Currency Reform in Late Ch'ing China, 1887–1912

by
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INTRODUCTION

The development of a modern Chinese monetary system, to a great extent, followed a similar path as the modernization of other areas of Chinese society, such as politics, military, economy, and education. They all encountered many similar obstacles. Limited by the iedological and institutional barriers of a traditional culture, yet responding to an urgent necessity, the course of all late 19th and early 20th century reform programs travelled no easy course and reached no satisfactory conclusions. This was equally true for the process of monetary modernization.

The silver dollar, the Western medium of exchange, was first introduced into China in the sixteenth century. The silver dollar, comparatively simple and convenient to use, became popular and circulated in some trade ports after the eighteenth century. Because the Chinese premodern regime did not usually interfere with the daily life of its subjects, foreign currency slowly entered into Chinese markets as a medium of exchange, complicating the traditional monetary conditions.

After the Opium War (1839-42), because of the development of

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commerce, industry, transportation, and foreign trade, Chinese traditional currency became inadequate. Foreign currency increased in popularity, often taking the place of Chinese traditional currency on many occasions in the treaty ports. Consequently, the Chinese monetary condition became even more complicated and chaotic. To reform the Chinese monetary system became a necessary task. From the end of the nineteenth century to the middle of the twentieth century, this reform took place in three identifiable phases,[1] leading the Chinese monetary system into the modern era.

During the first phase, from 1887 to 1912, a time when Western monetary theories were first introduced into China arousing enthusiastic discussion, machine-made coins and paper money were imitated and used in many parts of China. During the second phase, from 1928 to 1937, the out-moded silver ingot (tael) was abolished and the silver dollar adopted in 1933 first, and then in 1935 the silver dollar was abolished and the Chinese National Currency (CNC) which was issued by select banks licenced by the central government became the legal tender. The third phase of currency reform took place after the Nationalists withdrew to Taiwan and the Communists took over mainland in 1949. The government on Taiwan first issued the New Taiwan Dollar in 1949, using gold, silver, and foreign exchange as adequate reserve; in 1951, the NT$ became a "managed currency." In mainland China, first *Jen-min-pi* (notes of the People's Bank) was the only legal tender, and money supply was not determined by the stock of monetary metal or foreign exchange, but by the national demand. In 1951 a system of cash control was adopted, serving both political and financial purposes.

The currency reform during the first phase accomplished nothing noteworthy; however, without the pioneer work done in this phase, the following two phases of reform would not have progressed so smoothly and successfully. Besides being the preparation stage for the whole course of China's monetary modernization, it is important for two other reasons. First, as one of a series of late Ch'ing modernization programs, it encountered many of the same difficulties as other movements did; hence, an understanding of this reform will help shed light on the entire process of China's modernization. Secondly, the unique Chinese traditional currency, after prolonged and intense contact with the West in late Ch'ing, is an interesting case study in the history of world currency.[2]

Yet this significance has long been neglected. Most studies, when dealing with the development of the Chinese monetary system, either overlook this period of reform or merely describe obvious financial and economic factors, leaving out the core questions of the ideology of the time and the historical significance of the reform.[3] The recent publication of primary sources relevant to the Ch'ing dynasty monetary reform and studies on the ideology of the late Ch'ing period make this study timely and necessary.

The purpose of this study is therefore not merely to describe the process of currency reform during the last years of the Chinese Empire, but to explain the causes of the reform and the reasons for its failure. By examining the historical and ideological background of this process, the significance of this phase of monetary reform can be unraveled.

I. THE CURRENCY CONDITIONS AROUND 1887

In the late nineteenth century, because of the increasing communication and trade with the West, the currency system in China was extremely complex. On the one hand, the traditional currency – monetary silver and *chih-ch'ien* (copper cash) – was still circulating everywhere in the country; on the other hand, private credit instruments – silver notes and cash notes – as well as foreign currency were also beginning to be used in cities and trade centers. Indeed, by 1887, the money situation was already in chaos. In order to know the reasons for a currency reform, it is first necessary to survey the existing currency system.

The Traditional Bimetallic System

The traditional currency system of the Ch'ing dynasty (1644-1912) was bimetallic; specifically, it used as currency both monetary silver and copper cash. This bimetallism was to some degree similar to the "parallel bimetallic standard" system used in European countries and the United States in the nineteenth century, but there were also some dissimilarities. Parallel bimetallic standard required free coinage of two metals (usually gold and sliver or silver and copper), both of which were legal tender and standard currency, with a fixed ratio between the two units. The fixed ratio made it possible to use one metal for the other. The Ch'ing's bimetallism was different from this parallel bimetallism in many ways. First, the copper cash took the form of legalized coins issued by the government and each coin had it fixed name, shape, purity, and weight. Anyone forging the coin was subject to punishment. Silver, on the other hand, could be minted by people privately in the form of either silver ingots or silver fragments. The government did not interfere with the coinage of silver; thus, its name, shape, purity, and weight differed from time to time and from place to place.[4] Secondly, though the government had set a ratio between the two units, that is, one tael of monetary silver was equal to one *tiao* or *ch'uan* or *kuan* of copper cash, the ratio was not stable; it changed with time and place. Thirdly, although both monetary silver and copper cash were "full-bodied money" – i.e. coins in circulation with a metal content equal in value to the face value of the coins – they were independent of each other, and there were some situations where they could not be used interchangeably. For example, when a big amount was involved, no copper cash was used; similarly with taxes over one tael, silver had to be used. On the other hand, in everyday exchange, especially among farmers and workers, copper cash was generally used. This feature of the Ch'ing bimetallism was quite unique among the world's currencies.

In traditional China, the copper cash was the only legal tender. Following the model of the preceding dynasties, the Ch'ing copper cash was round with a square hole in the center. On one side, the title of the emperor's reign and *tung-pao* (currency) were given in Chinese, such as *Kúang-hsu* (a title of an emperor) *tung-pao;* on the other side, the name of the coinage bureau in manchurian letter. The material was mainly copper, but very often zinc or lead was added to it to make it an alloy; the ratio of copper to zinc or lead was 6 to 4. Each coin weighed about one *ch'ien* (or mace). One thousand *ch'ien,* normally strung together through their center holes by a thread, made a *ch'uan,* or *kuan,* or *tiao.* Because of its regular size and fixed value, the coin was easy to use in monetary exchange.[5]

Although the value of a copper cash was supposedly fixed, this was not so in fact. It was to a great extent determined by its weight and purity. In other words, the value of a copper cash was dependent on the value of the copper with which it was made. Hence the rise and fall of copper prices would directly influence the value of the coin. When the value of the coin exceeded that of the copper in the coin, forgery occurred; the fact that the coin was made by hand made it easy for people to forge. On the other hand, when the value of the copper was greater than that of the coin, coins would be melted down into copper for profit. Also, every reign in the Ch'ing dynasty had its own regulations about the weight and purity of the copper cash. Finally, the coins varied with the mints that produced them. There were two coinage mints belonging to the central government. All other provinces as well as border territories could also apply for the installation of mints. Since each place had its own standard of weight measure, mints of different places produced different coins.

In addition, the coins were inconvenient to use. The thread which strung the coins into a *ch'uan* was easily cut. Thus one *ch'uan* might contain less than 1,000 *ch'ien* because of cutting and restringing. When this happened, the coins would have to be counted and strung again. When good coins and bad coins (especially forged coins) were strung together, people would argue about their value.[6]

As for monetary silver, there were no regulations as to its coinage; any silver bullion could be used as money regardless of its shape and size. The value of the silver bullion was determined only by its purity and weight. In this sense, it was like any other kind of merchandise. The silver bullions on the market were man-made silver ingots, with specific weight and purity; they were commonly called *yuan-pao*. The basic silver unit was *liang* or the tael, or Chinese ounce, which was decimally divided into *ch'ien* or mace, *fen* or candareen, and *li* or cash. The biggest silver ingot might weigh fifty taels; the smallest, three to five taels. There were also small bits of silver fragments to supplement the ingots. However, because the weight measure in China differed from place to place, a tael of silver ingot from one place might be different from a tael of silver ingot from another place in weight.[7] Although monetary silver did not exist as legal tender, it was preferred, especially for tax payments, by the government. People in general preferred silver too, because it was a valuable metal, while copper was not.

The ideal ratio between silver and copper cash was as follows.[8]

1 tael	=	1 *ch'uan* ≡ 1000 *ch'ien*
↓		↓
1 *liang* of monetary silver		1000 cash coins (i.e., a string of cash)

Symbols: = is equal to
≡ is defined as
↓ indicates the sum of money which will satisfy the unit of account

This ideal ratio was little observed in the market. The value of the two money units was determined mainly by the weight and purity of the two metals, silver and copper, and by the supply of the metal as well. Since there was not much silver in China, most of the silver needed came from abroad. In the Ch'ing period, there was no efficient control over the amount of silver coming in or out of the country. As a result, smuggling was very common, leading to sudden rises and falls in the silver price. The Ch'ing government was unable to control the situation.

Copper, on the other hand, came mainly from Yunnan and partly from Japan. The mining of the metal was open to the public, and the government bought it from the public. But underground trade was rampant. In addition, the local mints, which were approved by the central government, frequently tried to profit from minting coins by lowering the purity of the coin. The central government was unable to cope with this situation, just as it could do nothing to stop private forgery. Thus, the government could not control the amount of copper cash in circulation.

This lack of control by the central government had two results. First, the ratio between monetary silver and copper cash changed frequently, depending on money flows in the money market. Such a situation was extremely vulnerable. If there were an emergency, the supply of currency, either monetary silver or copper cash, could become so short that the price of the metal would rise unreasonably. For example, in the first half of the nineteenth century, to pay for opium imports, silver currency was exported, resulting in a rise in the price of monetary silver. Similarly, after the rise of the Taiping Rebellion (1851-1864) and Yunnan Moslem Rebellion (1855-73), the price of copper rose many-fold because of the decrease of copper mining in Yunnan.

Secondly the amount of monetary silver and copper cash was not in accordance with the development of the national economy. When more currency was needed because of the expansion of economy, there was not enough supply of the currency; and when the national economy was contracting, the amount of currency circulating in the market was not controlled, causing inflation. Yeh-chien Wang commented, "It was a poor system that lacked the flexibility of adjusting money supply to market demand for circulating media."[9]

In sum, the defects of this bimetallic system were as follows: (1) the weight, purity and value were not uniform, and the system was very complex; (2) it was very inconvenient to carry these heavy metallic currency; (3) it was difficult to keep a fixed rate of exchange between monetary silver and copper cash; and (4) it lacked the flexibility of adjusting money supply to money market demand.

Private Credit Instruments and Foreign Currency

The contact with the West had brought change to the agricultural economy of China. The rise of trade and industry demanded a large increase in the volume of money for circulation. What was needed was different types of circulating media that were simple, convenient, and flexible for business transaction of all kinds.[10] The traditional bimetallic system of monetary silver and copper cash went in the opposite direction, and thus could not satisfy the demand. The conservative government of the Ch'ing dynasty would not change the system in order to satisfy the need; hence private credit instruments and foreign currency were developed as exchange media.

Private credit instruments were issued by the money shops or native banks, *ch'ien-chuang* or *yin-hao,* or remitting shops, *p'iao-hao.* The money shops ran the business of deposit and loan, supplying cash and money order of silver and copper cash. Because they had large funds, they had good credit. They issued their own promissory notes that were highly reliable and could be cashed. Because promissory notes were easier to carry around than silver or copper cash, they became a favorite form of money for big exchanges. As a result, more notes were issued and sold, and their credit increased with their popularity. The credit of these money shops was so high that some people kept their notes for as long as twenty or thirty years.[11]

There were two kinds of promissory notes, viz., *yin-p'iao* (sliver notes) and *ch'ien-p'iao* (cash notes). In the early nineteenth century, both silver and cash notes were already common in Northern China and Kwangtung. After the Treaty of Naking in 1842, these promissory notes became also popular in Shanghai and other places on the south-east coast and along the Yangtze River.[12]. In the second half of the nineteenth century, more people were using promissory notes issued by money shops, for they were easy to be carried and stored.[13] Their popularity continued until the rise of the modern banks in the twentieth century.

Remitting shops mainly handled the exchange of money. Some of them, however, accepted small investments or deposits and loaned to people. Gradually, they came to function much like money shops. The most well-known remitting shops were operated by businessmen from Shansi. These Shansi remitting shops (*p'iao-hao*) were said to be the best among all the native banks in the country. Their organization and credit were the best in the business world in the Ch'ing dynasty. They were no doubt the largest financial institutions in China before the appearance of modern banks. There were eight remitting shops that had more than thirty branches all over the country, spreading as far as to Sinkiang, Mongolia, and places abroad such as Singapore, Southeast Asia, Japan, and Russia.[14] This was a rare phenomenon in the Chinese business world. It is surmised that they did more than half of the banking business in late Ch'ing China.[15]

In the beginning, money notes were merely different forms of actual money, for they were fully backed by metallic money in the reserve of the native banks. But, knowing that the holders of money notes would not all cash them at the same time, the money shops began to issue greater numbers of notes than their reserve. As a result, the note holders were not protected against bad notes, although the government required that money shops must guarantee one another in a group of five and strongly forbade them to issue bad notes.[16] But the money shops continued to over-issue notes. When the issuance of private credit instruments was not properly controlled by the government, any fluctuation in the money market could lead to financial risks.

Foreign currency, too, met the demands of an expanding economy. The Ch'ing government did not forbid the circulation of foreign currency. In early Ch'ing, for example, Annamese, Japanese, and Spanish coins were used in the coastal areas of China. When international trade increased in the nineteenth century, a great amount of foreign currency, in the form of silver dollars, flowed into China. These silver dollars were "standardized in form, weight, and purity, and they filled a pressing need for a simplified and convenient medium of exchange as trade developed in various parts of China."[17] They soon became "so popular that they were used even in paying taxes."[18] Because of their popularity, their value began to rise. The fine of foreign dollars (all under 900) were lower than that of Chinese sycee, the standard ingot in China (935.374), but in the second half of the nineteenth century, the price of the former rose higher than that of the latter.[19] In this way, foreign dollars gradually replaced the use of the native silver ingots in many big cities and trade ports.

By the end of the nineteenth century, many foreign silver dollars had circulated in China, for example, the Spanish dollar, the British dollar, the Mexican dollar, the Japanese dollar, the Indo-Chinese Piasta, and the American trade dollar. An investigation by *Tu-chi Pu,* the Ministry of Finance, in 1910 found that there were then one billion foreign dollars circulating at different places in China. For example, "in Shanghai the common currency is the Mexican dollar, and in Anhwei province it is the Spanish Corolus dollar."[21] The price of these foreign dollars also varied from place to place; thus, the British dollar was expensive in the north but cheap in the south. These foreign dollars were difficult to identify for the average Chinese who did not know foreign languages, so they were often cheated in the money market.

The foreign currency circulating in China included not only silver coins but paper money. Before the end of the nineteenth century, there were three foreign banks in China, two British and one French, which were issuing paper money; by 1912, there were ten. Of these ten, only the Russo-Chinese Bank had been approved by the Ch'ing government to issue paper money; the others issued their notes without first asking for approval from the Ch'ing government. The Ch'ing government was not concerned with this before the late nineteenth century.[22]

The circulation of private credit instruments and foreign currency had solved part of the problem of China's traditional bimetallism in that they facilitated the development of commerce and industry. But they also complicated the currency conditions in China. The circulation of foreign currency specially encroached upon Chinese sovereign rights and financial interests, the need of a currency reform thus felt.

II. REASONS FOR CURRENCY REFORM

The currency reform during the last twenty-five years of the Ch'ing dynasty took many forms with rather divergent goals, depending on the time of the event. But, in general, be it an earlier reform or a later one, all of them are based on five necessities. They are the needs to standardize the currency, to ease China's financial plight, to recover China's national rights and centralism, to offset the fall of silver, and to placate the foreign traders.

To Standardize the Currency

The American economist Jeremiah W. Jenks, after studying the Ch'ing's currency condition, remarked that "the only way in which the matter can be summed up is by the use of the word 'chaos.' "[23] One urgent reason for currency reform was simply to overcome the sheer complexity and cumbersomeness of the existing currency system. Nobody but the professional money changers could handle the exchange, hence the saying "China is the paradise of money changers." China's currency system was reputed to be "the worst in the world."[24] Some scholars even feel that China had "no system worthy of the name."[25] Thus to turn the confusing and inconvenient monetary system into a simple, uniform, and convenient one was a most urgent task at that time. This idea lay behind various post-1895 proposals for the Chinese government to mint its own silver dollars and otherwise design a currency system with fixed ratios between gold, silver, and copper and with uniform weight, value and shape so that it was easy to transact business within the country and would have good credit without.[26] In 1903, an edict was issued to point out the importance of the creation of a uniform and convenient currency for circulation. The edict runs as follows: "At present the silver currency in different provinces are of different designs and quality, and their weights are also not uniform. This state of things entails a great inconvenience to the merchantile class, and it is therefore very imperative that a uniform device for silver currency should be designed."[27] The edict was strong evidence that the Ch'ing government realized a need for the standardization of the currency.

To Ease Government's Financial Plight

The finance of the Ch'ing government was in great difficulty in the late Ch'ing period. In the first place, the government was constantly running a deficit. "By the T'ung-chi period (1862-74), the average deficit had grown to 10 million taels annually – 60 million income against 70 million expenditure. In 1899, the government expenditure rose to 101 million against an income of 88 million."[28] China's trade imbalance also increased year by year. In 1865, the annual trade deficit was 1.6 million taels; from 1893 to 1900, it had reached 50 million taels per year; from 1901 to 1904, 100 million taels per year; and in 1905 over 200 million taels.[29] But the heaviest financial burden on the Ch'ing government were the Japanese indemnity of 1895, which amounted to 230 million Kuping taels, and the Boxer indemnity of 1901, which totalled 450 million Haikuan taels. The annual payments for these two indemnities alone totalled almost 40 million taels, or about half of the total revenue of the government (which was about 90 million taels). A total of 225 million of the Boxer indemnity was paid between 1902 and 1910.[30]

This financial plight of the Ch'ing government had long been obvious, and various measures had been proposed to take care of the problem: developing light industry such as textile, excavating mines, increasing custom duties, and issuing revenue stamps. Some of these were too impractical; others were opposed by interested parties.[31] Hence, to reform the currency system was one plausible solution to the financial plight of the Ch'ing government.

To Recover China's National Rights and Centralism

After 1887, especially after the Treaty of Shimanoseki in 1895, the foreigners greatly expanded their rights and privileges under the treaty system. In response to this growing menace of imperialism, nationalism and patriotism began to emerge in China. The terms *kuo-chia-chu-ch'uan* or "national sovereignty" and *shou-hui li-ch'uan* or "rights recovery" first appeared in the late nineteenth century; they became quite popular, at least among intellectuals, after 1900.

The early Chinese nationalists called for a currency reform on the grounds that it was only proper that every country had a right to produce its own currency. Unfortunately, China had been deprived of this right through neglect. Not only did foreign currencies circulate within China, but foreign bankers also issued their own paper money without requesting permission from the Chinese government. Even wrose, the Chinese Maritime Customs Service was controlled by foreigners who preferred their own currency to Chinese currency. Also, the foreign banks in China refused to use the silver dollars minted by provincial governments.[32] These doings were all encroaching upon China's national rights, which the nationalists found hard to put up with. To reform the currency system, to them, was to recover national rights. In 1887, Chang Chih-tung had already made it clear that the Ch'ing government had a right to coin its silver dollars so as to boycott foreign silver dollars which were circulating in trade ports and to prevent the outflowing of national wealth. In 1896, Sheng Hsüan-huai also pointed out that foreign banks had made great profits in China by printing their own bank-notes. He also suggested the building of national banks to mint silver dollars as a measure to recover national privileges and rights. When Canton started minting copper coins in 1900, the Canton authority was originally thinking of recovering national rights.[33]

Following anti-imperialistic nationalism there was centralizing nationalism. It was shared by most of the imperial government and bureaucracy and it was agitating the country as a whole.[34] Ever since the middle of the nineteenth century, regional powers began to arise. Since the central government was too weak to defend itself from foreign aggression and to quell civil revolts, many governors-general and governors who were specialized in army training increased their powers by owning greater armies. They also collected taxes, mainly likin, in thier own places, thereafter gaining financial powers. During the Self-strengthening Movement (1860-1894) and the Reform Movement (1898-1912), many reform programs and new enterprises were run by provincial anthorities. They also imitated Western-style coins and paper money. Thus, in the last ten years, the Ministry of Finance, which nominally held the power of national revenue and finance, could not hold on all national taxation and expenditures actually.[33] The increase and expansion of regional powers soon drew the government's suspicions, and, some members of the imperial family, being very radical and patriotic, felt that a strong central government was needed to defend foreign aggression, leading to the idea of centralism. In terms of currency reform, the centralists held the idea that national currency – either coins or paper money – should be issued by the central government, an indication of financial centralization. In 1905, the imperial government founded a central mint at Tientsin to realize the idea. In 1909, a memorial by the Ministry of Finance read, "The right of issuing paper money naturally belongs to the central government. . . Now all the paper money affairs such as issuing and exchanging should all be managed by Ta-Ch'ing Bank. No official or private money shops should be allowed to issue paper money. . . . By this measure can centralism be done."[36] Clearly, currency reform was one of the ways the Ch'ing government adopted in order to promote the status and power of the imperial government.

To Offset the Fall of Silver

In the last thirty years of the nineteenth century, a big change occurred in the world money system because of the widespread adoption of the gold standard. The British had first used the gold standard in 1816. Gold was a precious metal with a fairly stable value, thereby bringing prosperity to the British. Most other countries did not have much gold reserve, hence were unable to adopt the gold standard. However, in the 1870's, when the other European powers were enriched by developing industry and commerce, they too began to discover that gold was better than silver as a standard for exchange. Thus, in 1871, Germany, after gaining a great amount of gold from the indemnity paid by France after the Franco-Prussian War, adopted the gold standard. In 1873, Holland and the United States followed. Later on so did the Scandinavian Monetary Union and the Latin Monetary Union. Thereafter, many other countries gave up the silver standard or silver-gold bimetallism and adopted the gold standard instead.

The result of adopting the gold standard was a fall in the price of silver. From the beginning of the eighteenth century to the late nineteenth century, the relative value of silver and gold had been between 1 : 15-16. Yet from 1872 to 1894 their value rose from 1 : 15.6351 to 1 : 32.5873, and in 1902 to 1 : 39.1893.[37] (Refer to the following figure which shows clearly the fall of silver.) Thus, within thirty years, the value of gold had more than doubled. This depreciation of silver directly affected the finance of China, which had long used silver as one of its two main currencies. She had to pay more silver in international exchange.

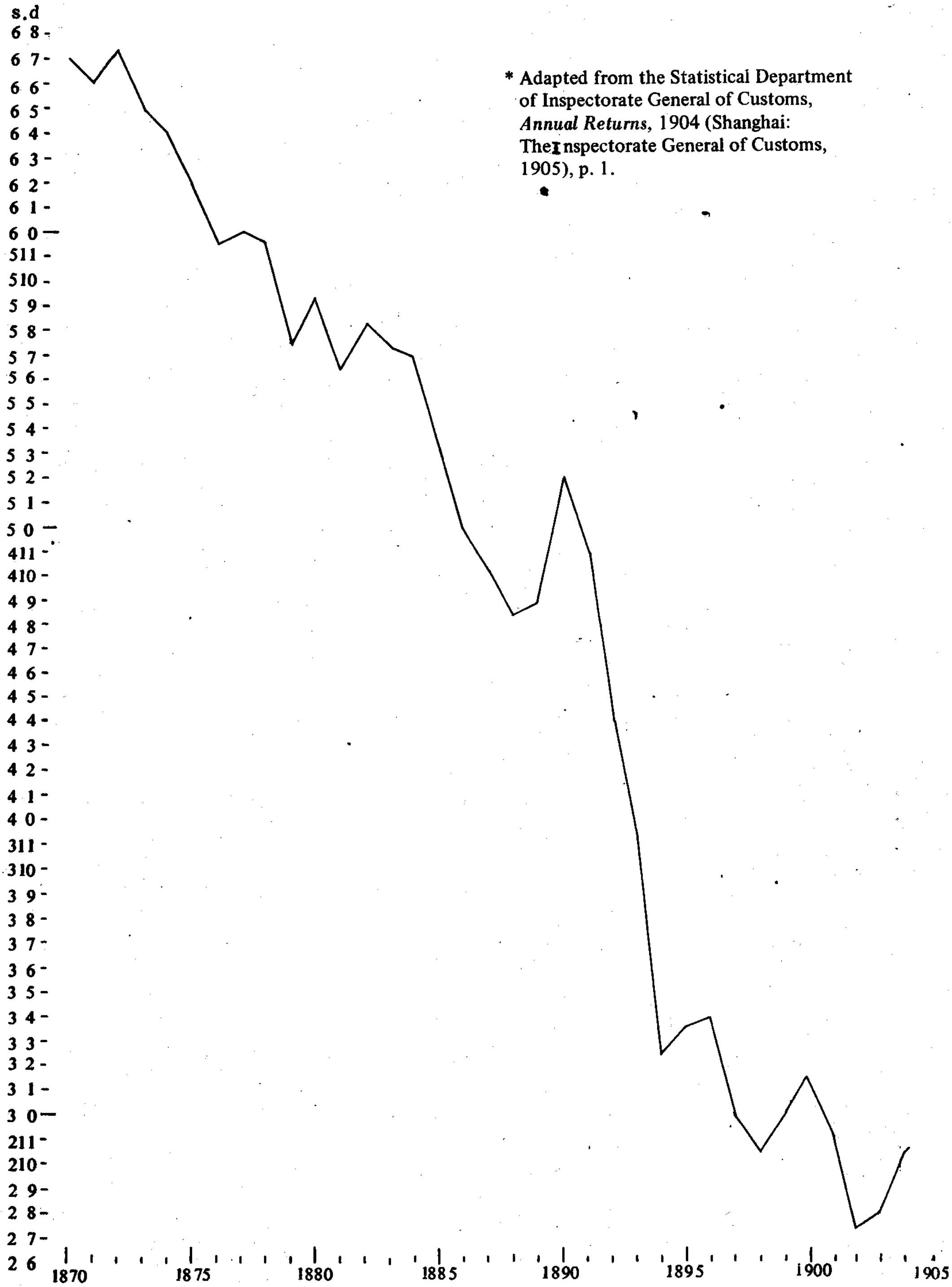
The Chinese first became aware of the change in silver value in 1877, when Tso Tsung-t'ang borrowed from Hongkong and Shanghai Banking Corporation a sum of 5 million (silver) taels, equivalent to 1,604,276 pounds and ten pence. It was first agreed that the loan would be repaid in gold, with 1% annual interest. Later, the British bank insisted that the loan be repaid with 1.5% annual interest when China asked to repay it in silver. This demand for an increase in the interest rate was directly related to the fall in the price of silver.[38] Similarly, in 1888, the governor-general of Chekiang and Fukien, Yang Chang-chun, and the governor-general at Canton, Chang Chih-tung, both reported, one after the other, that the depreciation of silver meant that China had to pay more interest on foreign loans made in gold sovereign.[39]

However, before the Sino-Japanese War of 1894-5, there were few Chinese loans from foreign banks, and the period of the loans were not long; therefore, there was little loss. Hence, little attention was paid to the currency standard except for Ma Chien-chung's following comment in 1886: "While other countries use gold currency, we use silver. Fairness is lost in the exchange, and we may be thus taken advantage of by other countries."[40]

The problem for China caused by the depreciation of silver became much more apparent after the defeat by Japan in the war of 1894-5, which brought with it a large indemnity payment to Japan. The fall in the silver price was so great that Liang Ch'i-ch'ao regarded it as "the most important event on earth."[41] In 1897, when Yang Yi-chih, a junior secretary in one of the Boards, memorized that a gold sovereign be minted; his memorial said in part,

> Because of the rise in gold price, we need to reform our currency, to mint gold and silver currency to make up for the depreciation... . The higher the gold price is, the more we need to pay for less. Loans are one example of such loss. The difficulties our people are now confronting are visible, but the way our resources are eaten up by the increasing gold price is invisible. This could endanger

**Figure: Gold and Silver Exchange Rates
(The worth of a tael of silver (Haikwang)
from 1870 to 1904 in British pound sterling)**



* Adapted from the Statistical Department of Inspectorate General of Customs, *Annual Returns*, 1904 (Shanghai: The Inspectorate General of Customs, 1905), p. 1.

the whole nation.[42]

The subsequent Boxer indemnity, which was to be paid in gold, greatly aggravated this problem for China. Whenever the gold price fluctuated, the indemnity payments also changed greatly. To overcome this new problem caused by the recent depreciation of silver, it was necessary to reform the currency system so as to balance the difference, in the exchange rate between gold and silver.

To Placate Foreign Traders

The chaos and intricacies of the Chinese currency system troubled not only Chinese people but also foreign traders, who usually had to employ Chinese compradors, with the assistance of shroffs, to help them manage their currency matters.[43] The existing currency system was in fact a big stumbling block in the development of China's foreign trade. In 1898, Lord Charles Beresford, who had been asked by the Associated Chambers of Commerce of Great Britain to investigate trade prospects in China, concluded that "the currency hinders trade, and is troublesome to every one," and recommended that a national mint be established and that the coins be standardized.[44]

Some scholars of the Chinese currency system and trade likewise felt that the chaotic condition of the currency system was a serious obstacle in the way of rapidly increasing the total volume of China's foreign trade[45] On the other hand, as the ratio between the value of gold and the value of silver widened, foreign traders were taking greater risks with their investments in China. Thus, C. F. Remer points out, "Fluctuations in the gold price of silver have added to the risk of long term investment in China by the business man. . . . These fluctuations bring an element of uncertainty into trade and make speculation unavoidable."[46]

Jeremiah W. Jenks, the American economist, also remarked that the condition of foreign trade in China was not very favorable. He discovered that the main problem that stifled trade, hampered foreign traders, prevented and restricted them from importing goods to China in advance, and prevented them from calculating on the market was the constant fluctuation in currency exchange. He said, "If China was placed on a stable monetary basis, it would open the country to the importation of American and European manufactures to an extent that is not possible while she is on a fluctuating standard. The advantages of such a policy are so great for the exporting and manufacturing nations."[47] As Liang Ch'i-ch'ao once commented, "Recently, foreign commerce and international trade have increased greatly. But the foreign traders feel troubled by our currency system. In their talk, they frequently express their desire for the Chinese to improve their currency system."[48]

The powers that had trade relations with China were clearly dissatisfied with the currency system. In the negotiations following the Boxer settlement, they were able to oblige the Chinese speedily to reform the system. Thus, the British, in the Mackay Treaty of September 5, 1902, required that China "take the necessary steps to provide a uniform national coinage which shall be legal tender in payments of all duties, taxes and other obligations throughout the Empire by British, as well as Chinese subjects."[49] In their Treaties of Commerce with China, the United States, Japan, and Portugal made a similar request of China.[50] Based on these treaties, the foreign chambers of commerce frequently requested, by way of their representatives at Peking, the Ch'ing government to unify national coinage and to limit the issuing of paper money according to the treaties.[51] Currency reform thus became a matter of international obligation for China. Hence the Ch'ing government was more determined than ever to reform the currency system.

III. ATTEMPTS AT CURRENCY REFORM

Traditional Chinese currency system became inadequate as communication and trade with Western countries increased. As early as in 1833, Tao Shu, the governor-genral at Nanking, and Lin Tse-hsü, the governor of Kiangsu, began to suggest imitating the Western-style silver dollars, but was turned down by the court. Lin, having no consent from the court, however, began to coin his own silver coins. But he put an end to the coining shortly afterwards because the new coins were not of much effect.[52] A few others had also made the same suggestion as Lin and a few other places such as Chekiang, Kirin, and Fukien also tried to mint foreign silver coins, but again, all these attempts did not advanse further ahead. In 1887, the governor-general at Canton, Chang Chih-tung, was permitted to buy machines to mint silver dollars, thereby beginning a series of currency reform in late Ch'ing China. The reform, which lasted for about twenty-five years, can be divided into three periods: (1) 1887-1900, (2) 1901-1905, (3) 1906-1912.

1887-1900

Chang Chih-tung's imitation of foreign silver dollars. The Taiping (1851-64), Nien (1853-68), and Moslem (1855-77) Rebellions disturbed the finance of the Ch'ing government to a great extent. By the last quarter of the nineteenth century, when Western powers increased their economic aggression, the Ch'ing government faced a financial plight. The monetary system then was also falling apart. Most copper cash mints could not produce as much copper cash as demanded because of the flying price of copper during and after the wars. The imperial government and the public as well felt a great demand for the cash currency in order to set the revival work going. The situation being so, the government and the people could not but take measure as to reproduce copper cash and to forbid forgery. But minting copper cash was much too expensive, and many local governments were unwilling to take risks. Early in 1887, the Empress Dowager Tsu-hsi, was obliged to issue an edict, commanding that "all provinces along the Yangtze River and the coast be required to convert a portion of their remittances to Peking into copper cash and send this cash to Tientsin to be stored up in readiness for use and that the Board of Revenue must within one year plan all matters concerning coining and the provinces which were required to manufacture copper cash should one and all be ready to commence operations without delay with a view to a gradual restoration to the former system."[53] But the edict was passed on with provincial governments still doing things in their own way.

However, Chang Chih-tung, shortly after he learned about the edict, memorialized a silver dollar imitation plan to the court. His plan included a rationale for the coinage of silver dollars, the purchase of machinery for minting and the employment of skilled foreign metallurgists, and initial experimental coinage for later expansions. He said, "The principles governing the coinage of copper cash and silver dollars are the same. Both coins should be made at our own mints in our own way so as to maintain national standing. Such a system is especially necessary to Canton where foreigners have made great profits by circulating their own silver dollars." As to the third suggestion, he said.

> "At the initial stage, one million silver dollars should be minted at Canton and circulated. And if they were received favorably, then the coining can be increased to five million. If these initial tryings at Canton succeeded, then the Board of Revenue can purchase more machinery and establish another mint at Tientsin to mint silver dollars for circulation at all open ports."

He figured that the seigniorage profit gained from minting silver dollar would greatly balance the loss in the coinage of copper cash.[54]

Chang's proposal was received reluctantly at this critical moment. Thus, the first provincial silver mint in China came into being. Canton government began to mint silver dollars in 1890. The next year, the silver dollar, .72 tael in weight, 900 fine, and four fractional coins, one being .36 tael in weight, 860 fine, and the others being .144 tael, .072 tael, .036 tael, 820 fine, were found circulating in the market. The output of the mint in the first nine years was as follows: out of a total of 52,310,760.15 Canton silver dollars in value only about 3,000,000 dollars were in dollar pieces, the fractional pieces, mostly 20 and 10 cents, constituting nearly 95 per cent of the total output.[55] These silver dollars had the image of a curled dragon on one side and consequently had been known as *Lung-yang*, or dragon dollars.

Reform agitation after 1895. Before 1895, currency reform had been a subject of concern of only a few individuals like Chang Chih-tung. After 1895, it became the urgent concern of many more people, both in the government and among the public.

China's deepening financial crisis after the Sino-Japanese War, caused by the growth of the foreign debt and the depreciation of silver, prompted many officials and scholars in and out of the government to memorialize to the court for a variety of currency reforms.

The first important memorial on the subject came from Hu Yü-fen, the prefect of Peking, in 1895. He suggested (1) that mints be built in every province and treaty port, (2) that silver and gold coins be minted as well as the traditional copper coins, (3) that the three metal coins be assigned fixed exchange rates to create a uniform system, and (4) that an official bank be established under the supervision of the Board of Revenue, with branch banks in the provinces and treaty ports.[56] Two censors, I Chün and Ch'en Ch'i-chang, in their memorials, suggested the minting of silver dollars by using machines.[57]

In 1896, Wang P'eng-yün, a censor, and Sheng Hsüan-huai, a junior secretary in the Tsungli Yaman, memorialized for a currency reform. Unlike the other proposals, Wang's and Sheng's were more concrete. Wang proposed that the Board of Revenue buy machines for the minting of uniform coins in three metals – gold, silver, and copper. He suggested that the silver dollars be issued first by a central silver mint in the capital, and later by local mints in the provinces. He recommended that these silver dollars be modeled on those already produced by governor-general Chang Chih-tung, first in Canton in 1889, and subsequently in Wuchang beginning in 1895.[58]

Sheng Hsüan-huai also recommended that a central mint be established at Peking, with four branch mints at Canton, Tientsin, Wuchang Shanghai, that silver dollars, gold coins, and fractional silver coins be minted, and that banks be established first in Peking and Shanghai, with branches later in other provincial capitals and trading ports. He calculated that, this being done, the Board of Revenue could have 12 million taels of profit every year. The bank, which would be funded with 5 million taels of capital raised from Chinese merchants, would print its own banknotes that would circulate along with the silver currency.[59]

Other memorials, besides those of Wang and Sheng, contained recommendations to renovate the currency system and copper cash, to mint copper coins by machine, to issue paper money and even to imitate the British sovereign.[60]

To sum up, these early proposals involved nothing more than minting gold coins, using a trimetallic currency system, minting silver dollars and copper coins by machine, establishing a bank and issuing paper money. All of these proposals aimed at remedying the superficial weaknesses of the currency by imitating the foreign systems piecemeal, without any comprehensive theoretical understanding of the problem and without any systematic solution to the problem.

As a result of these various proposals, the Ch'ing government, without a thorough plan, in 1896, acting on the memorials by Wang P'eng-yün, ordered the expansion of the Canton and Wuchang mints so that they could manufacture enough silver dollars to circulate in other places. The government also gave permission to the provinces along the Yangtze River and on the coast to establish their own mints to strike silver dollars.[61] It did not, however, establish a mint at the capital. Consequently, the Kiangnan mint was established in 1897 in Nanking. Afterwards, the Shantung, Szechwan, and Anhwei mints were also established. Kirin, Tientsin, and Fengtien also started striking their own silver dollars in their arsenals. These local mints were directly managed by the local governments, with an urgent desire to make up the noticeable shortage of money supply.

Unfortunately, these new, locally-minted silver dollars were, like the traditional silver ingots, different from each other in purity and weight. Even the same mint might produce different coins from time to time.[62] Thus their value was different too. As a result, usually coins minted at one place could only circulate there. The purity and weight of the silver dollars minted during this period were as follows:[63]

Mint	Gross Weight (Kuping tael)	Fineness (1/1000)	Net Weight of Pure Silver (Kuping tael)
Canton	.7245	902.000	.6540
Wuchang	.7226	903.703	.6530
Nanking	.7246	902.327	.6338
Tientsin	.7289	890.644	.6492
Fengtien	.7247	856.562	.6207
Kirin	.6688	884.059	.6178
Szechwan	.7174	896.682	.6437
Anhwei	.7237	894.676	.6477

With such differences in the weight and purity of the silver dollars, the Ch'ing government finally realized that there were problems in permitting the provincial governments to mint their own coins. So, in 1899, the central government ordered that all silver coins be made by the mints in Canton and Wuchang. It is clear that the Ch'ing government had become aware of the importance of uniform money forms and the advantages of minting its own coins.

But the government's order was not carried out because the silver dollars minted by the Canton and Wuchang mints were not enough to supply the whole nation. Besides, the provincial governments did not want to give up the profits they saved from minting silver dollars; for example, the Canton mint gained a total surplus of 2,854,955 taels from 1890 to 1899, the Nanking mint, about 140,000 taels in 1898, and the Kirin mint, about 342,000 taels from November 1896 to May 1899.[64] The governors-general at Tientsin, Nanking and the general of Kirin appealed to the court for permission for the continued use of their mints in striking silver dollars. Their appeal was granted. Other local mints also kept on minting their own coins secretly. Finally, in 1900, the government returned to the old policy of sanctioning local mints, as the governor-general of Chekiang and Fukien was permitted to set up a new mint to strike silver dollar.[65] Thus, the advantages gained from replacing the inconvenient monetary silver with the more convenient Western-style silver dollar were offset by another inconvenience – silver dollars of varying weights and purities circulating in the market. Another reform initiated by the Ch'ing government during the 1895-1900 period was the establishment, at Sheng Hsüan-huai's suggestion, of *Chung-kuo t'ung-shang yin-hang,* the Imperial Commercial Bank of China, in 1897. The bank was funded with money from Chinese merchants raised by Sheng. It initially printed one million dollars, worth of its own banknotes, but because of poor quality of print, forgery appeared. In 1904, the banknotes were recalled.[66]

1901-1905

The currency reform movement, which had been sidetracked after the *coup d'etat* of 1898, started up again after the disaster of 1900; it was given an additional impetus as a result of the Boxer Indemnity as well as the foreign insistence on currency reform embodied in the Mackay Treaty of 1902. The 450 million taels Boxer Indemnity, in particular, was a great burden to the Ch'ing government, especially because of the rapid depreciation of silver that began in 1901. In 1901, silver was 29 9/16 penny per ounce in London, but it was 21 11/16 penny per ounce in late 1902.[67] Within two years, silver devalued 26.43 per cent. Using the highest quotation of 1872, 62 1/8 penny per ounce, as the basis (100%) for comparison, we find that silver devalued 65.09 per cent, the greatest percentage of devaluation ever found in history.[68] This loss of exchange with regard to the indemnity and debt payments was much too great for China to bear. In late 1902, China had joined with Mexico, which was next to China the largest country still on the silver standard and which likewise had been suffering from the fall in silver price, to ask the United States to aid both nations to stabilize the rate of exchange between the currency of the gold standard countries and that of the silver-using countries.[69] Meanwhile, in 1903, the *Wai-wu Pu* (the Ministry of Foreign Affairs) had asked Robert Hart, an Irishman, the inspector-general of the Maritime Customs Service, for advice about currency reform. The appeal China made to the United States eventually elicited Jenks' proposal of 1904. Both Hart and Jenks suggested that China adopt the gold exchange standard, providing for the first time a theoretical framework for China's currency reform. The question of the appropriate monetary standard was the focal point of currency reform during the 1901-05 period.

Hart's suggestions. Responding to the *Wai-wu Pu's* request, Robert Hart, in 1903, recommended that the Ch'ing government adopt a uniform national silver coinage at first, then adopt the gold exchange standard by setting up a fixed ratio between the national silver coinage and gold, and by converting the domestic value of this coinage into a recognized international one. Like many others, Hart suggested that the central government establish a central mint to produce a uniform currency and that all provincial mints be closed down to ensure uniformity. The new central mint should produce four silver coins with the value of one Kuping tael, half of a tael, a quarter of a tael, and one mace, and two copper coins with the value of one candareen and one cash. While the old currency, the silver ingots, could still be used for some time, all foreign currency should be prohibited.

Seeing that China had very little gold and gold reserves of her own, that her purchasing power of silver had been falling steadily, and that she had to pay her foreign obligations in gold, Hart suggested the gold exchange standard instead of the gold standard. The gold exchange standard had been used under circumstances where a nation had not had sufficient gold reserves to support a domestic gold coin or bullion standard, yet had to wish to tie its money to gold for the purpose of effecting settlement of international obligations. In order to get exchange balance, according to Hart, China would issue exchanging drafts for foreign merchants to exchange for the national silver coins. In buying these certificates, only foreign gold coins could be used for the new coins according to a fixed rate, which, according to Hart, should be 1 pound to 8 taels of new silver coins. These foreign gold coins exchanged for the new Chinese silver coins might then either be used to pay the foreign gold debt owed by China or be minted into Chinese gold coins in the future. In this way, China could lessen her indemnity and foreign loan burden by reducing the loss in exchange and lessening her vulnerability to the fluctuation in international exchange.[70]

The Ch'ing government paid little attention to Hart's suggestions because it was more interested in seeking help from the Americans at that time. However, Hart had introduced the idea of a gold exchange standard, which China was later to follow to a certain degree.

Jenks' suggestions. When China appealed to the United States for assistance in currency reform, the United States, which had acquired the possession of the Philippines and was anxious to expand her trade with China, was receptive. As John Hay, then the Secretary of the United States, put it, "There is no doubt that great benefits to the trade of the United States and other exporting and manufacutring nations would result from the adoption of a stable exchange in China in place of the fluctuating silver standard."[71] Accordingly, the United States Congress on March 3, 1903, created the American Commission on International Exchange, consisting of Hugh H. Hanna, Charles A. Conant, and Jeremiah W. Jenks. The Commission first visited some European countries that were likewise interested in Chinese financial stability. Afterwards, Jenks, a professor of political economics in Cornell University, arrived in China in January 1904 and he presented the American plan to the Chinese government. He spent considerable amount of time visiting the principal commercial cities and the interior provinces in order to understand better the currency conditions. Then he returned to Peking and talked with *Ts'ai-cheng Ch'u,* Commission on Finance, which had been founded in April 1903 to work together with the Board of Revenue to uniform the currency. He did not leave China until August 1904.

Early in 1904, Jenks issued a pamphlet, "Memoranda on a New Monetary System for China," explaining the main points of the American plan in English and Chinese for distribution in China. Several months later, the other pamphlet, "Considerations on a Monetary System for China," presented detailed arguments in favor of the plan and estimates of its cost and answered objections to the plan.

The American plan, in sum, was a gold exchange standard currency system: silver and copper coins would circulate within the country, and it would be maintained at par with gold not by a gold coin but by a gold reserve kept abroad. The monetary system which Jenks suggested had two components. First, a uniform system of national currency should be established, consisting of silver coins, nickel coins, and copper coins. These three types of coins should be uniform throughout the Empire, and became a legal tender for all obligations, public and private in due time. Meanwhile, the minting of all other coins should be stopped. Second, a gold standard unit consisting of a fixed amount of gold was to be the basis of the national currency. The silver and copper coins would be issued at fixed values proportional to this unit, and would be maintained thereafter at this fixed gold value. In Jenks' suggestion, the ideal ratio between the gold unit and the silver coin would be 1 to 32. Gold would not be used in general circulation within the country itself, although a small amount might be coined. In other words, the currency should be the silver and copper coins and bank notes based upon them. Jenks believed that the two components must start together because it would take many a year for China, with a population of 400 million people or more, to employ a national system before it was placed on a gold parity. But if the system was introduced on the gold parity, it would be introduced first in treaty ports and other places where exchange with foreign countries was common. The benefits of stable exchange derived from such a system would be secured from the beginning, facilitating the circulation of new coins. Consequently, the system could be completed in its final form in substantially the same length of time that it would take to introduce the silver currency throughout the country.[72]

In order to maintain confidence in the new monetary system and in the parity of the silver coins, China should have a considerable amount of gold reserve and should open credit accounts abroad. To prepare this reserve, it was recommended that a loan be made.[73] In addition, Jenks, knowing that China had no experienced government financiers competent enough to undertake the introduction of the plan, suggested that foreign experts be placed in charge of the mints and be given supervision of the creation and operation of the monetary system.[74]

Although Hart had also recommended that China adopt the gold-exchange standard, Jenks differed from Hart in many ways. Hart had proposed that China unify its internal currency first and save the foreign gold coins gained from exchange for future adoption of the gold exchange standard. Jenks, on the other hand, suggested that both the unification of national currency and the adoption of the gold-exchange standard take place at the same time, although gold coins might not be used in domestic circulation at first, but it might start in the treaty ports first, and move to the interior gradually. According to Hart, China needed to prepare exchanging drafts for foreigners to exchange before they could use silver coins. According to Jenks, China needed to have a certain number of credit accounts abroad as preparatory funds, i.e., a need to make a loan. Hart suggested that China use foreign technicians in the central mint, but Jenks suggested the use of a foreign controller for the whole task of currency reform. In general, while Jenks was more specific and comprehensive than Hart, he was emphasizing international exchange and ignoring to a certain degree the need of the Chinese people, which Hart tended to pay more attention to.

Jenks' plan, however, met with vehement objections, especially from the emergent Chinese nationalists. The biggest reasons were that his plan favored the indemnity powers and that it provided for a powerful foreign controller; it also overlooked China's rights and interests. For example, Jenks' very first proposal clearly stated that the purpose of his plan was to satisfy a majority of the indemnity treaty powers.[75] It completely ignored China's immediate need to minimize the revenue loss due to the fluctuation of the price of silver. His plan also tended to endow the foreign controller with too much power; many Chinese feared that this controller would eventually control the finance of the Ch'ing government. Indeed, the gold-exchange standard was successfully implemented only in colonial dependencies such as the Dutch East Indies, India, and the Philippines where their finances were backed up by their responsible powers. To accept Jenks' proposal at this time would have been like being colonized by these powers. This could not have been tolerated at a time when Chinese nationalism was beginning to develop. Moreover, China did not wish to make another foreign loan, to be held abroad as gold reserves this time, for fear that the loan might be confiscated, frozen, or otherwise made unavailable for use and be impossible to transfer in case of war or threat of war.

Jenks' main opponent was Chang Chih-tung who submitted a memorial vigorously opposing the plan. He argued the inadvisability of employing a foreign controller as follows: "The finances of a nation constitute its life, and no government, be it weak or strong, provided that it is independent, ever permits its finances to be controlled by foreigners or alows foreign meddling. Now Jenks' suggestions mean to subject the finances of China to the control of foreigners. . . . The plan is, in a word, unreasonable."[76] Chang also viewed the adoption of the gold-exchange standard as impracticable; he recommended instead adopting the silver standard.

Chang was quite right about his first point, but on the second point he did not understand Jenks' plan completely. As Liang Ch'i-ch'ao pointed out, Chang did not know much about the theories of economics.[77] The reasons that Chang gave for the silver standard were that (1) the people were poor and, being used to silver and copper coins, would find it difficult to use the gold standard and that (2) the declining price of silver relative to gold would encourage the development of China's export trade and with it, the growth of domestic industries. Chang felt strongly that the silver standard was the most suitable for China and that the introduction of a uniform national system silver and copper coinage was the most urgent task.[78]

Jenks' plan was too much to both the Chinese nationalists and the conservative Ch'ing government, and Chang's proposal came out at the right time, for silver prices began to rise in 1904 and kept on rising in the following two years. Hence, the Ch'ing government decided to go along with Chang's proposal, putting away the gold exchange standard suggested by Hart and Jenks and the gold standard suggested by Hu Wei-te, the Chinese Minister to Russia, Wang Ta-hieh, the Minister to Great

Britain, and Wu T'ing-fang, the Minister to the United States.[79] On November 19, 1905, it stated that the silver standard would be used.[80] The silver standard was thus used for the next thirty years.

The imitation of copper coins. While the question of the monetary standard was being resolved in this period, China's currency problem became more complicated as copper coins began to replace copper cash. Since the Taiping Rebellion and the Yunnan Moslem Rebellion, the copper production of Yunnan had greatly declined. As a result, the price of copper had risen, forcing many copper cash mints to close. This in turn reduced the supply of copper cash in the market, and, at the same time, greatly increased the value of the copper cash. The Hongkong government then capitalized on this situation by issuing its own copper cents which came into Kwangtung in great numbers.[81] In 1900, Governor-general Li Hung-chang started to make copper coins at Canton, thus remedying the lack of copper cash on the one hand, and realizing as profit for the provincial government on the other. Each of these new copper coins, made of an alloy of copper (95%), lead (4%), and tin (1%), weighed two *ch'ien.* Round without any hole, it was shaped differently from the traditional copper cash. Also the copper coin had a different worth from the copper cash. For example, according to government regulations, one thousand copper cash was supposed to be equivalent to one tael of silver, but one hundred copper coins were equal to one silver dollar, weighing .72 tael. The profitability of minting copper coins was obvious.

Because of the shortage of copper cash, the copper coin soon gained popularity. In 1901, Hsü Ying-kuei, the governor-general of Fukien and Chekiang, also asked and received permission to use the silver mint machine to make copper coins. In 1902, the Ch'ing government ordered that copper coins be minted in the provinces along the coast and the Yangtze River.[82] These local mints were happy to do so because the minting of the coins could bring them much profit. And the people in general were happy to use the new coins. The popularity of these new coins and the seigniorage profit led to the rapid multiplication of the mints and of coinage machinery. The total issues of copper coins for 1904 were estimated at 1,693 million pieces; in 1905 the total had risen to 7,500 million pieces.[83] By the end of the year, sixteen copper mints had been established in twelve of the eighteen provinces with 846 coinage presses which if worked to their full capacity, could turn out 16 billion coins per annum.[84] It is hard to calculate how many copper coins were demanded in the turn of the century in China. But quite obviously, such great quantity of production was far beyond the demand of the money market.[85]

Each province over-produced coins in order to gain profits. Problems were sure to arise. While one province tried to force its coins upon other provinces, other provinces tried to boycott the circulation of the coins, resulting in frequent conflicts between provinces. In 1905, the court forbid the installation of new mints in the provinces and the wholesales of coins out of the producing provinces, and limited the quantity of coinage to prevent the depreciation of copper coins.[86] But this order was unfortunately not observed, leading to an unprecedent chaos in the monetary system in late Ch'ing China.

As a result, copper coins began to depreciate greatly. In 1902-3, one silver dollar had a value of eighty copper coins in the market; in late 1904, it equaled eighty-eight coins; in 1905, one hundred and seven coins; and in 1909, one hundred and eighty coins.[87] To extend the use of copper coins for copper cash was an important task; to stablize the value of copper coins was still another.

1906-1912

With the edict of November 19, 1905, the problem of monetary standard had been decided, but there were yet other problems to be settled. First of all, how should the monetary system be uniformed? There were all sorts of money circulating in the market: the silver tael, the silver dollar, the copper cash, and the copper coin. Secondly, what should be done about paper banknotes? And finally, where could China, then in great financial difficulty, find the funds for a nation-wide reform?

Adoption of a standard unit for silver currency. What should be the standard currency in China's newly adopted silver standard monetary system? In the traditional currency system, the standard of weight for silver was the tael, but the foreign silver dollar weighed only about .72 tael. At that time, the Chinese people in general, knowing nothing about exchange, did not care what the unit of the standard currency should be.

It was only after Jenks proposed his plan that the unit of the standard currency became a concern. In 1904, Chang Chih-tung suggested that the tael be the unit of the silver currency. He pointed out that the Chinese silver dollar, coined after 1889 and also weighing about .72 tael, did not accord with the taxation requirements or with the people's living habits.[88] Chang's idea was supported by Yuan Shih-k'ai, Prince Ch'ing I-k'uang, and Na-t'ung. As a result, the government in November 1905 decreed that the Kuping tael would be the unit of the standard currency, with three smaller silver coins (worth 0.5, 0.2, 0.1 tael respectively) along with copper coins and copper cash as subsidiary currency.[89]

This decree, however, did not settle the issue. The choice of the tael unit had several disadvantages. First, the tael weighed about as much as one and half American silver dollar and thus was too heavy to carry about easily. Secondly, there were already many old silver dollars (weighing .72 tael) circulating in the market. Since the government did not intend to take back all the old silver dollars, there was no need to issue another kind of silver dollar with a different unit. Thirdly, the old Chinese silver dollar was equal in weight to the foreign silver dollar; the change in weight from .72 tael to one tael for the silver dollar probably would not be appreciated by the foreign traders. The most important reason, however, was that when Chang Chih-tung issued a number of silver dollars with the tael as the unit, the Hupei people did not find it convenient to use. Chang had to recall all these new silver dollars.[90]

Because of all these disadvantages, the Ministry of Finance in 1907 recommended the minting of silver dollars with .72 tael as the unit.[91] To help decide the question, the central government then asked the governors-general and the governors for their opinions. Twelve preferred the use of the tael unit; nine, the .72 tael unit; and three favored neither of the units.[92] It was discovered, from this investigation, that (1) the northern and the inland provinces preferred the former, while the south and the coastal areas liked the latter, (2) that those officials who were responsible for general administration preferred the former, but those who were responsible for finance and commerce preferred the latter, and (3) that the traditional intellectuals liked the former, but the merchants liked the latter, and (4) that those who were for the former were traditionalists and generalists (such as Prince Ch'ing, Yuan Shih-k'ai, and Chang

Chih-tung), but those who were for the latter were economic specialists (like Tsai-tse and Sheng Hsüan-huai) and merchants (both Chinese and foreign). Thus, though their idea was less practicable, the supporters of the tael unit were more numerous. As a result, the government retained the tael unit for its silver dollars in 1908.[93]

In 1909, when the Ministry of Finance established *Pi-chih tiao-ch'a chü* (Bureau of Currency Investigation), another extensive inquiry was conducted into the question of the appropriate unit for the silver dollar.[94] This investigation led to the decision that the .72 tael unit was the right one at that time. Furthermore, when Yuan Shih-k'ai lost his position and Chang Chih-tung died, the advocators of the .72 tael unit suddenly gained more power. Consequently, an edict of May 24, 1910 decreed that the standard currency be the .72 tael silver dollar. The edict also ordered that the production of silver dollars be done at the central mint at Tientsin and that the provincial authorities stop minting their own silver dollars.[95] The regulations for the National Coinage published on the same day also provided for subsidiary currency in silver, nickel, and copper coins on the decimal system. There would be, according to the regulations, no limitation to the use of the standard dollar, but the amount of subsidiary currency was to be limited, with different limitations on the different subsidiary currencies, to prevent depreciation. The new currency was required in the payment of taxes and dues, public or private, and the old coins and silver bullions were to be used only within a limited time. The old coins were to be exchanged for the new ones by the Ta-ch'ing Bank and its mints. Refusal to accept the national coinage or to force its acceptance at a discount was to be unlawful.[96] This was the first time that the Ch'ing government was so specific and serious about the currency system.

With the question of silver ingot, silver and copper coins thus taken care of, the problem of paper money remained unsettled at the moment.

Issuance of paper money. The Ch'ing government in the past had adopted an indifferent attitude to the private money shops and foreign banks both of which issued paper notes in great numbers. The paper notes issued by private money shops were not backed by adequate reserve funds nor were they issued in fixed amount, while the paper money issued by foreign banks greatly encroached upon the rights and the interests of China. It was not until the late 1890's that the Ch'ing court began to realize the seriousness of the matter. In 1897, The Imperial Commercial Bank of China (*Chung-kuo t'ung-shang yin-hang*), issued its own paper money to replace the foreign notes. This was the first time paper money was issued by a Chinese modern bank.[97]

In 1904, the Board of Revenue Bank (the *Hu-pu Bank*) was established in Peking; it issued its first paper money the next year. After 1906, branches of the Board of Revenue Bank in Tientsin, Hankow, Tsinan, Fengtien and other places also issued their own paper money. They issued three kinds of paper notes: (1) silver notes ranging from one tael to one thousand taels, altogether 28 denominations; (2) silver dollar notes, including one-dollar, five-dollar, and ten-dollar notes; and (3) copper cash notes, including two, three, four, five, and ten *ch'uan*. Because the relative prices of silver ingots, silver dollars and copper cash differed from place to place, the name of the place where the money was issued was printed on the face of each paper note. If the note was to be used at another place, then it would be discounted.[98] In 1908, the Board of Revenue Bank changed its name to Ta-ch'ing Bank, with the right to issue the legal paper money of the country. Meanwhile, in 1907 Yu-ch'uan Pu, the Ministry of Posts and Communication, had asked for the establishment of the Bank of Communications (*Chiao-t'ung yin-hang*). The request had been granted, and the bank also issued silver notes and silver dollar notes. Thus, by 1908, several private commercial banks and the provincial money agencies were issuing paper notes in great numbers. Besides, the private money shops and the foreign bank also issued their own paper notes. The money market, with all sorts of notes, became very chaotic.

The government finally took some action to reduce all this confusion. In 1908, the Ministry of Finance sent a letter to all the governors-general and governors asking them to help prohibit the circulation of foreign paper money except in the foreign consessions.[99] In 1909, the government published a regulation that private shops could no longer issue their own paper notes. In 1910, it issued another set of rules regarding the exchange of paper money. It said that the right of issuing paper money belonged to the Ch'ing government (Ta-ch'ing Bank), and that all other banks and money shops must stop issuing paper notes and must also recall those notes that had already been circulating in the market, and that the provincial money agencies must also observe these new rules. The rules also stated the amount of paper money to be issued and the amount of the necessary preparatory funds.[100] The Ch'ing government had finally been able to nationalize the issuance and use of paper money. Unfortunately, it did not last long enough to carry out the plan.

Currency reform loan. The Currency Reform and Industrial Development Loan of 1911 had a history that began with the governor of Fengtien, T'ang Shao-i, who went as the envoy to the United States in 1908 for the purpose of expressing appreciation for the remission of the Boxer indemnity. Knowing that the United States had long hoped to promote her trade interests in China by stabilizing the nation's currency, T'ang used currency reform as bait to attract American financial aid for Manchurian industrial development to counterbalance the Japanese expansion there. T'ang proposed to Elihu Root, then the Secretary of the United States, that China float a loan for the purpose of currency reform and industrial development. Root rather liked the idea and submitted it to Kuhn, Loeb and Co., who endorsed it. But at that moment T'ang was recalled to China because of the death of the empress dowager Tz'u-hsi. The negotiations were thus dropped.[101]

When the Taft administration came to power in the United States in 1909 and adopted the so-called "Dollar Diplomacy" – an attempt to force American capital by diplomatic pressure into regions where investors would not voluntarily send their money – in China, the negotiations resumed. On June 13, 1910, the Department of State sent an *aide mémoire* to the Chinese Minister in Washington, declaring that the United States was pleased by the progress in China on matters of currency reform and indicating its willingness to lend China the funds necessary to further the reform. On September 22, the Chinese government responded by asking the Americans for a loan of about 50 million taels "in order to facilitate the currency reform."[102] On September 29, the American group of bankers sent word that they would grant the loan. Meanwhile, to offset the aggression of Japan and Russia, Hsi-liang, the governor-general at Mukden, had requested the Ministry of Finance to permit him to borrow, probably from the Americans, 20 million taels to support his Manchuria development program. The Chinese government quickly approved of Hsi-liang's proposal for a Manchurian loan,[103] but demanded that it be combined with the currency loan, thus returning to T'ang Shao-i's original proposal of 1908. On October 2, China formally requested that the two loans be combined. The request was approved on October 27, 1910, when representatives of the American group and the Chinese government signed in Peking a preliminary agreement for the US$50 million Currency Reform and Industrial Development Loan.

There were, however, still a couple of important issues to be decided. The State Department of the United States had made it clear on June 13, 1910 and later that it would insist that a foreign expert be employed to supervise the currency reform and that the other powers be allowed to participate in the loan.[104] The expert the United States had in mind was Jeremiah W. Jenks.[105] The Chinese, however, objected to the employment of a foreign expert for fear that "the foreign servant could become the foreign master" and it would lead ultimately to the total control of China by the foreigners and also that it would give rise to objections at home. The Chinese likewise objected to opening up the loan to other Western powers. They had long considered the Western powers as adversaries rather than friends, whose main interests were expanding their territorial and political privileges in China. Thus, when the preliminary agreement was made, China had permitted the American group to share the loan with their European associates but had specified that only the American group had the right of signature and the issuance of bonds.[106]

The American group, however, were unwilling to undertake floating the whole loan in their home market; they required the collaboration of the European bankers. On October 31, the American Department of State informed the British, French, German, Russian and Japanese legations of the conclusion of the preliminary agreement and asked for their support. On the same day, the British, French, and German financial groups requested participation in the loan agreement. They said that, unless their request was granted, they would refuse to cooperate in selling the bonds of the currency loan.[107]

In November, the American and the three interested European banking groups met in London and formed the International Banking Consortium for China, which would control the currency reform loan. The American group promised to try to persuade China to consent to the inclusion of the Europeans. As the Secretary of State explained to the Chinese, "It is obvious that China can not reach the ultimate goal of tariff revision without the concurrence of the treaty powers."[108] China should therefore accept the new agreement.

On February 11, 1911, the Chinese government gave in to both American demands: it acquiesced in the Quadruple signature and it agreed to the naming of a foreign monetary expert to supervise the expenditure of the loan. But with regard to the foreign adviser, it indicated that he be an American, if unanimous consent was given, otherwise someone of neutral nationality, preferably Dutch.[109] For fear of stirring up antiforeign and antigovernment emotion in China, the United States consented to this suggestion, as did the other governments in mid-April. Finally, on April 15, 1911, the Currency Reform and Industrial Development Loan Agreement was signed in Peking by the Chinese government and the Quadruple group of bankers. The supposed amount of the loan was £10,000,000, but only £9,500,000 (equal to about 71,858,800 Kuping taels) would actually be handed over to the Chinese government.[110] Of these 70 million taels, 20 million was budgeted for the Manchurian project, and 50 million for currency reform.

The agreement, however, turned out to be less than a total success. First, Japan and Russia strongly objected to it in order to maintain their special rights and interests in Manchuria. They objected specially to the article that stated that if China should desire to borrow additional foreign funds for continuing for completing the operations contemplated in the agreement, the banks were to be the first to be invited to furnish the funds, and that only if China and the banks failed to agree on the terms could other financial groups be invited to supply the funds.[111] So Japan and Russia asked the French government to try to suppress or revise the article.[112] On the other hand, Russia worked for the destruction of the consortium by inducing France to withdraw from it; she too considered taking over Manchuria.[113] Thus, when the Ch'ing government in May 1911 requested an advance of £400,000 from the loan for Manchurian industrial development, France objected to the request. The request, however, was eventually granted anyway.[114] Also the Hongkong and Shanghai Banking Corporation and the Deutsch-Asiatische Bank had never been very enthusiastic about the loan because part of their business benefited from the confusion and abuses of the Chinese currency and they feared there might be a loss of profit as a consequence of the reform.[115] In short, except for the American group, the basic attitude of the Quadruple consortium was not very enthusiastic and was also subject to the influence of other powers. Since the agreement stated that the four nations took the loan in equal shares and without any responsibility for each other, when a country did not keep its promise, the loan would surely be less than originally agreed upon.

Secondly, in order to reform totally the entire country's currency, the central government needed the support of the local governments as well as enough power to prevent and stop forgery. But at this time, the reputation and power of the central government was at its lowest. The denial by the Ch'ing government of the petition for convening a parliament in November 1910 and the organizing of a "Royal Cabinet" and the declaration of the railway nationalization policy in May 1911 had disappointed and disillusioned the local authorities and the people. The revolutionaries had attempted to capture Canton on April 27, 1911. Having lost control of the local governments and the people, the Ch'ing government did not have the ability to carry out a big project such as currency reform.

Before the rest of the loan could be issued, the Wuchang Revolution had broken out. With the people turning against the Ch'ing government, China's credit was shattered. The loan was accordingly postponed until October 1915. By then, the new republican government of China had requested a reorganization loan; as a result, the consortium postponed further any consideration of the currency loan project. As it turned out, the £400,000 advance loan with its interest were refunded from the proceeds of the Reorganization Loan of April 26, 1913, thus ending the long negotiated currency reform loan.[116]

The only merit of the currency reform loan was that the Chinese learned a lot about currency systems and currency reform, especially after the appointment of G. Vissering, the president of the Netherland Bank, as foreign adviser in October 1911. Although when Vissering came to China in 1912 the revolution had already taken place and the loan had been postponed, his suggestions proved to be enlightening in the later-day currency reform.[117]

IV. ANALYSIS AND COMMENT

In general, the late Ch'ing currency reform was fruitless. For one thing, lacking an overall complete plan, the reform was basically a patching and mending task, undertaken by provincial governments to meet their own needs. The new currency adopted, though able to solve some of their problems, actually created more chaos in the monetary market with all sorts of coins and banknotes circulating. The goal of having a uniform monetary system seemed unreachable. Secondly, much had been said but little was done about the reform, as Arthur N. Young, a famous financial advisor to China in 1927-47 observed.[118] More time was spent in talking about the reform than in executing it. For more than twenty years, the reform was always in the way and was never realized even to the last moment when a loan was finally arranged to execute the reform. Such a slow and lengthy reform was not found elsewhere on earth. The Phillipines spent two years (1902-1903) to have her monetary reform done, and Japan and Singapore each five years (1893-1897, 1902-1906).[119] The Chinese inefficiency was seen at its best in handling the currency reform. Finally, the currency reform was short of the idea that a sound monetary system should also aim at the development of a nation's economy. But the Ch'ing government, though trying hard to copy the Western way, was nevertheless confined to the Chinese monetary tradition of which the aim was to take care of the nation's financial demand first, then the livelihood of the people, but seldom to meet the demand of the money market nor to develop national economy. This was what actually happened to the currency reform in late Ch'ing. The main goal was to solve financial problems. Many provincial authorities even went so far as to care for minting profits, without concern for a balance between money supply and demand. They produced as many new coins as they wished, causing devaluation and fluctuation. More specifically, the failure of this reform can be attributed to the following factors.

1. *Inadequate planning.* According to Ch'ing administration, the imperial government undertook responsibility for certain basic monetary policies, but left the execution of them to the provincial authorities. In the beginning of the reform, the provincial authorities were allowed to mint their own silver dollars without conforming to a uniform weight

and fine; the newly established banks were permitted to issue their own bank notes too. As in the matter of other enterprises, the provincial authorities were completely independent of one another in executing the reform. Such a fact, while causing little harm to the development of other enterprises, was nevertheless detrimental to the nation's currency system which must be uniformed throughout the whole state. The fact that provincial authorities minted their own coins without regard to a standard of weight, fine, and amount of supply resulted in a confusing currency system. In the late 1900's, to standardize the new silver dollars became another big problem in itself. Besides, the bank notes issued by both public and private banks created even more confusion.

With a vast territory and a big population, but without good transportation and modern banking systems, China should, in taking up a project like the currency reform, have had a thorough and careful plan before executing it. But the imperial government obviously gave little thought to a good plan and was concerned about solving their immediate problems. For example, in order to counterbalance the circulation of the foreign currency in China, foreign currency was imitated. When the fall of the silver exchange adversely affected the government's finance, the government planned to stabilize the price, but when the silver price began to rise, it cancelled the plan. The Ch'ing government did not have a thorough understanding of the currency problem. The reform was undertaken tentatively without an overall well-thought plan. The many attempts at the reform were like stopping leaks from a rusty pipe – more leaks resulted. Liang Ch'i-ch'ao looked upon this as one of the main weaknesses of the reform; he said, "There was no thorough plan."[120]

2. *Inadequate expertise.* As Liang Ch'i-ch'ao pointed out, "There was no one who was genuinely interested in the reform. Nobody dared to take the total responsibility for the reform, for it concerned the future of the whole nation."[121] In fact, there was no one well-equipped to undertake the task, which was of no small magnitude and which affected virtually everybody's life. China at that time did not have experts who were knowledgeable enough to plan and carry out the reform. The traditional scholar-gentry, though concerned about the reform, knew nothing about modern currency. Powerful officials like Li Hung-chang.

Chang Chih-tung, Prince Ch'ing, and Yuan Shih-k'ai proposed plans for reform based on their individual experience and judgment. Their various proposals showed their lack of knowledge of monetary principles and of the actual conditions and needs of the country. For example, most insisted on using the tael as the unit of the silver dollar.

The officials who proposed the currency reform did not know much about modern currency systems. According to Edward Kann, an expert on Chinese monetary system, Hu Yü-fen "would not have been conversant with the mechanism which his scheme entailed;" Seng Hsüan-huai "was not conversant with the intricacies of a far-reaching financial system," Yang Yi-chi's project was rather naive, and Hu Wei-te "was not versed in the intricacies connected with currency questions, many of his suggestions were impracticable and not capable of realization."[122] These people were thought to be the best of that time, but clearly, in the eyes of an expert, it was not sufficient to be an official in order to suggest a workable reform plan for the improvement of the currency system.

The recognized experts on foreign affairs, like Huang Tsun-hsien, Yen Fu, K'ang Yu-wei, Cheng Kuan-ying and Liang Ch'i-ch'ao did not know much about currency reform either. As P'eng Hsin-wei points out, they were merely translating into Chinese what the foreigners wrote about currency systems and were not completely sure about their own understanding of the subject. P'eng points out, for example, that Liang Ch'i-ch'ao's views on currency reform were rather shallow in that although he knew quite well that no government could act upon the price of gold and silver, he still believed the ratio between gold and silver could be set by the government.[123] The monetary standard, the currency unit and the production amount of the currency must be studied and estimated carefully before any action of reform can be taken. Unfortunately, China at that time did not have financial experts who could perform this task. The suggestions made by officials and the production of currency by the local governments were not based on any careful study of the problem. As a result, little was accomplished.

3. *Inadequate capital.* China, with a population of 450 million people, needed a large amount of currency to circulate. According to the Ministry of Finance in 1910, in totality over 40 thousand billion in silver dollars and 1.4 million billion in subsidiary silver coins were already in circulation

in the country. In addition, the copper coins circulating in the market valued at 100 million taels of silver,[124] not to mention silver ingot, copper cash and paper money. The cost for retrieving, transporting and recoining the silver and subsidiary silver coins would amount up to 20 million silver dollars,[125] and the funds for starting a currency reform was estimated to be 100 million taels.[126] The Currency Office once estimated that the monthly amount of silver needed for minting silver dollars was 10 million taels.[127] Where could China find the capital needed? China had very little gold and silver of its own. Still worse, the Ch'ing government was forced to pay large sums of indemnity (40 million taels) annually. The only solution was to borrow from abroad. This was why the Currency Reform Loan of 1911 was signed. This was also why currency reform could not have gone any farther without the loan.

But the Ch'ing government, while wondering about where to raise necessary funds for the reform, could not but think up ways to solve its problems in the name of the reform. After knowing that provincial authorities profited greatly in minting copper coins (by lowering fine),[128] the imperial government also started its central mint in 1905 as a measure to control provincial mints and to gain all due profits. As the imperial government and the provincial authorities as well all aimed at gaining profits from minting new coins, the new coins were thus devalued because of lower fine. The central mint was just as unreliable as the provincial mints; the imperial government was not to be trusted.

4. *Rivalry between the central government and the local governments.* The lack of agreement and consultation between the central and local governments also handicapped currency reform. Because minting coins was profitable, the provincial authorities not only produced their own coins but produced more coins than necessary and tried to force their coins upon other provinces which also tried to boycott coins from other provinces.[129] And when the imperial government wanted to recover the right of coinage and profits, the provincial authorities were reluctant to obey the orders. When the court in June 1899 ordered that only the Canton and the Wuchang mints could issue silver dollars and that other local mints must stop producing silver dollars, the governors-general at Tientsin, Nanking, Foochow, and the general of Kirin immediately memorialized to the court asking for permission to continue to produce

their own silver dollars. And when the central mint was completed in Tientsin in August 1905, the government ordered that henceforth silver dollars would be minted only by the central mint and the five centrally designated branch mints in Nanking (Nan-yang), Tientsin (Pei-yang), Canton, and Wuchang. However, this order was not observed either.[130]

Three months later, in November 1905, the imperial government ordered the provincial mints to limit their copper coin production and to import copper only after being given permission. The order was again bypassed by many provincial authorities.[131] After the publication of the Regulations for National Coinage in 1910, some local governments again appealed for the continuing use of their mints. To centralize the minting of coins was a basic requirement for a sound currency system, but the imperial government did not have the ability nor the power to plan for and execute the centralization task. Moreover, it was unable to persuade provincial authorities to give up minting to facilitate the centralization. The reform was thus made unfeasible.

5. *Nationalist objections.* By the end of the nineteenth century the Chinese people began to have a sense of anti-imperialism and nationalism; they wanted to recover their sovereign rights and to free themselves from foreign control. To reform the currency system was one way to reach this goal. But at the same time, such patriotic feelings also prevented the people from carrying out the reform rationally. In the name of maintaining sovereign and financial rights, the Chinese rejected the advice of foreign experts like Jenks concerning currency reform. Nationalists likewise thought that using the tael as the unit of silver dollar was preferable to the Western style .72 tael silver dollar.

Many officials objected to the Currency Reform Loan because they believed that the loan was an attempt to control China's finance. "Genuine patriots," Werner Levi says, "had good reasons for believing that these conditions were . . . intended as a means to gain political control. They joined in the opposition to any government or faction willing to accept such conditions."[132] However, when nationalism or patriotism became anti-foreignism, Chinese people were no more in a position to accept without doubt the ideas or experts from developed countries as Singapore and the Phillipines did in carrying out their reforms. What China needed at that time was, among other things, foreign money and expertise. Without them, the reform certainly could not progress much further.

6. *Miscellaneous factors.* A currency system is good only if it is suitable for the society where it is used. A specific reform needs to be formulated in terms of the specific political, social, and economic situations of the country. The Ch'ing government did not have a politically, socially, and economically suitable state for the reform. The late Ch'ing government was a very weak government in tackling external and internal affairs. It had no control over what happened in the concessions. For instance, most foreign banks issued their own bank notes without asking the permission of the imperial government, and the imperial government could do nothing to stop them. Even more, some foreign banks in China refused Chinese silver dollars. There was no national sovereignty in view of this. In dealing with provincial authorities, the imperial government was helpless too, as discussed earlier. And furthermore, the imperial government could not prevent counterfeiting and private melting, nor could it defend all its frontiers against the importation and exportation of coining metals like gold and silver. Such a weakling government could not take up any currency reform. In 1912, Dr. G. Vissering came to China as a monetary adviser. He pointed out that primarily China must be able to induce the provinces to accept taken coins at their face value, to prevent counter-feiting within her territory and the importation of counterfeit money from abroad, or a new currency system was out of the question.[133]

In traditional China, a currency reform was usually called for in order to increase governmental income, and this was usually done in the form of minting more coins of lower fine.[134] The late Ch'ing currency reform also followed this tradition. After the Taiping Rebellion, the Ch'ing government, suffering a financial plight, started issuing the overvalued "big cash" and paper money, which soon depreciated. For this reason, people in general would not accept anything other than full-bodied money.[135] As to credit money, including all the money that circulated at a value greater than the value of the material of which it was made of, it was accepted only if the sponsors were reliable. The depreciation of copper coins was another reason for people not to accept them. The increase of private forgery contributed to the fall of money credit.[136]

The reform could not be carried out if the government could not establish her credit reputation.

In a big country like China, different regions had different living styles, customs, and habits. In the big cities along the coast and the Yangtze River, for example, people preferred to use "big money" such as silver or gold coins for their large transactions; while in the inland rural areas, people were content to use copper cash to transact their business. Similarly, in the north and in inland areas, silver taels were preferred, but in the south and along the coastal area, silver dollars replaced taels. Thus, in discussing the monetary standard and the currency unit, people from different places could not come to a common decision. And the centural government was unable to decide upon a satisfactory conclusion.

The economic status of China at that time was another obstacle to the reform. The Ch'ing government did not have a strong bank which could supply and adjust the circulation of currency, while the *Hu-pu* Bank (later the *Ta-ch'ing* Bank) and other private banks were few in number and not well organized. None of the banks could take over the difficult task of recovering all the old currency and circulating the new currency.[137] Neither the transportation system nor the tax system (which still collected tax by monetary silver and discounted the new coins) was ready for the reform to take place.[138]

A class of people enjoyed the monetary state in late Ch'ing because they could gain profits from the system. This class included some provincial authorities, tax collectors, money changers, and many others. As Warner Levi remarks,

> The fluctuations and uncertainties in the value of the different coins and notes circulating in China were an important source of income to many officials, to small bankers, to owners of cash shops, speculators, and numerous merchants. They naturally objected when they saw their livelihood threatened.[139]

The objections of these people stood in the way of the reform. Liang Ch'i-Ch'ao agreed that one of the obstacles in carrying out the reform was that "there were people who suggested ideas for their own good to prevent the reform from moving forward."[140]

Clearly, before the Ch'ing government improved her political, social, economical, and financial conditions, there was little hope of success for a reform to take place. The time had not yet come for such a big undertaking as currency reform.

Because the Ch'ing government had failed to unify the nation's currency and to create a better monetary system, the reform was commonly viewed as a total failure. However, if the late Ch'ing currency reform were viewed as the beginning of a long-term project in currency modernization, then it was not entirely in vain.

First, the discussions and arugments concerning the many issues of currency reform in late Ch'ing introduced to the Chinese educated class many new monetary concepts. They began to understand the what and the why of terms like "monetary standard system," "standard currency," and "subsidiary currency." Especially in the early twentieth century, when more mature suggestions were presented by Jenks and Vissering, the idea of currency reform began to take a more definite shape.

Secondly, during late Ch'ing currency reform, new techniques of striking coins were introduced. Coins were now struck by machines instead of by hands. These new coins were better than the old coins in shape and quality and could be produced in great numbers. The new Chinese silver dollar, having a lower fine than the foreign silver dollar, gradually displaced the foreign silver dollar to become the main currency form. By 1920, fewer and fewer foreign silver dollars were circulating in the market.[141] This phenomenon could best be explained by reference to Gresham's law that poor money tends to drive good money out of circulation, i.e., that metal which is overvalued at the mint tends to drive out of circulation that which is undervalued at the mint.[142] In this way, the silver dollar did help to recover a part of national rights.

Thirdly, the change from monetary silver to silver dollar was an advance from weighed money to coined money. In weighed money, the value of the money can be determined only after the purity and weight of the money have been examined; in coined money, since the purity and weight are predetermined and uniform, all that is needed before exchange is to count the number of coins. The replacement of copper cash by copper coins changed the traditional bemetallic system into a system where the silver dollar became the standard currency and copper coins the subsidiary currency. The new system created a simple way of exchange, for instead of using many copper coins in business exchange, a few silver dollars were used. Such convenience resulted in the replacement of silver and copper cash by silver dollars and copper coins after 1910. The Nationalist government later on could thus easily change the monetary unit from taels to dollars.

Finally, the reform encouraged the establishement of modern banks and the issuance of paper money, which was an even more advanced form of currency than the silver dollar. The *Hu-pu* Bank and the Bank of Communication were the first two large government banks, which were the model for future banks. And the concentration of notes issuing power in these two banks was a good step toward currency unification. In 1935, the Nationalist government announced that the banknotes issued by these two banks and the newly established Central Bank would now be the nation's legal tender, the Chinese national currency.[143]

CONCLUSION

The traditional currency system that the Ch'ing inherited from previous dynasties proved to be inadequate when trade and industry proliferated in the nineteenth century. Before the Opium War, Lin Tse-hsü had proposed to imitate the Western-style silver dollars. But the conservative Ch'ing government did not pay much attention to this until the end of the neneteenth century.

By 1887, private credit instruments and foreign currency began to gain popularity in China. While private credit instruments disturbed greatly the stability of the monetary market, foreign currency severely encroached upon the rights and interests of China. Both made the currency condition of China at that time very chaotic and intricate. After 1895, China had to repay large loans of 1895-98 for the indemnity to Japan after the defeat by Japan in 1894-95 and when the Boxer indemnity was imposed in 1901. China's fiscal difficulty became very serious. Worst of all, the slump in silver price since the end of the nineteenth century added another heavy burden to the finances of China. In addition, the treaty powers such as Great Britain, the United States, Japan, and Portugal, one after another, requested China to provide a uniform national coinage to facilitate international trade. Thus, to standardize the currency, to ease financial plight, to recover national rights, to offset the fall of silver, and to placate foreign traders became the five major reasons for the Ch'ing government to conduct a currency reform.

From these five reasons, it was found that the motivation for the reform was only to meet immediate needs rather than to reform the currency system in such a way as to facilitate monetary exchange and to improve the economy of the nation. In other words, the reform was rather superficial. The reform went on without a thorough plan, ending in very little accomplishment.

The quarter-century long currency reform of late Ch'ing can be divided into three periods. In the first period (1887-1900), some officials presented their memorials concerning the currency problems of the time, and some provincial governments began to imitate silver dollars. In the second period (1901-1905), the problem of the monetary standard was settled. Meanwhile, two foreign experts, Hart and Jenks, also presented their suggestions. In the third period (1906-1912), the creation of a uniform currency system and the negotiation of a currency reform loan were the main issues.

Such a long process was essentially a process of trial and error, with the provincial governments trying out some new measures and then calling attention of the central government. Hence, the reform was fragmentary and chaotic. In 1910, the Ch'ing government was finally able to come out with a better plan for currency reform, and in 1911, the Currency Reform Loan was signed. But it was already too late, for along with the fall of the Ch'ing government, currency reform was also left unfinished.

Currency reform faced many obstacles during the course of its implementation. First, there was not an able and powerful central government to make careful and thorough plans and to lead in the execution of the plans. There were no Chinese experts in the area who could plan and undertake the reform in a systematic way and there were no funds for such an undertaking. Furthermore, the political, economic, and social conditions of the time were not suitable for the reform. The old style currency – monetary silver, copper cash, and private credit instruments – were not withdrawn from use; foreign currency was not prohibited;

the new style currency – silver dollars, copper coins and paper money – were merely added to the old system, serving only to increase the confusion. For these reasons, the quarter-century long reform did not result in a perfect system.

However, if the late Ch'ing reform effort were viewed as the beginning of a long-term project, it was not entirely in vain. During this long process of currency reform, new concepts on monetary systems were introduced, machines were used to strike coins, and modern banks were established to print paper money. Besides, the circulation of the new currency, silver dollar, and paper money, at this time had paved the way for the Nationalist government to accomplish easily the abolition of the tael and the adoption of a new standardized silver dollar in 1933 and the adoption of paper money as legal tender in 1935. The success of the later reform was partly due to the pioneering work done during the Ch'ing currency reform.

To sum up, in the history of Chinese currency, the quarter-century long reform in late Ch'ing was a very special reform. It created a confusion not preceded before, and it also introduced new currency ideas which eventually helped to modernize the currency system in twentieth century China. Although the many attempts done during the period were justifiable in terms of their motivation which was politically-oriented rather than economically-oriented, the late Ch'ing currency reform should be regarded as the first phase in the process of modernizing China's currency system.

Notes

1. During the 1850's, the Ch'ing government minted *ta-ch'ien* or large coins and issued paper money for the purpose of balancing financial deficit. Hence the act can not be regarded as a reform.
2. Wang Yeh-chien 王業鍵 , *The Development of Money and Banking in China, 1644-1937* 中國近代貨幣與銀行的演進 (1644-1937) (Taipei: The Institute of Economics, Academia Sinica, 1981), p. 2.
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55. Wen-pin Wei, p. 48 .
56. Chang Chia-hsiang, III, 5.
57. *HPSTL*, pp. 638-40.
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60. *HPSTL*, pp. 640-41, 647-54, 656-63.
61. *HPSTL*, p. 646.
62. *HPSTL*, pp. 825-27.
63. Chang Chia-hsiang, I, 10-12.
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68. Wen Pin Wei, p. 63-64, 155-56.
69. *HPSTL*, p. 1103.
70. *HPSTL*, pp. 1102-09; Chen Tu, *Pi-chih*, 42.
71. *RCIE*, 1903, p. 10.
72. *RCIE*, 1904, pp. 108, 117.
73. *RCIE*, 1904, pp. 81, 100, 110.
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75. There was no direct evidence to explain why Jenks favored the indemnity powers. It could be that Jenks was forced to do so. In his original plan, there was a statement which reads as follows: "The indemnity power will permit China to pay the indemnity in silver in the next ten years, and pay

in gold later." This suggestion was rejected by the British when the Commission visited England and held a conference on June 18, 1903. See *HPSTL*, p. 1128.

76. Chen Tu, *Pi-chih*, 105-06.
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81. C. F. Remer, *Readings in Economics for China* (Shanghai: Commercial Press, 1924), p. 334.
82. *HPSTL*, p. 873.
83. Edward Kann, p. 422. But according to Liang Ch'i-ch'ao, in 1904, 1, 741, 167,000 pieces of copper coins were minted, and in 1905, 4,696,920,000 pieces (*HPSTL*, p. 916).
84. *HPSTL*, p. 914; Wen-pin Wei, p. 112.
85. During that time silver was the main currency in big trading and land taxation, and copper cash and fragmental silver were used in small dealings. Copper coins were supposed to supplement copper cash. Liang Ch'i-ch'ao calculated, "Ten billion or so pieces of copper coins would be just enough" (*HPSTL*, p. 916). It was supposed that the copper coin was the onlv subsidiary coin. Thus, with 450 million people, China would need about ten billion pieces of copper coins (each person holding 25 to 30 pieces) (Chen Tu, p. 206). Furthermore, the poor transportation and the inadequate banking system could not take care of such great numbers of coins in a short time. Consequently, the production was many times over the demand of the money market.
86. Chen Tu, *Fu-pi*, 5-6, 8-9.
87. *HPSTL*, p. 916.
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90. *HPSTL*, pp. 734-738.
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93. *HPSTL*, pp. 762-63.
94. *HPSTL*, p. 768.
95. Chen Tu, *Pi-chih*, 214; Wei Chien-yu, p. 129.
96. Chen Tu, *Pi-chih*, 216-20.
97. Sheng Hsüan-huai, II, 30-32.
98. Wei Chien-yu, pp. 159-62.
99. Wei Chien-yu, p. 166.
100. Ch'en Tu, *Chih-pi*, 74-79.
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104. *FRUS*, 1912, pp. 89-91.
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108. *FRUS*, 1912, pp. 93-94.
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110. According to *The China Yearbook 1914* (Shanghai: North China Daily News and Herald), p. 88, in 1911, 100 Haikuan taels equaled 101.642395 Kuping taels; p. 136, one Haikuan tael equaled two pounds and eight and one fourth d., so a pound equaled 7.56409 Kuping taels.
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128. *Kuang-hsü-ch'ao tung-hwa-lu* 光緒朝東業錄 (Tung-hua record of Kuang-hsü period) (rpt. Taipei: Wen-hai, 1963), pp. 5257, 5292, 5418, 5436.
129. *HPSTL,* pp. 946, 951, 955, 972; Chang Chen-kun, p. 263.
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134. c. f. Wei Chien-yu, pp. 69-70, 75.
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136. *HPSTL,* p. 791; Chen Tu, *Pi-chih,* p. 385.
137. Chen Tu, *Pi-chih,* 362, 416.
138. Chen Tu, *Pi-chih,* 381.
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141. Edward Kann, p. 160
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GLOSSARY

American Commission on International Exchange　美國國際滙兌委員會
American trade dollar　美國貿易銀圓
Bimetallic standard　（貨幣）複本位
Board of Revenue　戶部
Boxer　義和團
British dollar　英國銀圓（俗稱人洋，站洋，香洋，立洋）
Canton (Kwang-chow)　廣州
Chang Chih-tung　張之洞
Ch'en ch'i-chang　陳其璋
Cheng K'uan-yin　鄭觀（官）應
Chiao-t'ung yin-hang (Bank of Communications)　交通銀行
ch'ien (mace)　錢
ch'ien chuang (money shop)　錢莊
ch'ien-p'iao (cash-note)　錢票
chih-ch'ien (copper cash)　制錢
Chinese National Currency (CNC, or fa-pi)　（中）國（法）幣
ch'uan　串
Chung-kuo t'ung-shang yin-hang (The Imperial Commercial Bank of China)
中國通商銀行
Chung-kuo yin-hang (Bank of China)　中國銀行
Chung-yang yin-hang (Central Bank)　中央銀行
Conant, Charles A.　（美）高蘭
copper coin　銅元
Currency Reform and Industrial Development Loan
（整理）貨幣與（發展東三省）實業貸款
Deutsch-Asiatishe Bank　（德）德華銀行
fen (candareen)　分
fei-liang kai-yuan　廢兩改元
Fengtien　奉天
Foochow　福州
full-bodied money　實體貨幣
gold exchange standard　金滙兌本位
Haikuan tael　海關兩（關平）
Hanna, Hugh H.　（美）漢南（罕納）
Hart, Robert　（英）赫德
Hay, John　（美）海約翰

Hongkong and Shanghai Banking Corporation （英）滙豐銀行
Hsi-liang 錫良
Hsu Ying-kuei 許應騤
Hu Wei-te 胡惟德
Hu-pu ying-hang (The Board of Revenue Bank) 戶部銀行
Hu Yü-fen 胡燏芬
Huang Tsun-hsien 黃遵憲
I Chun 易俊
I-K'ung, Prince Ch'ing 慶親王奕劻
Indo-Chinese dollar 安南銀圓
Japanese dollar 日本銀圓，俗稱龍番（龍洋）
Jen-min-pi (notes of the People's Bank) （中共）人民幣
Jenks, Jeremiah W. （美）精琪
Kiangnan 江南
Kirin 吉林
kuo-chia chu-ch'uan 國家主權
kuan 貫
Kuhn, Loeb and Co. （美）昆勒貝公司
Kuping tael 庫平兩
Latin Monetary Union 拉丁貨幣同盟
li (cash) 釐
Li Hung-chang 李鴻章
liang (tael) 兩
Liang Ch'i-ch'ao 梁啓超
Lin Tse-hsü 林則徐
Ma Chien-chung 馬建忠
Manchu 滿（淸）
Mexican dollar 墨西哥銀圓，俗稱鷹洋
Moslem Rebellion 回亂
Mukden (Shen-yang) 瀋陽
Na-t'ung 那桐
Nien 捻
parallel bimetallic standard （貨幣）平行複本位
Pi-chih tiao-ch'a chu (Bureau of Currency Investigation) 幣制調查局
piao-hao 票號
Private Credit Instrument 私票
Regulations for National Coinage 幣制則例
Reorganization Loan 善後大借款
Root, Elihu （美）盧特
Royal Cabinet 皇族內閣
Russo-Chinese Bank 中俄（道勝）銀行

Scandinavian Monetary Union 斯堪底那維亞貨幣同盟
Shansi remitting shop 山西票莊
Sheng Hsüan-huai 盛宣懷
shou-hui li-ch'uan 收回利權
silver dollar 銀圓
silver tael 銀兩
Spanish dollar 西班牙銀圓，俗稱本洋
Ta-ch'ing yin-hang (Ta-ch'ing Bank) 大清銀行
Tan Shao-i 唐紹儀
Tao Shu 陶澍
tiao 吊
Tsai-tse 載澤
Ts'ai-cheng Ch'u (Commission on Finance) 財政處
Tsinan 濟南
Tso Tsung-t'ang 左宗棠
Tu-chih Pu (Ministry of Finance) 度支部
Tu-pan Cheng-wu Ch'u (Director-general of the Bureau of Government Affairs) 督辦政務處
T'ung-chi 同治
Tz'u-hsi, Empress Dowager 慈禧太后
Vissering, G. （荷）衞斯林
Wai-wu Pu (Ministry of Foreign Affairs) 外務部
Wang P'eng-yün 王鵬運
Wang Ta-hieh 汪大燮
Wu T'ing-fang 伍廷芳
Yang Yi-chih 楊宜治
Yen Fu 嚴復
yin-hao (money shop) 銀號
yin lu 銀爐
yin-p'iao (silver note) 銀票
Yu-ch'uan Pu (Ministry of Post and Communication) 郵傳部
Yüan Shih-k'ai 袁世凱
yüan-pao 元寶
yüan-fan 圜法
Yunnan 雲南