

China's Experiences in Making Money

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Editor's Note: The Review recently contained an article dealing with the uncompleted Chinese Government Mint at Shanghai and called attention to the fact that practically all of the valuable machinery intended for the use of the Mint had been rusting on the dock at Shanghai for nearly a year because of the inability of the Government to pay for it. In view of the situation surrounding the completion of the Government Mint here, this article is of especial interest since it deals with China's various attempts of the past to develop a stable currency. The article was intended for publication in a special edition of the Review devoted to Finance, Currency and Banking published on June 30 but was held over because of lack of space.

HUNDREDS of years before Western civilization was, China was wrestling with problems relating to her monetary system. Chinese money is not a product of development along a clearly-outlined plan; on the contrary it represents a growth which has been subjected to all sorts of complicating, conflicting distorting influences. The Chinese national life, with all its factors, forces and elements which from the Western point of view appear abnormal, is reflected in the monetary system, the history of which antedates Western coinage by a few centuries.

The use of some sort of money in China is mentioned by writers whose research studies deal with ages before authentic records were kept. A metallic medium of exchange is mentioned in very old records, and discussions of reforms in the monetary system appear in documents belonging to the remote past. About every material, metallic and non-metallic, at all suitable or available for use as money has been tried in China, but the real standard for ages has been copper.

In this connection S. R. Wagel, in "Chinese Currency and Banking," describing the situation gives interesting information on Chinese coins ancient history. The following consists of extracts from his publication.

"For centuries in the past, almost since the dawn of history, the real basis of currency in China has been copper. Even today, when practically every transaction with the outside world has to be done in gold, and every local transaction has to be done in silver, the basis of prices remains in cash, or to be precise, in multiples of cash. For thousands of years China has been using gold and silver, although there has been no continuity in the use of either one of the metals or both as currency. But unless one clearly grasps that gold or silver were only currencies in so far as they were multiples of cash value, the question of the standard of value would prove almost impossible of understanding. It is understood, of course, that China has had a very ancient civilization. Money was in circulation in this country as early as the reign of T'ai-hao (2953 to 2839 B. C.); during the dynasties of Hsia (1990 to 1558 B. C.) and Shang (1558 to 1050 B. C.) gold, silver and copper money were in circulation besides the well known cowrie shells. Even in those times a very elementary process of minting was in vogue; and the coins were known as the round money, bell-shaped money and the knife-shaped money. It is understood that during the early periods of China's history the cowrie shell constituted practically the only medium of exchange. In the Chow dynasty or about 1032 B. C. gold money unit was the Chin or Catty, 1 cubic inch in size; and the copper money was round with a square hole in the center. The monies or coins that were in daily use and popular, were the Ch'an or spade-shaped money, the Pu or bell-shaped money and the Tao or knife-shaped money; these were

popular because they resembled implements in daily use and were freely circulating up to the third century B.C. in practically the whole area of what was then known as China. During this period gold, pearls and precious stones formed the upper two grades of currency. For various reasons the Emperor Wen-ti thought it best to allow free private coinage; in the next reign this right was abolished.

EFFORTS MADE TO STABILIZE MONEY

"For nearly 600 years after this period there was a jumble of currency, although the use of metallic money was quite common. Frequently efforts were made to abolish the use of metallic coins and return to the use of commodities as mediums of exchange. In about 220 A. D. an Imperial decree was issued abolishing metallic money and substituting measures of grain and rolls of silk as circulating media. Attempts like this often failed, simply because a substitution of the commodities in frequent use as currency led to deterioration of value; and time and again copper money as well as other kinds of money had to be restored. During the Tang dynasty efforts were made to standardize currency. The first regulations were promulgated in the fourth year of the reign of Wu-te, 620 A. D. The standard coin was arranged to be 1/10 of a tael in weight, 8/10 of an inch in diameter, and one thousand such coins to weigh six catties and four taels. Mints were established in several important places and placed under the supervision of government officials; counterfeiting was made punishable by confiscation of property and death. At the same time the right to coin money was granted to the emperor's favorites.

"It is difficult to designate the position of currency in China at any period, under any of the heads known to exports of currency. At no time was there anything corresponding to a system. Especially after 1890, up to to-day there have been the following to reckon with: the cash coinage, now complicated by the issue of ten-cash pieces, which are really token coins; silver bullions, based on the unit of the tael and only to be found in the shape of the sycee or horse-shoe of varying weights, touch and fineness; actual silver coins, which are, however, mostly Mexican dollars and dollars of other foreign countries, and quite recently, of provincial mintage; lastly, subsidiary silver coins which have been brought out of the several provincial mints—practically all of them ten and twenty-cent pieces—circulating independently of the dollar and with varying values as compared with the dollar. When approaching the question of currency in China it must be carefully borne in mind that there is no legal tender of any coin in the country. But there is a sort of bimetallic arrangement, operating with the copper cash and the silver tael as units—the cash being a standard coin and the tael an uncoined unit of weight. This should not be confused with bi-metallism, as known and understood in the West. Silver and copper in the currency of this country are independent of each other and circulate without a fixed ratio of exchange between them. Attempts were, however, made occasionally to regulate the value of a tael at a thousand times that of the cash; it was, however, found impossible to bring about such regulation as the exchange between the cash and the tael depended very largely and generally upon their values as metals in the market.

THE CASH

"Although it was originally intended that cash should be in pure copper, in actual practice the coin was of bronze, i. e., a mixture of copper and spelter or zinc. It is useless to attempt to give the standard weight of this coin. As far as is known at present, those of the reigns of Shun Chih, K'ang Hsi, and Yung Cheng are larger and of better quality than those of the reigns of Ch'ien Lung, Chia Ch'ing and Tao Kuang; the cash coins issued during all these reigns are superior to the issue of the later reigns, both in size and weight. We can only compare the different coins issued during the rule of the Manchus, for the issues of previous dynasties are mostly defaced and very much worn. During the last fifty years of Manchu rule counterfeiting was extremely common, the counterfeit coins were accepted without question and the Government rarely made any successful attempt to check this practice; the result usually has been an inflation of prices in proportion to the extent of the activity of counterfeiters.

"The lack of uniformity in the size and weight of coins in this country may be attributed to the following causes: Circulation of the issues of the several reigns of the Manchu dynasty at one and the same time, along with the survivals of the issues of the previous dynasties, extending as far back as the eighth century; the primitive method of coining through moulds which rendered uniformity almost impossible, and as mints were not all under the control and management of a central authority imitation became easy; lastly, the practice of accepting counterfeit coins, even when known as such."

Writing almost 20 years ago T. R. Jernigan, former American consul general in Shanghai, who was an authority on commercial affairs in China gave a description of China's monetary situation that is almost as appropriate today as when it was written. Because of the value of the historical references to the ancient history of Chinese money and because of the vividness of the picture of the chaotic situation he paints, the following extract from Mr. Jernigan's chapter on Chinese money is included here:

"It appears to be quite authentic that there was paper money in China as early as the year 119 B. C., and that its character was impressed on pieces of skin or some kind of a paste-board about a foot square; but in A. D. 807, the currency was more regular, though copper was used for coining only, while for contributions, which were obliged to be made for the treasury, voluntary money was issued.

PAPER MONEY IS TRIED

"In A. D. 960, it is in evidence that there was some kind of a sub-treasury plan, such as the populist party in the United States advocated several years ago, for notes were issued on goods deposited in the public treasury, which were called accommodation paper. These notes were negotiable, and were imprinted on paper a foot square, with their current value and an official seal stamped on them. Subsequently, when the iron currency, which was in circulation, became inconvenient, it was replaced by a system of checks, and, about the tenth century, a system of banking was introduced, when bills of exchange were issued payable every three years. In the eleventh century the public creditors were paid by notes of varying value, and, at the close of the century, it had been estimated that such notes were issued to the extent of 28,000,000 ounces of silver. As each province issued its own paper money there was, consequently, much confusion in business, and this custom, which permits a province to exercise privileges that should be the sole function of the central government, has too often embarrassed the trade of the empire, and will continue to do so until the privileges of the provinces are very much abridged.

"About A. D. 1256, paper money was issued by the Emperor Kublia Khan. Marco Polo describes it as having been made from the bark of a tree on the leaves of which the silkworm feeds. The bark was stripped from the tree and was soaked in water, after which it was put into a mortar and pounded into a pulpy consistence, and then made into a paper of a dark color, which was cut in oblong pieces of different sizes and of different values. The notes so issued were signed by special officers and stamped with the Emperor's seal, which gave value to them, and the penalty for forgery was death. This paper money circulated throughout the Empire; its purchasing power was sustained and extended by the authority of the throne, and when such notes were damaged by use they were exchanged at designated places for new ones at a charge of three percent. The holder could obtain gold or silver in exchange, provided it was for the purpose of having the bullion manufactured into ornaments. The soldiers of the empire were paid in these notes.

FIAT MONEY IS FAILURE

"During the Ming dynasty, Martin mentions a note which was issued bearing the following inscription:—At the petition of the treasury, it is ordained that paper money thus marked with the Imperial seal of the Ming shall have currency, and be used in all respects as if it were copper money; whoever disobeys will have his head cut off."

"When the Moguls were in power in China the Empire, figuratively, was flooded with paper money, and so valueless had it become that, at the time they were defeated and driven out, business was in a chaotic state.

"But under the Ming dynasty paper money was revived, and notwithstanding the decree making it a capital offense not to receive it, and forbidding all traffic in gold or silver, the value of the paper notes steadily declined. In 1455, another effort was made to sustain the value of the notes by decreeing that all taxes should be paid in paper money, but it failed in the desired effect, and the notes ultimately passed out of circulation, the people since refusing to trust the government with the issue of paper money.

"And so it appears that a test was made, centuries ago in China, of the value of fiat money, and that it signally failed. Having no substantial basis, such money could not fulfil any legitimate function in trade, as there could be no assurance of merited returns for honest industry.

"If China has any national currency, the coin that represents it is known as the cash; and this is a circular coin, rather more than an inch in diameter, with a square hole in the middle for the convenience of stringing. It should consist of an alloy of copper, 50; zinc, 41½; and tin, 2; or of equal parts of copper and zinc. Each piece should weigh 58

grains of troy, or 3.78 grammes; but these standards of composition and weight are not free from counterfeiting, and the cash in circulation would not generally measure up to them.

"And so defective is the monetary system of China, that there is no uniformity in the value of cash. In some provinces a Mexican dollar will buy as many as 1,000 cash, and then often in an adjoining province it will not buy more than 800, while in another province the same Mexican dollar will buy as many as 1,200 cash.

CASH IS CHINA'S MONEY

"The value is not fixed by the intrinsic worth of its purchasing power in any market, but more by the locality and disposition of the buyer and seller. But for centuries the cash has been and is now the money of the Chinese and is used by them in nearly all retail transactions.

"But in larger transactions the tael, about one ounce of silver, is the standard of value, and probably is the main standard by which the Chinese govern their business, but the tael also has a varying value according to locality, and at no treaty port of China, nor in hardly any province, is the value the same. The Imperial Maritime Customs of China has adopted the Haikwan tael for the payment of all customs duties, and by which to measure the value of all imports and exports. This Haikwan or Customs tael is supposed to weigh 581.77 grains of troy; its value, however, annually fluctuates, as in 1895 was 3s. 3¼d., while in 1896 it was 3s. 4d., and therefore the receipts from the customs may be more apparent than real, emphasized by the fall in the price of silver since 1872 and the decline in exchange value. Large payments are frequently made in sycee, which is an ingot of silver of about the value of ten taels, and known as a ping, while about fifty taels in value would be called a shoe, because of its resemblance to a Chinese shoe.

"Now that the commercial treaties between China and many of the Western nations are being revised, with the view of facilitating commercial intercourse, it will be necessary for China to also revise her monetary system. So long as a viceroy of one or more provinces can establish a mint and coin money there can be no uniform currency in the empire, and trade will continue to be deprived of the one essential to its vitality. There can be no confidence in business enterprises when there is no fixed standard of value for the money in circulation, and the closer relations now being cultivated by the Chinese with Western merchants have at last awakened the Central Government of China to the important fact. An edict has recently been issued appointing commissioners to at once consider the ways and means of providing China with a uniform currency system, and this is a move in the direction of establishing a sound principle of business, for when this principle, always so vital to healthy trade, is made effective, it will point the way for the necessity of removing other barriers and hindrances to the proper development of the internal trade of the Empire.

"There is a book written by a Chinese on the money that has been current at different times in China, which has been translated, and the author shall tell its history, but for a better understanding it must be remembered that a Chinese pound is twenty ounces:—

"Formerly gold and silver were current in China as well as copper, and some of the emperors permitted the use of foreign money throughout the Empire. There was also money made of tin, lead, iron, and even baked earth on which figures and characters were imprinted. After the reign of Han, a prince caused money to be made of sealed earth united with a strong glue, and taking it in his head to put down copper money he gathered as much as he could, buried it very deep in the earth and killed the workmen who were employed about it, that none might know where it was hidden. Certain small shells have likewise served instead of small money, but not for any long time.

APPEARANCE OF COINS CHANGES

"As for the form of money, it has been different under different reigns. Copper has long been round with a square hole in the middle, edged with a border a little standing out. This hole was made that they might be strung and carried about ready told by thousands: every hundred is separated by a string twisted in the shape of a cutlass, another sort resembles the back of a tortoise, another of the form that is seen engraved on plate, and was five inches long and pierced at the top. At one time there was a money called grandee's eyes, and when handled were in danger of being broken: they were so small that no less than ten thousand were required to buy a measure of rice sufficient for nourishing a man ten days, but they were soon laid aside because people would not have them.

" 'Stamps upon coin has no relation to the prince upon the throne, because it would be indecent and disrespectful that the image of the prince should constantly pass through the hands of merchants and the meanest of the people.' "

With the national financial system in such a jumble, one wonders how the country gets along, how one section carries on its trade with another. An explanation of how it is done is impossible, at least an explanation that will be thoroughly understood by an outsider is impossible. It should be explained though that he who must change his money loses thereby, just as many times as he has to make the change. Very naturally such losses must be accounted for in prices which is to say the ultimate consumer must pay.

To give the reader some idea of the extent of the loss resulting from this financial discord, reference is made to the fact that the street car company operating in Shanghai suffers enormous losses, or rather is forced to unload enormous losses on the patrons of the cars.

CHANGING MONEY IS EXPENSIVE

Here is a reports from the Shanghai Tramways for one week early this year:

(Mex Dollars)

Gross receipts	71,078.12
Loss by currency depreciation	26,565.47
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Effective receipts Mex.	44,512.65
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Percentage of loss by currency depreciation	38.93
Car miles run	114,071
Passengers carried	2,480,545

Sir Ronald Macleay, British minister, in an address at a luncheon given in his honor in Shanghai by the Chinese

Chamber of Commerce recently said that it was absurd that in a country such as China, with so many centuries of civilization behind her, if he bought Bank of China or Hongkong and Shanghai Bank notes in Shanghai, they must be discounted when he cashed them in Peking. It was absurd that in such a city as Shanghai, the tramway company should lose 30 percent on copper coinage.

The writer of this article when in Chungking, Szechuan Province, West China. recently, went into a bank to cash a check for returning to Shanghai. When the check was presented the paying teller asked, "Do you want this money to take down the river with you or to use in Chungking?"

"Partly one and partly the other was the reply."

"Then I'll give you part of it in one kind of dollars and part in another," the banker said by way of prefacing an explanation that he had two kinds of dollars, one good locally and the others acceptable "down the river," meaning in Hankow, Shanghai and other centers in the Yangtze basin. The dollars good down the river were harder to get, hence the banker's desire to hold them except when necessary to let them go. It might be explained that in Szechuan bank notes are not used, and travelers have to carry silver dollars, which means that a traveler has to employ one or more extra coolies if his trip requires much cash.

At times the transfer of silver coins from one province or port to another nets a handsome profit, and the movement of coin goes on in various ways. A ban on the export of silver from a province is not uncommon, when a provincial governor or a ruling militarists sees his interests suffering from such export. Serious trouble has arisen from time to time over that very thing:

Such trouble cannot be avoided until or unless China works out and maintains a national monetary system with some degree of national unity.