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# THE CURRENCY SYSTEM IN FRENCH INDO-CHINA

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## FOREWORD

One of the important characteristics of East Asia wider territory economy admitted by world economy is its backwardness in capitalistic economy. But a deeper analysis into the component countries of East Asia — Japan, Manchoukuo, French Indo-China, Thailand, etc. — will reveal that there are various stages in their economic development. No one will seriously doubt the fact that Japan is an advanced nation and China and French Indo-China, backward countries in this respect. Nor are China and French Indo-China backward in the same degree, for there is a sharp opposition between the two. This fact is an important point in the mechanism of the currency system in French Indo-China which I propose to discuss in the present article.

In a nutshell, it may be said that, whereas China is an import-excess nation having a vast consumption market, French Indo-China is characterized by its superiority of exporting power over consumption power, being an export-excess country. In other words, whereas Chinese economy is an object of operation only by the vast reserve power of modern financial capitalistic nations, the operation of French Indo-China needs no such a vast reserve of financial power, because it could be operated through its adjustment by the political power of the country, due to the superiority of its exporting power over its importing power.

I propose to take up the currency system in French Indo-China from this viewpoint. But it is pre-requisite to examine how such a political economic base was created in that country, before proceeding to discuss this problem.

## 1. HOW THE BASE OF FRENCH INDO-CHINA ECONOMY WAS FORMED

It was in 1867 that Cochin China was recognized as a French colony. Since that time French influence made its northward march and twenty years later in 1887 the present French Indo-China or the Federation of Indo-China came into existence. The liberal economic policy which dominated France at the time of the formation of the federation gradually came to be replaced by the protective policy due to the over-production and expansion of markets by France. This change was accompanied by the tariff alliance between France and her Asiatic colony and her despatch of an expeditionary force to Tungking. Tariff protectionism then was codified in 1892 and French Indo-China came to be recognized as an assimilated colony (*Colonie assimilée*), and in consequence, all French imports into French Indo-China came to be exempted from tariff. While all foreign-made goods imported into France were subject to the French tariff, it was decided that those made in French Indo-China were exempted.

This point has been the butt of severe criticisms. Ferry, for instance, says: "To apply the tariff of the home country uniformly and in its original form to all French colonies in the various parts of the world differing, as they are, in climate and environments never occurred as a rational idea." In actuality, however, until to the outbreak of the first World War in 1914 the enforcement of a thorough-going tariff was impossible because of the need of French Indo-China to maintain its financial revenue and the necessity of protecting French industry. The development of the war had the effect of making French Indo-China as a supply base of war resources. Thus, France was led to make vast overseas investments and this undoubtedly spurred on the development of the economic base of French Indo-China. In 1928, a part of the French tariff was revised and mollified. In actuality, however, the principle of assimilation persisted and the tinge

of the home country also remained strong. The enforcement of such a policy of exclusiveness had the effect of steadily detaching French Indo-China from the rest of the World, at least from other parts of East Asia, and it became a segregated economic base. This tendency of development by the home country was given an impetus by the world depression that made its appearance shortly afterwards. The British Imperial Conference of 1932 suggested to France the convocation of the French Imperial Conference which advocated autarchy for the French Empire. This had its obvious effects on the economic relations between France and French Indo-China. The volume of rice, corn and tea exported by French Indo-China to France greatly increased, with the result that the trade positions of the two became reversed: whereas France was a creditor hitherto, now French Indo-China became such. Whereas England practiced the principle of territorial special agreements, France carried out its imperialistic economic policy. This is a notable fact in the economic development of French Indo-China.

Now, the above tendency was encouraged by two economic phenomena, namely, inflation in French Indo-China and its flight to the piastre which was extensively issued by France. This is shown by the following table of debentures issued by French Indo-China.

Debentures in French Indo-China, 1924—1930  
(In 1,000,000 franc)

Year	Agriculture	Mining	Industry	Transportation	Commerce	Banking, Real Estate
1924	52	19	72	6	41	60
1925	77	19	62	5	33	2
1926	256	94	113	5	60	85
1927	401	80	62	31	17	65
1928	214	184	88	37	55	174
1929	136	150	111	47	42	245
1930	118	108	98	43	115	114
Total	1,274	654	606	174	364	744

The following table gives the debentures issued by the established companies and newly established companies during the period of 1924—1935. Of this table, the great increase in the amount of debentures issued during 1926—1929 by newly established firms indicates the remarkable part played by the French franc in the economic development of French Indo-China.

Debentures in French Indo-China, 1924—1935  
(In 1,000,000 franc)

Year	Established firms	New firms	Year	Established firms	New firms
1924	182	64	1931	116	15
1925	125	73	1932	80	9
1926	354	279	1933	122	11
1927	366	268	1934	37	7
1928	502	248	1935	28	7
1929	472	237			
1930	384	6	Total	2,768	1,280

The drastic reductions following 1930 were due to the world depression. But during the first several years in this period, the amount of the debentures of established firms has not shown any remarkable decrease, due probably to the continued demand for the fund for counteracting the depression.

These various tendencies of France and of French Indo-China have come to a temporary disruption on account of the second World War. This has given rise to various grave problems regarding the commodities which French Indo-China had hitherto been exporting to France, the locality where these exports are produced, and the refrigeration of gold specie and exchange funds abroad. The traditional colonial policy of France stressing the interests of the home country seems to be destined to face liquidation.

## 2. THE HISTORY OF MONETARY REFORM IN FRENCH INDO-CHINA

At the time when France took possession of French Indo-China, the Mexican piastre was in circulation there. France adopted it as legal tender and fixed its parity at 5.37 silver francs. In view of the fact that the piastre was the object of silver speculation in East Asia upon the depreciation of the value of silver, French Indo-China adopted its own legal tender which was fixed to contain 27,215 silver grams of 900 fine at par with the piastre.

The reform of the monetary system in French Indo-China was proposed in various plans such as the Philippini plan of 1887 which was modelled after the French pattern, the Rueff plan of 1902 and the Doumer plan of 1897 which was modelled after the British India pattern. The abolition of the silver standard and its replacement by the gold standard provided the subject of discussion from the very inception and continued to be discussed, until in 1903 the final decision was reached. The tacit recognition hitherto given to the circulation of the piastre was revoked, and the currency system came to possess the substance of the gold exchange standard. This is an irony for the words of Léon Say: "The White races demand the yellow money and the Yellow races, the white money."

The reform of the currency system never ceased even after 1903. In 1907 there were proposed two plans, namely, the Arnauné plan and the Détéux plan. By means of these plans, the gold exchange standard gradually came to assume concrete forms, but the outbreak of the first World War in 1914 put all this in the state of suspension and deadlock.

In the meantime, the general tendency of currency reform in French Indo-China was controlled by an opposition between the idea of home-country first advocated by the traditional colonial policy of France and the idea of British India which proposed to utilize the practical value possessed by the gold standard in the Orient. When the rise of the

price of silver became an issue shortly after the close of the war, the currency reform in French Indo-China resumed its activity.

Both the Outley plan and the French Indo-China Commerce and Industry Association plan in 1920 were the products of this situation. However, they failed to materialize as were intended and were succeeded by the Berrué plan which advocated the adoption of the gold standard on the ground of its anticipation that the export excess of French Indo-China would continue in the future. This plan, too, failed to be realized due to the instability of the French franc. When the French franc entered its period of actual stability in 1926, the general tendency came to favour the adoption of the gold standard, the gold piastre in particular. After discussion extending over a period of more than thirty years, French Indo-China finally adopted in 1930 the gold bullion standard which in substance amounts to the gold exchange standard.

By this currency regulation, the French Indo-China piastre came to be constituted by 655 gold grams of 900 fine and ten franc being at par with one piastre. Their conversion could be made either at Saigon or Paris as the choice may be at the rate of 660 gold grams of 900 fine for each piastre. When the conversion was made at Paris, the expense for transporting gold as well as the insurance premium were to be deducted. The President of the Bank of French Indo-China was authorized to conduct gold conversion only to the amounts above the lowest limit fixed in conference by the Minister of Finance, the Minister of Colonial Affairs and the Bank of French Indo-China. The Bank of French Indo-China was required to hold as reserve in its branch at Saigon gold or gold bullion or gold currency, or foreign exchange that can be converted into gold or gold bullion, to the amount equal to one-third of the total amount of the notes issued by the Bank plus the credit balance of its current accounts.

Against the parity of the new piastre, protest was made by those receiving salaries in this currency of those making

investments or paying dividends in the same currency, on the ground that it was too low. Some of these people argued that salaries and allowances should be raised. The world depression that came shortly afterwards swept away all such ideas and the parity came to be regarded rather as exceedingly high instead of low. Moreover, such adverse factors as the dwindling of exports, unfavourable trade balance, deficiency in budgetary estimates, and the increase of bankruptcies were aggravated, with the intensification of the depression itself. The government of French Indo-China no longer could stand idle and established a committee charged with the task of coping with the momentous situation.

The views of the committee were divided into three groups. The first group advocated a simple monetary depreciation; the second group favoured a periodical revision of the piastre-gold parity; and the third group urged a return to the silver standard. The third group seemed to have the support of the greater number of the committee members. However, no decision was reached and the *status quo* was maintained for the following two years during which discussion was carried on in earnest. Finally, on October 1, 1936, the Government of France suspended the Monetary Act of 1928; provided that the new grade of gold in the French franc shall be determined by a decision of the Cabinet in the future; and decided that the weight of the franc shall not be below 43 gold grams of 900 fine and shall not be above 49 grams. It was also decided that the parity between the notes of the Bank of France and gold shall be determined by the Cabinet. The Bank of French Indo-China also announced its decisions on the following day, on October 2. The regulations pertaining to the pure grade of the piastre and its conversion in the Monetary Act of May 31, 1930 which was enacted by virtue of the Article 1 of the by-laws of the Bank of French Indo-China, were abolished. It was stated that the new pure grade of the French Indo-China piastre shall be decided according to the reports of the Minister of Finance and the Minister of Colonial affairs



in the future. As a temporary measure, it was also decided that the Bank of French Indo-China shall convert at the rate of one piastre for ten franc.

Article 5 of the Monetary Act enacted on October 1, 1935 has several important provisions. It was provided that "the reserves (gold and foreign currencies) possessed by the issue banks in Algeria, colonies and protectorates shall be revalued." The Minister of Finance "shall be empowered to conclude agreements with the given issue banks regarding the conditions for the State to accept the amount of increase accruing from the revaluation." It was also provided that the issue banks in Algeria and the colonies may constitute their reserves in the French franc, all legal or voluntary provisions to the contrary notwithstanding.

By virtue of the foregoing provisions, the issue reserves of the French Indo-China piastre came to be made in the French franc, and this made the general aspect of the gold exchange standard very clear. But the above act was not free from one shortcoming: no speedy market operations by the banks for financing the seasonal trade and crop-gathering could be expected from the measure.

By far the most important thing for a monetary system is that it should have an appropriate issue flexibility. When the official parity is fixed, an opposition presents itself between two sets of persons having conflicting interests. Such an opposition may be seen between importers wishing the high piastre and exporters desiring the low piastre. A similar opposition may be seen between the idea that high prices due to the low piastre will oppress the people of small incomes and the notion that the low piastre will rather invite foreign investments and thus alleviate the financial burden during a period of depression. Still another opposition may be evinced between the view that the high piastre will alleviate the burden of taxpayers and the notion that the low piastre will increase the revenue from tariff and the indirect taxes. For all these different views the most important thing about the piastre will be its issue flexibility.

The second depreciation of the French franc which forms the basis of the piastre was made for the purpose of strengthening its issue flexibility. But it failed to prove efficacious because of the successive failures of the French economic policies. In addition to this, the capital of French Indo-China flowed out in large amounts. The continued unfavourable trade balance, the aggravation of inflation and political confusion in the colony exposed the franc as fixed in October, 1936 to an inevitable re-examination in the short period of nine months. Thus, the successive depreciations of the franc gave no opportunity for regulating the gold fine of the currency, though its parity with the bound was fixed at 178 francs. Naturally, the gold fine of the piastre also was not fixed. Finally, in November, 1938 the franc was fixed to contain 27.5 gold grams of 900 fine and the piastre, 275 gold grams.

### 3. THE CURRENCY REFORM OF 1936 AND FRENCH INDO-CHINA ECONOMY

It would be a right thing for the French Government to do, if it depreciated the value of the franc upon its recognition of such a necessity. However, if by such a depreciation the French Government coerced the French Indo-China piastre to depend on the French franc and thereby caused the same effect on both the franc and the piastre, it would be difficult to justify such an action on the ground that both French Indo-China and France are in the same circumstances.

The Act of October 2, 1936 contains the following provisions:

Article 1. The enforcement of Article 1 and Article 2 of the act of May 31, 1930 pertaining to the establishment of the currency system of French Indo-China shall be suspended.

Article 2. The regulations adopted according to the reports made by both the Minister of Finance and the Minister

of Colonial affairs shall in the future decide on the fine of the piastre which is the monetary unit of French Indo-China.

Article 3. Until the foregoing provisions shall be put into operation, the Bank of French Indo-China shall guarantee the conversion of its bank notes into the notes of the Bank of France at the rate of one piastre for ten French francs.

Any one who reads the foregoing provisions with an open mind will more or less feel curious. For, they indicate the fact that the French Indo-China piastre which had hitherto remained independent was made to depend on the French bank notes, that is, the French currency by the new regulations of the French Government—regulations which are said to have never been consulted to any administrative organ in French Indo-China.

However, such a fact is only too natural when it is remembered that the monetary system created by the currency reform of 1930 was the gold bullion standard only in name, but in reality it was the gold exchange standard. After the reform of 1930, the Bank of French Indo-China had to change gradually its funds into the francs at the demand of the French Government. It was only too natural for France which traditionally reveres the high-degree gold reserve to have attempted to consolidate the gold reserve of the Bank of France and thereby enhance the interests of the French people. Thus, there is no doubt involved in the demand made to the Bank of French Indo-China. Furthermore, it is only too natural that under the gold exchange standard the piastre should be closely united to the French franc, when viewed from the theory of the gold exchange standard.

In this connection one may think of some appropriate measure that might have been taken by the Bank of French Indo-China. This bank should have asked the Bank of France to transfer to the former the reserves guaranteeing the currency circulation in French Indo-China at the parity prevailing in 1928. This point should be an issue of considerable importance in view of the crisis of the gold exchange

standard throughout the world.

Those who never regarded the depreciation of the franc with such seriousness as I have just noted might have considered it only as a temporary measure and that the parity of one piastre for ten francs would be in the future changed to the old parity legally. Such an anticipation, however, will be only an illusion for those who have observed the new tendency of such currencies as the Hong Kong dollar, the Chinese *yuan* and the Dutch guilder.

What then were the effects of the depreciation of the piastre on French Indo-China, especially on its economic aspects, — production, trade and currency? I shall take them up in the following pages.

(1) The effects on production. In considering the effects of the currency reform of 1936 on production which is the greatest factor of economy, foremost thought should be certainly given to agricultural production. Unfortunately, however, there are no appropriate data regarding this point. Touzet gives the following data regarding the export of rice, corn and rubber which are the three main agricultural products of the colony.

Export of Three Main Farm Products  
(In 1,000 tons)

Year	Rice and other cereals	Corn	Rubber
1934	1,372	471	20.4
1935	1,530	413	29.2
1936	1,575	471	41.3
1937	1,548	574	45.1
1938	1,064	556	57.9

The above table indicates that the exportation of rice steadily dwindled from the highest peak attained in 1936 which was an exceptionally good crop year. This tendency of decrease was made in spite of the fact that the arable land in Cochin China was actually expanded and the amount of production per hectare also increased. The figures of

1938 shows a decrease of one-third over the previous year. The exportation of corn has been on an upward trend for the past several years. A similar trend is also shown by rubber. In the case of rubber, its export increase is due to the result of the new method of cultivation that has recently been introduced, and not to that of the depreciation of the monetary value.

The effects of the depreciation on the value of the exports are very remarkable as the following table indicates.

Effects of Depreciation of Piastre on Export  
Prices of Three Staple Products

Year	Saigon Rice Saigon (No. 1) Piastre per kintal	Saigon, Corn (Red) Piastre per kintal	Rubber (Paris Quotations) Franc per kilogram
1929	11.70	6.87	11.80
1930	11.34	5.56	6.85
1931	6.58	4.13	3.79
1932	5.40	4.22	2.52
1933	4.08	5.51	3.06
1934	2.36	4.28	4.93
1935	4.20	3.40	4.62
1936	5.10	5.50	6.87
1937	7.90	7.90	11.13
1938	10.63	8.76	11.92

The soaring of the price of rice in 1937 was due to the China Incident, the great Chinese demand affecting the Hong Kong market quotations, from July to December of the same year. This soaring gave no profit to the producers of rice, because when its minimum price was fixed for the cereal, it had already been detached from them. Their profit came only from valuation due to the depreciation. But the price of 1938 failed to reach the level of 1930 even when it is estimated in the value which was depreciated by 51 per cent.

The effects of the depreciation are all the more remarkable in the case of corn, for it is far below the price of 1930 even when estimated in the depreciated monetary value.

As to rubber, its price variation does not give any sug-

gestion because of its inherent speculative nature.

An interesting result is shown by a comparison between the effects of the depreciation on the piastre quotations and those on the Bangkok and Rangoon market quotations, as the following table indicates.

Comparative Prices of Rice in Saigon, Bangkok and Rangoon  
Market Quotations (In 100 kilogram)

Year	White Saigon Rice (No. 1) Piastre	Bangkok Rice (White Garden)		Rangoon Rice (Small Mills)	
		Piastre	Baht	Piastre	Rupee
1931	6.6	8.7	7.6	5.7	6.5
1932	5.4	6.3	6.7	4.7	5.9
1933	4.0	5.0	6.2	3.3	5.1
1934	3.2	3.8	5.3	3.1	5.2
1935	4.2	5.3	7.7	4.1	7.1
1936	5.1	5.8	7.5	4.2	6.6
1937	7.9	9.5	8.2	—	—
1938	10.6	12.2	7.6	—	—

As the above table shows, the prices in the baht and rupee show no effects of the depreciation and therefore will indicate the actual price variations. On the contrary, the changes of the piastre show the actual variations which overlap the nominal variations. Thus, the average price variations of the Hong Kong rice No. 1 per kintal in the Hong Kong dollar and those in the piastre will endorse the above fact.

The above table shows that the price of rice in Hong Kong remained in a definite stability. When the prices in both the Hong Kong dollar and the piastre in 1936 and 1938 are compared, the piastre price in 1938 shows a depreciation of 57.5 per cent over the price of 1936. While there is no change in the gold value of a definite amount of rice, the price in paper currency has more than doubled,

Average Prices of Saigon Rice  
No. 1 Per Kintal in  
Hong Kong

Year	Hong Kong dollar	Piastre
1936	10.5	5.7
1937	11.8	9.2
1938	11.7	12.7

We may conclude that there is no profound relation between agricultural production and the depreciation of the value of the piastre. Moreover, the effects on the export prices of farm products are only nominal.

So far we have observed the effects of the depreciation on farm production. Now, let us see what are its effects on industrial production. Data on this matter are very imperfect — so much so that statistics are totally lacking for some years.

The following statistics have been given out by the Government-General of French Indo-China.

Mineral Production 1929—1938 (No. 1)

Year	Coal (1,000 tons)	Zinc and lead (ton)	Tin and Tung- sten(ton)	Iron and mangan	Gold and silver (kilo- gram)	Phos- phorus ore (ton)	Chro- mite (ton)	Sea salt (1,000 tons)
1929	—	—	—	—	—	19,652	—	255
1930	1,955	38,164	1,105	—	—	30,300	1,541	237
1931	1,726	18,725	1,688	—	—	12,871	2,780	250
1932	1,714	—	—	—	—	370	—	—
1933	1,591	—	—	—	—	—	—	—
1934	1,592	11,970	2,364	1,540	503	—	—	160
1935	1,775	11,600	2,742	2,200	507	—	—	207
1936	2,158	—	—	—	—	—	—	192
1937	2,189	—	—	—	—	—	—	180
1938	2,300	—	—	—	—	—	—	180

Mineral and Industrial Production 1929—1938 (No. 2)

Year	Rice Re- fining in Saigon No. of factories	Days of opera- tion	Brewery Alcohol (million hecto)	Tobacco manu- facturing output (ton)	Cement output (ton)	Sugar Refined sugar (ton)	Match ten-box package	Electric power 1,000 K.W.H.
1929	—	—	—	—	—	—	—	62,825
1930	—	—	—	—	168	3,105	—	72,797
1931	—	—	—	146	151	3,498	20,535	69,048
1932	2	411	—	193	170	4,130	17,249	64,352
1933	23	434	—	1,127	115	6,435	14,770	61,693
1934	25	548	191	2,164	115	8,605	13,249	59,839
1935	26	517	230	1,947	107	9,344	13,140	64,142
1936	—	—	273	2,083	149	9,997	21,200	65,000
1937	—	—	290	2,802	235	13,642	27,900	70,000
1938	—	—	403	3,011	266	15,066	30,400	—

A perusal of the foregoing two tables will show that

the mineral and industrial production, like agricultural production, and for that matter the development of French Indo-China economy, is characterized by two movements, namely, the depression of 1929—1932 and the economic prosperity of 1934—1938. In this case, it is unthinkable that the depreciation of the value of the piastre had any relation with the period of prosperity that began in or about 1934.

(2) The effects on trade. Let us see what effects the depreciation under consideration had on the trade of French Indo-China.

Foreign Trade of French Indo-China  
(In 1,000 tons and million piastre)

Year	Imports		Exports		Total		Comparison with previous year		Balance
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	
1929	590.9	260.2	3,287	261.1	3,878	531.4	(+) 4	(-) 26.1	(+) 0.9
1930	521.0	181.0	3,864	183.7	3,385	365.0	(-) 493	(-) 156.4	(+) 2.7
1931	444.1	129.0	2,649	112.0	3,093	241.3	(-) 292	(-) 123.7	(-) 17.0
1932	352.3	96.7	3,009	101.8	3,362	191.9	(+) 269	(-) 49.4	(+) 5.1
1933	332.6	91.0	3,221	101.4	3,553	192.5	(+) 191	(+) 0.6	(+) 10.4
1934	383.3	91.4	3,437	106.0	3,820	197.4	(+) 267	(+) 4.9	(+) 14.6
1935	401.8	90.1	4,045	129.8	4,447	219.9	(+) 627	(+) 22.5	(+) 39.7
1936	439.7	97.4	4,475	170.8	4,915	268.2	(+) 468	(+) 48.3	(+) 73.4
1937	526.0	157.8	4,357	258.9	4,883	416.7	(-) 32	(+) 148.5	(-) 101.1
1938	492.0	191.7	3,992	284.5	4,484	476.2	(-) 399	(+) 59.5	(+) 92.8

The economic depression in French Indo-China touched its bottom in 1931 and 1932. The very fact that the trade of French Indo-China continued to hold a favourable balance except in 1931 shows that that country speedily escaped from the depression. This success was due to the adoption by the Government-General of drastic counter measures, instead of being content with patchwork. However, the recovery in the case of imports was not so rapid as that of exports. If we take the figures of 1938, whereas its imports are below the figures of 1929, its exports continued to surpass the level of 1929 since 1934. This is due to the fact that French Indo-China had to live on what had been ac-



cumulated and reserved, and the slowness of its recovery is due to the decrease in its purchasing power, or to the results of the surgical treatment administered thereon.

To summarise the results of the depreciation of the value of the piastre on the trade of French Indo-China, it will be seen that it affected the nominal value of both imports and exports. Trade volume in 1937 showed a remarkable increase over the figures of 1936. However, the increase would not be so remarkable if the figures are put in the piastre, as the following statistics indicate.

French Indo-China Trade, 1935—1937  
(in million piastre, gold and nominal)

Year	Imports		Exports		Total	
	Nominal	Gold	Nominal	Gold	Nominal	Gold
1935	90.1	—	129.8	—	219.9	219.9
1936	97.4	90.0	170.8	148.0	268.2	238.0
1937	157.8	95.0	258.9	155.0	416.7	250.0

It is remarkable that the depreciation of the currency caused no ill effect on the balance of French Indo-China trade. This was due to the fact that the bulk of imports was brought from the home country of France which also underwent a currency depreciation of the same rate. This bulk in 1937 constituted 53.6 per cent of the total amount of imports in that year.

It is noteworthy that the depreciation of the piastre which is united to the French franc took place during the period of import prosperity. Thus importance should be attached to the views of both Lacam and Touzet that the recovery of prosperity in French Indo-China began in 1934 and that it is not likely to be found in the depreciation of the piastre. In other words, the depreciation of the piastre showed no clear effects on the trade (seen from quantity) of the colony in both 1937 and 1938.

(3) The effects on the currency. Let us now see what effects the currency reform of 1936 had on the currency. It

appears that the effects on the currency of the depreciation from 655 grams to 490 grams announced on October 2, 1936, were not very great. At that time the upper limit was fixed at 490 grams and the lower limit, at 430 grams. It was on June 30, 1937 that the piastre came to be fixed at the latter limit. This decision was accompanied by a keen discussion as to what would be the future of the piastre or what would be the fate of the entire property in French Indo-China evaluated in this currency; and naturally its effects on the piastre were very profound. French Indo-China had fear for the future of the piastre as it never had before, because of the franc. Polemics were carried on chiefly on the question of the piastre's divorce from the franc. It appears that this question was raised by the home country rather than French Indo-China, because it is conceivable that the plan of depreciation would come first of all from the producers in France. Furthermore, because in addition to the French producers the importers and consumers in French Indo-China also might be considered to desire that the piastre should be stronger than the franc.

Against this view, many scholastic associations and committees upheld the maintenance of the *status quo*. But I have no leisure here to touch on this matter. At any rate, an examination into the merits and demerits of the arguments in favour of the maintenance of the *status quo* will show that the unconditional *status quo* is a difficult problem. If a measure of exaggeration is allowed, it may be said that the great majority of the persons favouring the maintenance of the *status quo* do only so long as rapid changes can actually occur thereby enabling these persons to do profit-making.

Against such advocates, various organs in both France and French Indo-China such as the French Indo-China committee in France and many administrative committees, chambers of commerce and chambers of agriculture in French Indo-China advocated a conditional maintenance of the *status quo*. Their opinions may be roughly expressed something

like this: so long as the piastre exchange is depreciated to the level which is rational *vis-à-vis* other currencies in the Far East, "they can have a good will for the plan of uniting the piastre to the franc; but if its depreciation is made too far, we shall abandon our present position and the piastre should sever its relations with the franc."

Further, let us consider what kinds of ideas should be prepared beforehand, supposing the piastre finally secured independence from the franc. The possible substance of the piastre under such circumstances should be the subject of a deep study. The following three possibilities are conceivable: a return to the silver standard; a return to the gold standard; and the adoption of the gold exchange standard.

As to the first possibility, for French Indo-China's return to the silver standard, the currencies of the neighbouring countries should be taken into consideration. This is because the economic base of French Indo-China hitherto has depended on the trade relations with other countries and that the mass of its people have no real property and are under the bread line.

Next, a plan of making the piastre an independent currency is advocated by such a powerful organization in French Indo-China as the Haiphong Chamber of Commerce, which in 1937 asserted that "to unite the piastre once again to gold and restore to it its old stability, would mean a general interest of French Indo-China." The chambers of commerce in Hanoi and Saigon are also of the same opinion and inclination. However, a plan of adopting a pure gold standard today is a serious problem, for its traditional operation is facing difficult problems throughout the world. Moreover, the position of French Indo-China in world economy will require all the more profound thought on this question.

Thirdly, let us consider the plan of adopting the gold exchange standard. If the operation of the pure gold standard needs a deeper consideration, the adoption of the gold exchange standard may be urged. But in this case whether the gold exchange should be the franc gold exchange or the

pound gold exchange or the dollar gold exchange will require profound thought. But so long as French Indo-China is under French economic influence, the franc gold exchange should be chosen as a matter of course. But if it has been tried out already in French Indo-China, either the pound gold exchange standard or the dollar gold exchange standard will have to be adopted. So long as the South Seas are dominated by British and American capital, French Indo-China will have to depend on one of them. The question of the refrigeration of funds in the United States should be given a careful thought by the piastre, and should be considered with great deliberation. As to the pound also, its controlling economic power in the Far East will be held in importance. Thus, in this case attention to the Hong Kong dollar or the Chinese *yuan* will be only superficial. What is more important is their relations with the financial capital that has been controlling them.

#### CONCLUDING WORD

I have above dwelt on the piastre which is the currency of French Indo-China and the effects of the currency reform of 1936 on the economy of that colony.

Although the French Indo-China piastre stands on the economic base of export excess, so long as it is controlled by the colonial policy of high-degree French capitalism based on home-country-first conception, its own currency development is unthinkable. But apart from its relations with France, if it wishes to establish a currency of its own in the Far East for the purpose of making an economic development of its own upon its export-excess economic base, the fact that it will be either the pound gold standard or the dollar gold standard, both of which standing under Anglo-Saxon capitalism, will be pregnant with serious problems. The French Indo-China piastre now stands at the parting of the ways: will it make its own currency development under the new East Asia structure or will it rely on the old

system of the pound or the dollar? The position of French Indo-China within the East Asia co-prosperity sphere now under development ought to enable that colony to decide on the question of its currency reform, for the present is an excellent opportunity for such a decision. (Mai 5, 1941.)