successful shipment compensated a merchant for the loss of several other ships. The potential for outsized gains created a large incentive to lower trading costs and risks through the establishment of new trade routes. By whetting the European appetite for trade, Pax Mongolica encouraged the explorations of Vasco de Gama and Christopher Columbus, which served as springboards to the modern world—with all its breakthroughs and destruction.

But the effects of Pax Mongolica were hardly symmetric. Europe—a commodity exporter that lagged China and the Middle East technologically—gained greatly from the exchange of ideas with China. And although the Mongols killed many knights in Hungary, Europe’s location largely spared it from the brunt of the Mongol armies. Conversely, China’s gains from the exchange of ideas were relatively modest, and it bore a much heavier burden from the Mongol conquest and occupation. Moreover, China’s Mongol problem would endure well after the end of Mongol rule in China. As late as the 16th century, Ming dynasty emperors continued to anxiously devote substantial resources to counter the perceived threat from the northern steppes. So, while Pax Mongolica encouraged Europeans to look outward, the continuing Mongol threat compelled the Chinese to look inward, reinforcing a pattern that would have profound consequences for global history. **EF**

**READINGS**


