



## The Work Unifying Money in China

メタデータ	言語: eng 出版者: 室蘭工業大学 公開日: 2014-05-20 キーワード (Ja): キーワード (En): 作成者: 三木, 毅 メールアドレス: 所属:
URL	<a href="http://hdl.handle.net/10258/3024">http://hdl.handle.net/10258/3024</a>

# The Work Unifying Money in China

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## Abstract

This treatise was written according to the report delivered before the Third Regular Meeting of Hokkaido Economic Association, November 1, 1952.

Its purpose is to give an outlined sketch of China's Monetary System for non-professionals in this line.

Space did not permit me to describe the monetary system of Red China.

## I

When we take into consideration the history of money work in China, we must talk about the Commercial Bank of China (中國通商銀行). Before the installation of the bank, there were not any banks worthy to be spoken of in China.

Feichüan (飛券) and Ch'aoyin (鈔引) in the T'ang-dynasty, and Chiaotz (交子) in the Sung-dynasty had been as modern bank notes, and then, the so-called native bank (錢莊, 銀號) was working in the money market from Ch'ing-dynasty, so China should have been the senior of all the countries in the world as for the banking system. The native bank did not develop into the modern bank, however; it remained as it was and it was dull to be Comprador of foreign bank into the bargain.<sup>1</sup>

Since foreign banks had been established one by one after the Nanking Treaty of 1842, the Chinese people were eager for the establishment of the modern bank to be able to rival the foreign bank.

At this time, Copper Coin (銅幣) was the representative money in China. If the Copper Standard existed actually, may be it should be said that China's monetary system being based on the Copper Standard. But Copper Coin was minted under an unscientific monetary system, eventually it did not become a unified money.<sup>2</sup>

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- 1 張家驥 (Chang Chia-hsiang), 中國之幣制 (Monetary System of China), p. 35.  
潘子豪 (Pan Tzu-hao), 中國錢莊概要 (Outline of Native Bank), p. 9.  
總永清行 (Kiyoyuki Tokunaga), 支那中央銀行論 (Central Bank in China), p. 19.  
王承志 (Wang Ch'êng-Chih), 中國金融資本論 (Financial Capital in China), p. 9.
- 2 宮下忠雄 (Tadao Miyashita), カン. 支那通貨論 (F. Kann, The Currencies of China, 1926, tr. by T. Miyashita), p. 1, p. 16.  
王文鈞 (Wang Wen-chün), 銅本位, 方顯延編輯, 中國經濟研究(上) (Copper Standard; study on Chinese Economy, Vol. 1, edited by Fang Hsien-yen), pp. 782-784.  
楊蔭溥 (Yang Yin-pu), 中國金融論 (Monetary and Banking System in China), p. 16, p. 44.

After the Nanking Treaty, China has been under the pressure of modernization in all respects. It was one of her exigencies to construct the monetary system.

Now, in this condition of national affairs, the Commercial Bank of China was settled in 1896. Of course the Commercial Bank of China was just a commercial bank as its name indicated, and it was not merely the first modern bank, but went ahead of the Central Bank, in the light of the draft memorial to the Throne of Junior Secretary Shêng Hsüanhuai (盛宣懷).

The Commercial Bank of China issued the convertible note, and anticipated the bank of issues.<sup>3</sup>

In 1903, the Bank of the Board of Finance (戶部銀行) was established as the Central Bank. Then, monetary reform was no more the domestic problem than the international one. A question arose as to what should be the Standard Money. The proposed reform of money by Chang Chih-tung (張之洞) reputed to base on the Silver Standard while by the Commission on International Exchange (國際匯兌委員會) or J. W. Jenks on the Gold Standard. One who lays emphasis on the unity of money domestic backed the Silver Standard, and who stabilizes the foreign exchange did maintain the Gold Standard.<sup>4</sup>

At any rate, China was actually in the shape of the Silver Standard. That Silver Money (銀幣) was usually called Tael, though, what we call Tael was not a coin, but merely the money of account. Kup'ing Tael (庫平兩) was the most famous one. In fact Kup'ing Tael was minted for trial in 1905, but the plan to stabilize the coin entirely failed and that coin was withdrawn before long.<sup>5</sup>

The Bank of the Board of Finance was going to issue two kinds of convertible notes, namely the Silver Dollar (銀圓, 銀元) and the Silver Tael (銀兩), and this business was succeeded by the Tach'ing Bank (大清銀行).

The Bank of the Board of Finance had changed her name to the Tach'ing Bank in 1908, and the monetary reform had gone a step farther.

Under the Tach'ing Bank, the Silver Standard was the final draft, but the question was not answered whether of Tael or Dollar should be the unit of National Money (國幣). As for the bank notes, both Tael and Dollar were adopted, and as for the coin, Tael, anyhow.

Then, all bank notes, which had been issued before the enforcement of the Tach'ing Bank Act, were permitted to circulate as ever, accordingly the Tach'ing Bank Note never could be the National Currency in fact.

The Tach'ing Silver Coin was minted in order to clear the old coins,

3 K. Tokunaga, op. cit. p. 23, pp. 51-53.

Chang Chia-hsiang, op. cit. p. 35.

4 K. Tokunaga, op. cit. p. 93.

5 T. Miyashita, op. cit. p. 190.

and this readjustment plan, however, being in what of the practical management of foreign coins, could not take measures of the Copper Yüan (銅元).<sup>6</sup>

## II

The Tach'ing Bank stopped its working halfway in result of the National Revolution. Here, the Bank of China (中國銀行) was established hurriedly at the site of the Tach'ing Bank in 1912.

The National Revolution had rather dark prospects. The counter-Revolution by Yüan Shih-kai (袁世凱) in 1913 was the most bitter experience of the Chinese people, and it impeded the Republic of China from presenting the united front.

The prohibition of conversion and the suspension of withdrawal in 1916, brought by the affair that Yüan aspired to the Throne, overwhelmed the trust to the Bank of China.

In 1912, S. Vissering suggested the Gold Exchange Standard to the National Government. It was one of the most scientific plans advised by foreigners, for example, Jenks' Plan (1903) and Kemmerer's Plan (1929), they notwithstanding were not adopted so far.

The Bank of Communication (交通銀行), which settled as a hypothetic bank in 1907, was also chartered to issue note, and other various notes were admitted to pass current as ever, too.

Lingchüan System (領券制度), which bank of issues allowed a commercial bank or native bank to issue for their notes, was a successful method to expand the National Currency without the reserve, however, the result that non the less the bank of issues could not be weeded by this way was really contrary to the expectation. And Kungk'u System (公庫制度) being a compromised issuing system with "Zentralisiertes Notenbanksystem" and "Dezentralisiertes Notenbanksystem" was not finally enforced.<sup>7</sup>

In 1928, when the Kuomintang set the government in Nanking, and could barely keep the controlling power, the Central Bank of China (中央銀行) was established to respond with the cry for the unity of money and the concentration of reserve. In spite of such conditions, the Bank of Communication and the Bank of China kept on issuing the note as they used to be.

Thus, three Government Banks opposed to one another, so that the triangular positions of banks left the unificative policy of the Central Bank out of joint. As the Central Bank was really unsound, the rediscount has never realized eventually, and the reserve of commercial bank did not

<sup>6</sup> K. Tokunaga, op. cit. pp. 34-35, p. 88.

<sup>7</sup> 馬寅初 (Ma Yien-ch'ü), 中華銀行論 (Banking System in China), pp. 351.  
K. Tokunaga, op. cit. pp. 224-234.

converge upon the Central Bank.<sup>8</sup>

At all events, Hailiang-Kaiyüan (廢兩改圓)—to replace Tael Money (銀兩幣) by Dollar Money (銀圓幣)—was done in 1933. Before this time the Standard Money based on the Silver Standard, and its unit was used in both Tael and Dollar, or Tael rather than the other. Hence, this reform should be loaded with honour of silver-Renaissance indeed.<sup>9</sup>

Copper Coin, provided the fact that it is the most serious trouble like the paper money in the monetary system of China, disappeared for the most part in circulation from the World War, so it was already beside the mark, although it still circulated, it would be just a barter money.<sup>10</sup>

At that time, the bank of issues computed thirty-six, and other private notes, for example, of native bank, merchant shop, army and foreign bank into the bargain, were so many in circulation. All these were inconvertible, and the economical pillage against the people was actually beyond expression.<sup>11</sup>

Soon after, the monetary system in various countries came to be in confusion since the World War, for instance, the United States, England, Japan etc. deserted the Gold Standard. In China, the monetary disorder was so much keen too, and fell into uttermost confusion in consequence of the outflow of silver, accelerated by the Silver Purchasing Policy of United States from 1934. Accordingly, the Powers kept a vigilant watch on China's monetary policy, England, above all, earnestly interested in it as she had the larger priority and benefit in China than other countries, and let Sir F. Leith-ross go and urge to reform the monetary system.

Thus, the New Money Act (新貨幣令), what we call the New Monetary Policy, under the delicate action between the United States and England, was sanctioned by the Ministry of Finance in 1935.

The main points of the New Monetary Policy was as follows:

Nationalization of Silver

Concentration of Reserve

Establishment of National Note (法幣)

From what has been said, the New System came to be on the managed currency, or the Gold Exchange Standard for foreigners.

8 Ma Yien-ch'u, 中國之新貨幣政策, 上册 (New Monetary Policy of China, Vol. 1.), pp. 176-177.

9 Exchange-rate between Dollar and Tael;

One Silver Standard Coin=Shanghai Silver Tael (pure silver) 0.6992305

Brassage=Shanghai Silver Tael (pure silver) 0.0157327

One Silver Standard Coin=Shanghai Silver Tael (pure silver) 0.715

10 Ma Yien-ch'u, Banking System in China, p. 347.

11 Yang Yin-pu, op. cit. pp. 222-223.

Wang Ch'êng-chih, op. cit. p. 57.

吳承禧 (U Ch'êng-hsi), 中國的銀行 (China's Banks), p. 133.

The bank of issues amounted to four Government Banks, that is, the Central Bank of China, the Bank of China, the Bank of Communication and the Agricultural Bank of China (農民銀行), which was included in 1936, and the above four banks notes were so-called National Notes. By this policy, numerous kind of bank notes were weeded and the foreign exchange more or less stabilized, but none the less the unity of money or concentration of reserve was realized finally.<sup>12</sup>

### III

As stated above, monetary system were not done well in each age.

What was the real cause of such a result?

The economic society in the age of Ch'ing-dynasty was just an ex-capitalism, or feudalism, where the chief industry was agriculture, except a manufacture to meet the demand of local market. Such a feudal mode of production collapsed easily by the inflow of foreign goods. And farmers left their land, not because of natural Industrial Revolution, but because of breaking of farmer's economy by the pressure of foreign Powers.

Most of free labourers turned out to be vagrants, or soldiers, and thieves, as the home industry was not yet big enough to pick them up. Under such circumstances, a certain relationship between military factions and Chinese people was made.

Then, it was a well-known fact that the central bodies of foreign control over China's economy were evidently foreign banks in China. The foreign bank, which established from 1842 to 1925, surely amounted to fourty-two. The net work was formed all over China and foreign capitalists could take the leading part in China's financial circles, in other words, China's economy was no less than the adopted son of foreign financial organs. Of course, it goes without saying that foreign capitalists rendered great services to China's economy, however, they checked her normal development.

The Year 1905 was really the most memorial one in the economic history of China, for the first modern bank—the Commercial Bank of China—was established in the country. But more than fifty years have passed with the foreign banks' superiority. And the foreign bank has grown great, too great against the Chinese bank. Moreover, the native bank kept still the old footings in the money market, so the Chinese modern bank had dread in front and rear, namely feudalism and imperialism.<sup>13</sup>

12 方顯廷 (Fang Hsien-yen), 管理通貨與中國經濟前途, 吳小甫篇, 中國貨幣問題叢書 (Managed Currency and Project of China's Economy; Monetary Problems in China, edited by U Hsiac-fu), pp. 286-295.

余捷瑋 (Yü Chieh-ching), 中國的新貨幣政策 (The New Monetary Policy of China), p. 128.

In order to accomplish the unity of money in China, therefore, both feudalism and imperialism should have been excluded at any cost. The resistance against feudalism or imperialism had done from the May Fourth Student Movement, and it bore fruit of the National Unification. The Hailiang-Kaiyüan was carried to take advantage of such revolutionary opportunity. The fact had an important historical significance that a newly-risen Bourgeoisie had the better of the feudal system. The above New Monetary Policy could also make defiance against the intervention of the Great Powers.

Foreign capitalists in the face of depression would think China as an inexhaustible mine of wealth, or a fresh market which was not eaten by halves yet. Blessed were they who could operate their business freely there as well as in their own countries, and they made their goods free from the custom law in China.<sup>13</sup>

After the World War, China's economy came again to the very crisis, which caused the unfavourable balance of trade, so the New Monetary Policy was made and executed the reform to get the tariff autonomy and the nationalization of silver. But taking the unity of money into consideration, it was not always successful.

The lukewarm character of this policy might be due to the colours of the Kuomintang Government. The Kuomintang asked the help for racial capitalists and ventured to be in collaboration with foreign Powers for unifying the country. By the time, racial capitalists were already reduced to Comprador of foreign capitalists, and also for their own sake, they did not betray the military factions as they have been actual governors in the provinces. And foreign Powers, on behalf of their special privileges, connected with military factions. Consequently the policy or reform could not help being funky.

National Notes were just "My Symbols" to Plutocracies in China, or "My Babies" to foreign Powers.<sup>15</sup>

#### IV

The money work under the Kuomintang Government was frustrated by the Civil War, but two reforms were done during the confusion of war.

Gold Dollar Note (金圓券) was, in 1948, issued to save the uncontrollable situation of National Notes, which expired them-selves in the chequered

13 Wang Ch'êng-chih, *op. cit.* p. 51, p. 118.

Ma Yien-ch'u, *Banking System in China*, pp. 7-8, pp. 11-13, pp. 361-362.

14 Wang Ch'êng-chih, *op. cit.* pp. 7-8.

15 許滌新 (Hsü Ti-hsin), *官僚資本論* (*Bureaucratic Capital in China*), pp. 28-48.  
K. Tokunaga, *op. cit.* p. 12.

history of fourteen years. If the Kuomintang Government could maintain the Content of China, this reform would remain long in history, as it would have maintained the monetary system under a single bank note.

And, Silver Dollar Note (銀圓券) circulated from 1949, chiefly in Northern China, to cope with People's Note (人民券) of the Red.

These papers lost their significances before long in consequence of "Liberation", however.

(Received March 4, 1953)