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# THE FIRST PHASE OF THE BANK OF CHINA AS A NOTE-ISSUING BANK

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## I

Regarding the origin of the Bank of China 中國銀行, Eduard Kann writes that "from the flaming ruins of the Ta Ching Government Bank emerged the Bank of China, its direct successor." Strictly speaking, however, the Bank of China came into existence not through a reorganization of the defunct bank but as a new institution in its own right. This contention is supported by the fact that while the Ta Ching Bank 大清銀行 was turned over to the Liquidation Committee, the launching of the new institution was undertaken independently by the newly appointed Preparatory Committee.<sup>1)</sup> With the fall of the Ching Dynasty, the Ta Ching Bank was inevitably forced into liquidation. During the initial phase of the Bank of China, however, which first appeared on the scene as the successor to the Shanghai office of the Ta Ching Bank, there remained in the new institution various features which clearly revealed the operating conditions of its predecessor. It was hardly possible, therefore, to disregard the intimate relationship that existed between the two institutions, despite their nominal distinction as separate organizations. One of these features of primary importance was the policy followed by the new bank with a view to stimulating public confidence. It is hardly necessary to point out how important it was for the new Republican Government of China to gain the confidence of its public. To this end the Government endeavored to indemnify the losses incurred by

1) Eduard Kann, *Modern Banknotes in China, Finance and Commerce*, Aug. 4, 1937, p. 117; G. Vissering, *On Chinese Currency*, Vol. II, pp. 43-45.

merchants and other individuals as a means of removing distrust on the part of the public in connection with such new government undertakings as the floating of loans and the issue of bank-notes, and with a view to facilitating private investment in the Bank of China itself. This policy was directly related to another important feature of the new organization, namely, the disposition of the assets and obligations of the old institution. Specifically, the new bank was obligated to clarify the position as regards those rights and obligations in which both the old and the new institutions were mutually involved. Consequently, the Bank of China was unable to sever relations with those who had possessed interests in the defunct institution.<sup>2)</sup>

The Bank of China made its first appearance as the successor of the Ta Ching Bank, Shanghai, under the Provisional Government of Nanking. During the turmoil which persisted from October, 1911 to February, 1912, when the whole country was in a state of confusion, and suffered severely from panic and looting, the stockholders of the Ta Ching Bank petitioned the Government and secured permission to continue business under the new name of the Bank of China. Accordingly, the new institution was launched on February 5, 1912 on the premises of the old Ta Ching Bank, Shanghai, and the liquidation of the former institution was set on foot. The new bank's head office at Peking could not open until August 1 due to of funds, although a Preparatory committee had been appointed for this purpose in June.

The official inauguration of the Bank of China in Shanghai was still further delayed if one may judge from the Presidential Mandate issued on December 26, 1912.

With reference to the rules that regulated the bank itself, it is claimed by kann "On December 25, 1912, a Presidential Mandate was issued, promulgating the provisional regulations

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2) Chou Pao Luan 周葆鑾, Banking History of China (in Chinese), pp. 38-40.

of the Bank of China and exhorting that the said bank, which was in a position to control the money market of the entire nation, should keep a large reserve and consider it its duty to attend to financial emergencies within the country."<sup>3)</sup> However, as the text of these regulations is inaccessible, the note-issuing function of the bank will be studied from the standpoint of the Bank of China Act promulgated on April 15, 1913. The recommendation submitted in connection with the drafting of the Bank of China Act made it evident that the Ministry of Finance intended to operate the Bank of China as a central agency for issuing bank-notes and controlling the fiscal affairs of the National Treasury. This recommendation dealt with three major problems regarding the proposed institution. (1) Regarding the problem of whether the central bank should be established under government ownership, preference was given to the jointstock type of organization, in consideration of various banking theories and the precedence established in other countries. (2) Regarding its capitalization, it was proposed that, in consideration of the growing financial stringency and general apathy in business undertakings consequent upon the revolution, the new institution should be opened provisionally with one-fourth of its capital subscribed by the Government, and that the remaining capital should be left for private subscription upon further improvement in financial conditions. (3) It proposed, in the third place, that the Bank of China should be established and operated as a fully empowered central bank which would stabilize the foundation of financial activities in the Republic.

Prior to this initial step, Dr. Chen Chi-toa 陳金壽, in May, 1912, had been appointed by the republican Peking Government to undertake the work of reorganizing the government bank. "It was intended to capitalise the bank with the Government's contribution of 8,000,000 taels, but this was not feasible, since the Treasury was empty. Under such

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3) Kann, *op. cit.*, pp. 117-118.

circumstances Dr. Chen's mission was unfruitful. However, he did his utmost to prevent the authorities from flooding the market with more unsecured bank notes."<sup>4)</sup>

According to Articles 1 and 2 of the Bank of China Act, the central bank was to be established as a joint-stock organization with a capital of 60,000,000 silver dollars, of which 300,000 shares were to be subscribed by the Government and 300,000 shares by the public. In accordance with these stipulations, the Finance Department was supposed to continue capital payment. However, in the Autumn of 1915, the rules covering private contributions were modified, being subsequently approved by the National Assembly on September 13, and on the following September 30 the first revision of the Act was published. The revised Act provided regulations relative to officers and share-holders based upon private contributions to the capital fund.

Later, in November, 1917, the bank submitted to the Finance Ministry revised regulations, which stipulated the allocation of paid-up capital in the following manner.<sup>5)</sup> In undertaking to contribute 30,000,000 dollars to the capital of the Bank of China, the total amount of which was set at 60,000,000 dollars, the Government decided to advance provisionally one-third of the amount, or 10,000,000 dollars. Of this latter amount, 3,000,000 dollars was first advanced and the remainder was contributed in the form of 6% bonds, with a face value of 10,000,000 dollars and an estimated value of 7,000,000 dollars. In 1915 an additional government contribution of 10,000,000 dollars and private contributions of the same amount were scheduled to be received. But no funds were forthcoming from official sources, and even in 1917, after the publication of the Regulations Governing Private Capital Contribution to the Bank of China, the capital funds paid in from private sources did

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4) Kann, *op. cit.*, p. 117.

5) The Bank of China Act was originally promulgated on April 15, 1913, but was revised twice, the first revision by the National Assembly was completed on September 30, 1915, and the second on November 21, 1917, when it was published as the Revised Bank of China Act.

not exceed 3,643,300 dollars. Owing to the precarious conditions prevailing in the country and the adverse influence of the European War, it was hardly possible to expect a full subscription of the capital allotted to private sources.

As a part of the additional Government contribution of 10,000,000 dollars, the premises of the old Ta Ching Bank were included at an estimated value of 1,281,000 dollars, but since the Government then withdrew a portion of the 6% bonds it had previously contributed, this addition to the Bank's capital did not represent any more than a change in the composition of its capitalization. By calling in additional funds amounting to 1,356,700 dollars of private subscription and by dint of cash contributions of 719,000 dollars from official sources, the total capital of the bank was to be increased to 10,000,000 dollars, with equal contributions of 5,000,000 dollars from official and private sources. The capitalization of the bank was originally stipulated in Article 2 of the Bank of China Act, promulgated on April 15, 1913, but this ruling was modified on September 2, 1915, as stated in Article 3 of the Regulations Governing Private Capital Contribution to the Bank of China, and was later superseded by Article 2 of the Revised Bank of China Act enacted on November 21, 1917. On December 8, 1917 the capital stock contributions registered an excess receipt of 2,279,800 dollars representing subscriptions of 22,798 shares, and the bank's paid-up capital at last reached a total of 12,279,800 dollars.<sup>6)</sup>

In accordance with Article 28 of the Revised Bank of China Act, shareholders of the bank adopted at their meeting the Bank of China Regulations consisting of 69 articles, which were submitted to the Minister of Finance and

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6) Tien Yue Dzen, *Das Bankwesen in China*, 1927, s. 51; Chou Pao Luan, *op. cit.*, pp. 117-118. According to Kann (*op. cit.*, p. 117) for several years after its establishment, the capital actually available from official and private sources did not exceed \$10,000,000.

approved on November 25, 1918.<sup>7)</sup>

While the paid-up capital available for business operations did not reach the anticipated amount, as just described, the Bank of China steadily increased the number of its branch offices year by year, registering in 1917, 155 branches and sub-offices, and extending its business activities throughout the country, even as far afield as the Provinces of Kwangsi, Kansu and Sinkiang.<sup>8)</sup>

The various offices of the bank were classified as follows:

Head Office (General Supervisory Office),-Branches-  
 {Sub-Offices  
 {Exchange Offices.

There were 21 branches (the Yunnan branch was in course of organization), 61 suboffices and 73 exchange offices, making a total of 155 offices in all. The establishment of the General Supervisory Office was recommended by President Sa Fu-mao 薩福楙 in August, 1914 and was realized in September of that year and charged with the duty of supervising all the branch offices.<sup>9)</sup>

## II

The original Bank of China Act was approved and promulgated by the National Assembly on April 15, 1913. It was in Article 12 of that Act that the stipulation covering note issue was set forth, authorizing the Bank of China to issue banknotes in accordance with the Banknote Regulations, presently to be enacted as law. Pending the enactment of

7) The Bank of China Regulations roughly correspond to the Articles of Association of the Bank of Japan, with this exception that the former places the rules regarding Auditors in a separate chapter—see Chou Pao Luan, *op. cit.*, p. 78.

8) It is claimed by Kann (*op. cit.*, p. 117) that despite its limited capital the bank's business expanded phenomenally, and by the close of 1915 it owned nearly 150 branches. In reality, however, even including those branches the completion of which was doubtful at the end of 1915, the total number of branches did not exceed 124, comprising 18 branches, 54 sub-offices and 52 exchange offices.

9) Chou Pao Luan, *op. cit.*, pp. 80-81. pp. 85-107.

these regulations, the bank was to observe the provisional rules drawn up by the Department of Finance.

The Revised Bank of China Act of November 21, 1917 proposed no alteration of the above-mentioned stipulation (Article 12) relative to note issue. Nor did the Bank of China Regulations, drawn up on January 25, 1918, in accordance with the stipulations of Article 28 of the Act, incorporate any new element in Article 24 which dealt with the question of note issue. While the Bank of China Act did not deviate in its provisions regarding note issue from the preceding regulations, the changes made in other articles of the Act had certain important bearings upon the suspension of note redemption, of which mention will be made subsequently. This fact should be specially noted for reasons which will be stated, since it was responsible for the subsequent changes in the functions undertaken by the bank.

Prior to the enactment of the Banknote Regulations and other similar provisions, the issue of bank notes was controlled by ad interim rules known as the Provisional Bank of China Note Regulations which were promulgated by the Ministry of Finance.<sup>10)</sup> Bank of China notes were issued in accordance with these regulations by the Bank of China and its agencies for certain specified purposes. They comprised the following five articles :

The Provisional Regulations for the Control of the Bank of China Notes.

1. Banknotes shall be issued by the Bank of China and its own agencies.

2. Banknotes issued by the Bank of China may be used for the following purposes :

a. To defray all land taxes,<sup>11)</sup> likin, and Customs duties in all the provinces.

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10) The date on which these regulations were issued is variously reported by Kann (p. 117), Chang Chi Yen 張輯顏 (Financial Problems in China, p. 84), and Chou Pao Luan (p. 131) as Dec., 1911, Dec., 1912 and Jan. 5, 1913, respectively.

11) Consisting of land and citizenship taxes which were later combined to facilitate collection.



- b. To purchase railway and steamship tickets, or postage stamps, or defray telegraph charges.
  - c. To pay the salaries of all civil and military officers.
  - d. To pay all expenses involved in Government and commercial transactions.
3. Banknotes issued by the Bank of China shall be redeemable at the said bank in the district of issue, as shown on the notes.
  4. Notes on the face of which two place names are imprinted shall be redeemable at either place without the imposition of remittance fees.
  5. Persons refusing to honour these notes, or attempting to discount them, shall be severely punished.

The business of the Bank of China relative to the issue of banknotes was handled by the Department of Note Issue, which was placed under the supervision of its Head Office along with certain other departments such as the Department of General Affairs, the Department of Fiscal Affairs, the Department of Revenue, the Business Department, and the Department of the National Treasury.

When the Supervisory Office was established in September, 1914, the Business and Revenue Departments were detached from the Head Office and reorganized as the Peking Branch, while the other departments were placed under the supervision of the new office.

Thus the Bank of China was empowered to issue bank notes on the basis of Article 12 of the Bank of China Act and exercised this privilege in accordance with Provisional Bank of China Note Regulations. During those early days, the notes issued by the bank comprised the following three classes:

1. Notes taken over from the old Ta Ching Bank, bearing engravings of Li Hung Chang 李鴻章.
2. Notes printed in America, bearing engravings of the Emperor Huang 黃帝.

### 3. Memorial notes printed in China.<sup>12)</sup>

During the first phase of the bank's history, the circulation of Bank of China notes remained relatively small. This fact was attributed to general distrust of the Government subsequent upon the revolution, overflow into all markets of paper moneys issued by numerous private banks, and also to the confusion which existed in connection with the redemption of Mexican and various other kinds of Chinese silver dollars. However, the appearance of the Yuan Shih-kai dollars (Yuan tóu yin yuan 袁頭銀幣) in December, 1914 contributed to the creation of a uniform unit. In fact by 1919 the difference between Mexican and Chinese dollars had disappeared in the Shanghai market, with the result that the public distrust of silver dollars as media of redemption was also removed.<sup>13)</sup>

The circumstances which accounted for the tardy circulation of banknotes during these years are summarized by Chou Pao Luan 周葆鑾 as follows: <sup>14)</sup>

1. There was an excess supply of paper moneys issued by various provincial governments, particularly after the revolution, over and above those issued by recognized private and foreign banks.
2. There was a lack of unification in the policies of the National Treasury, and the central bank was as yet unsuccessful in its attempts to undertake note issue and to operate as the agent of the National Treasury.
3. In spite of the lack of unification in the monetary system, the circulation of banknotes as substitutes for silver dollars would have been possible had there been silver dollars which were accepted throughout the country. In fact, however, the monetary systems

12) Chou Pao Luan, *op. cit.*, pp. 130-131. \* Kann mentions in his article (*op. cit.*, pp. 118-119) various kinds of banknotes issued by the Bank of China between 1912 and 1936 including dollar notes, fractional dollar notes in 'big money', small coin fractional dollar notes, and copper banknotes.

13) Kann, *ibid.*, p. 118.

14) *Op. cit.*, pp. 132-134.

in the various provinces were so confused that in addition to Chinese silver dollars, there were foreign silver dollars and other currencies in circulation. The situation was still more confused by the habit of using silver taels and cash. Where there was such absence of uniformity even in the case of silver dollars, it was very difficult to secure a free circulation of banknotes.<sup>15)</sup>

The reform proposed by Chou Hsüeh-hsi 周學熙 in November, 1915 for the wider circulation of Bank of China notes was designed to realize (1) the gradual redemption of unsecured paper moneys, (2) the progressive unification of the National Treasury, (3) and the substitution of a unified currency for the old silver dollars.<sup>15)</sup>

The fact that the volume of Bank of China notes showed steady increase during these years is substantiated by the following figures:

1912	\$ 1,061,636
1913	5,020,995
1914	16,398,178
1915	38,449,228
1916	46,437,234
1917	72,984,307 <sup>16)</sup>

### III

The opening of the Peking office of the Bank of China was somewhat delayed, but its Shanghai office was opened in the first year of the Republic, so that its history coincides with that of the new regime. Having been entrusted with the duty of acting as the agent of the National Treasury with the privilege of issuing notes accorded, in addition to

15) *Ibid.*, pp. 134-135.

16) Kann, *Op. cit.*, P. 118; Tien, *Bankwesen*, s. 54. According to Chou Pao Luan, the total volume of Bank of China notes in circulation reached \$30,000,000 at the end of 1915 and \$71,892,962 at the end of 1917.

operating an ordinary banking business, the Bank of China is reported to have steadily improved in the sphere of operating results *pari passu* with the unification of the country under the new regime and the general improvement in financial conditions.<sup>17)</sup> An incident which should be mentioned at this point is the suspension of note redemption and of payment of deposits to which the Peking office was compelled to resort in the Spring of 1916, as a result of the attempt on the part of Yuan Shih-kai 袁世凱 to seize the throne.<sup>18)</sup> The bank had to undergo a variety of trials and tribulations during those post-revolution days of unstable and precarious conditions, despite the steady improvement in business. This forced issue of unsecured and irredeemable notes, however as reported by Kann, was "One of the worst experiences the bank had to undergo the course of its history."<sup>19)</sup>

Early in 1916, certain factions in Yunnan Province revolted against Yuan Shih-kai, in view of his attempt to ascend the throne. On account of this struggle, the demand for the redemption of banknotes became very heavy and the Bank of China 中國銀行 and the Bank of Communications 交通銀行 in Peking and Tientsin found themselves in straitened conditions. Faced by this situation, the Notional Assembly resorted to the temporary measure of suspending note redemption and induced the Government to issue special ordinance on May 12, 1916.

The Bank of China and the Bank of Communications, which had their head offices in Peking, were thus forced to suspend payment in 1916. This suspension was not brought about by their conduct of ordinary banking business, but entirely by the desperate need for funds, reported to be in excess of \$ 20,000,000, on the part of Peking Government as

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17) Vide, Bank of China Act, Articles 17-24.

18) The Head office was operated only for the purposes of supervision, while the actual business was carried on by the Peking branch.

19) Kann, *Op. cit.*, p. 118.

a result of the coup attempted by Yuan Shih-kai. In desperation, the Treasury offered to pledge the National Museum for \$ 5,000,000, but the negotiations fell through and there appeared to be no other source of revenue aside from the cash reserves of the banks. The Bank of Communications under Liang Shih-yi 梁士詒, a political leader of the communications faction, was liberal in advancing money, but the Bank of China was lukewarm on account of open rivalry with the other bank. In order to secure more control over the funds of the Bank of China, the Government on April 21, 1916, appointed one of the members of the cabinet to the directorate of the bank. On May 12, 1916, the Government issued a moratorium declaring the suspension of specie payments by both banks, and sealed up all the silver reserves and deposits lying in their vaults. With reference to the circumstances that led to this drastic action, Kann speculates as follows: "It is conceivable that during those three weeks the Bank of China was drained of its silver holdings to such an extent that suspension became necessary. On the other hand, it is possible that the said bank was still relatively sound and that it was suspended by the advice of Liang Chih-yi to become a companion in misery of the Bank of Communications."<sup>20)</sup>

Subsequent to the declaration of the moratorium the Government appointed a temporary finance committee to study possible corrective measures, and telegraphed on May 14 instructions to the various provincial governments for the enforcement of uniform measures. However, the conditions that prevailed in the various districts after the moratorium were by no means uniform. Accordingly, some provinces demanded the suspension of note redemption, some favored temporary restrictions on redemption, while others advocated continued redemption of notes. In Peking the Chamber of Commerce came to the rescue, while in Tientsin a Committee for the Maintenance of Financial Order was organized to carry out

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20) Kann, *op. cit.*, p. 141, August 11, 1937.

relief measures. The plans proposed laid emphasis upon the relief of the masses by coining small-denomination copper and silver dollar coins and facilitating their easy circulation by means of certain autonomous organizations which were to be established. Although the moratorium order applied to silver notes only, both banks had copper notes in circulation as well, which also became irredeemable, causing distress among poorest section of the populace.

It was then declared illegal to refuse to accept these irredeemable notes of the Bank of China and the Bank of Communications, or to dispose of them at rates below face value, and those who violated the order were to be severely punished in accordance with Article 9 of the Currency Law.<sup>21)</sup>

In spite of this prohibition of the acceptance of notes at discount, merchants were forced by circumstances to raise their prices. The resulting sharp advance in the cost of living proved fatal to the poor, for there was no commensurate advance in wages.<sup>22)</sup> The relief project inaugurated in Peking by the Chamber of Commerce was to establish promptly as many exchange offices as possible for the redemption of copper notes.

The Bank of China eventually made some attempts to resume payment unconditionally, but the Bank of Communications seemingly preferred to remain in suspension.<sup>23)</sup> The moratorium was put into effect in Peking, Tientsin and a few other places, but since the universal circulation of irredeemable notes gave rise to financial disturbances, as above mentioned, recommendations were put forward to cope with the situation. Finally the Bank of China resumed payment and eventually the other bank followed suit. It was on October 26, 1916 President Hsu En-yuan 徐恩元 of the Bank of China, in response to demands from various quarters,

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21) Kann, *op. cit.*, p. 142. Probably refers to Article 9 of the Enforcement Regulations of the Currency Law.

22) Kann, p. 141.

23) *Ibid.*, p. 142.

commenced the redemption of notes with the approval of the National Assembly.

On June 3, 1916, the *Peking Gazette* reported that the note issue of the Bank of Communications aggregated \$ 159,000,000 and that of the Bank of China \$ 50,000,000.<sup>24)</sup> Chinese sources, however, fixed much lower totals, namely, \$ 80,000,000 for the Bank of Communications and \$ 34,000,000 for the Bank of China. On the same day, the *Peking Gazette* reported, without eliciting any contradiction, that "it is definitely known that the coffers of the Bank of Communications are empty." The notes of this bank were almost invariably quoted between 5 and 15% below the Peking issues of the Bank of China<sup>25)</sup>.

Certain changes having taken place, various measures were proposed for the remedy of the situation. One plan proposed by the Finance Minister recommended an arbitrary appreciation of the value of the currency, while another plan recommended by Wang ko-min 王克敏 and Tsao ju-lin 曹汝霖 suggested the issue of loans for the redemption of the Peking notes. The latter recommendation was finally adopted and there were floated the short-term bonds of May, 1918 and the 6% bonds of 1918, the proceeds of which were to be applied to the recall of the notes emitted by the two banks. In the belief that this reduction in the number of notes in circulation would eventually enhance public confidence in them, the date on which these bonds were floated has come to be regarded as the occasion on which fundamental plans were inaugurated for the adjustment of the Peking notes.<sup>26)</sup>

In this manner, all the depreciated Peking notes were

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24) The total amount of Bank of China notes in circulation in 1916 is reported by the *Peking Gazette* as \$ 50,000,000 and by Kann as \$ 46,437,000. The Bank of China balance sheet for 1929, however, gives the figure for the same year (October) as \$ 60,000,000. Since no details are available, these figures are cited merely for the sake of reference.

25) Kann, op. cit., p. 141.

26) Chou Pao Luan, op. cit., pp. 155-157.

finally redeemed at par and in silver, although there was a lag of some ten years. By designation of the Finance Minister, these bonds were secured by the surplus from the customs revenue, and they were quoted in the market anywhere from 44.3% (in 1922) to 98.5% (in 1926), in accordance with the political vicissitudes of the times. In concluding his account of this incident, Kann states that "This was the inglorious end of a large and unsecured issue of paper money which brought much misery to a very considerable portion of a peaceful population without commensurate gain to anybody."<sup>27)</sup>

In reporting this incident to its shareholders at their general meeting, at which the balance sheet for 1929 was submitted, the Bank of China announced "The consolidation of such a large amount of irredeemable notes was borne partly by the government by floating loans and partly by the bank itself by the setting aside of certain appropriate funds." It was reported, further, "For ten years the bank had done its best to make the final settlement of this amount (\$60,000,000). The loss suffered by the country and by the Bank was very great. Such facts are worth remembering when the question of Chinese Currency is under discussion."<sup>28)</sup>

It is apparent from the previous discussions that, being averse to support the policy of Yuan Shih-kai, the Bank of China and its various branches had deliberately ignored the moratorium order. Branches situated in neutral or independent provinces shielded themselves behind the authority of local military governors. Particularly strong was the attitude of the Shanghai branch which completely refused to honour the order, and resorted to a different method, i.e., the appointment of foreign legal counsel. By turning over its assets and liabilities to the custody and protection of these foreign trustees, the branch began, after May 13, to meet the demand for withdrawal of deposits and the redemption of its notes.

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27) Kann, op. cit., p. 142.

28) Kann, op. cit., p. 142.



This step taken by the Bank of China, at Shanghai, was implemented by organizing a shareholders' union, in cooperation with Shanghai business circles. It is believed that this action on the part of the branch contributed in no small degree in building up public confidence in the bank and in increasing the circulation of its notes. As a result of this experience, the bank considered it necessary that as a note issuing bank, it should remain independent of any outside influences, and accordingly, it petitioned the Government in November, 1917 with a view to securing a revision of the Bank of China Act. This course of action, taken together with changes that had been made in its capitalization, clarifies the circumstances under which the Bank of China sought a revision of the regulations. In order to secure the position of the bank, the recommendation proposed a revision of the regulations relative to bank officers, stipulating that the president and vice-president of the bank be appointed from among the officers elected at a shareholders' meeting.<sup>29)</sup> Details of these revisions will not be dealt with in the present study. Through these changes, the Bank of China began to lay emphasis on its role as a commercial bank in contrast with the role of a central government bank; concentrating its business more largely upon private finance as distinguished from public business. In recording the growth of the bank, it is significant to note that this revision of 1917 had an important bearing upon the phenomenal progress it subsequently achieved, in spite of the unstable social and economic conditions that prevailed during the early years of the republican regime.<sup>30)</sup>

In the early years of the new regime, the Government made plans for the consolidation of paper currency by means of a unified system of note issue. This was evidenced by

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29) Vide, Bank of China Act, Article 16; Revised Bank of China Act, Article 16; Bank of China Regulations, Article 26.

30) Economic Research Bureau, Bank of China, Operating Results of Principal Banks in China during the Past Ten years (in Chinese), p. 48.

its effort to control the note-issuing functions of the central bank, for the purpose of consolidating the financial position of the Republic. The bank, however, failed to monopolize the privilege of issuing notes, inasmuch as the Bank of Communications, established by the Department of Communications in November 1907, continued to share this privilege.<sup>31)</sup> Toward the end of the imperial regime, the central government had proposed a unified control of banknotes. Nevertheless, it was stipulated, in the first article of the Banking Act enacted in 1908, that the issue of banknotes constituted one of the business activities of banking institutions. As a result, this privilege came to be accepted as the legitimate business of any bank, and the system of multiple issue continued in operation. This tendency having persisted throughout the early years of the Bank of China, subsequent efforts to suppressing further issues or withdraw notes in circulation, in accordance with the Banknote Control Law (first enacted in October, 1916 and revised in 1920), proved futile.<sup>32)</sup>

In view of this failure of the central bank to concentrate the functions of note issue, under its own control, there continued in circulation all kinds of paper currencies, to wit those issued by provincial governments, special banks, ordinary commercial banks, joint foreign-Chinese banks and foreign banks in China. The consolidation of paper currencies in China is a problem which should be studied concomitantly with the problem of unifying the currency system by means of silver dollars. In turn, this latter problem may be more clearly understood through a study of various reform projects such as those proposed by Vissering and other students of the same school.<sup>33)</sup>

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31) Vide, The Bank of Communications Regulations; Article 13 of the Revised Bank of Communications Act.

32) Chang chi-yen. *op. cit.*, pp. 107-109.

33) G. Vissering, *op. cit.*, Vol. I, pp. 13, 14, 57, 111, 155, 156.