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THE CHARACTERISTICS OF THE HISTORY OF CHINESE MONEY

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I.

Men are bound by their body, and the body consists of material substances. From this, it is evident that men may not go without a material life. And, on the basis of such material life develop economic phenomena. On the other hand, it is self-evident that material substances are governed by natural laws. The natural laws, in their turn, are endowed with a universal applicability. The economic phenomena, therefore, are invariably universal and general in their nature, having something in common everywhere. This is especially true with the phenomena attendant upon money. As the natural economy advances into classified production, circulation, in whatever form, follows. Circulation, in the first place, presents itself in the form of exchange, which develops at first in the form of barter. It is noted, however, that barter is not without defects, and here comes in money. First, such money takes the form of commodity currency, which, by degrees, evolves itself in metals. The process here begins with the currency by weight and ends with coined money. It is in this stage that money, in its accepted sense, comes in. Further, such coined money urges the appearance of paper money. First, paper money appears in the form of convertible notes, which, subsequently, is followed by inconvertible notes, and, further, even by deposit money. It may be said that all these are same everywhere. Seldom does a difference appear according to different countries and different races. True, in China, too, the history of money has followed such a process.

Back in the immemorial ancient days, everything was so vague that nothing definite could be stated. However, the following ancient Chinese poem may be taken as an evidence of self-production economy being pursued by people of such remotely ancient times :

“ At sunrise I begin my work,
At sunset I take my repose,
I dig a well to get my drink,
I plow my field to crop my rice ...
why, then, should I e'er care

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About the Imperial power? ”¹⁾

Again, barter being practised in old days could well be visualised in the following :

“When sun rises in the morning,
People gather at the market,
Where goods assemble from all corners,
And in them people make trade,
And, as they exchange, they're satisfied.”²⁾

Further studies may still be needed to determine whether the shells dug out from the ruins of the ancient Yin 殷 dynasty were actually used as a means of exchange ; yet, the fact that the Chinese characters pertaining to “sell”, “buy”, “property” and “stake”, etc., consist partly of such characters as signify “shell” may be taken as a proof sufficient to prove that the shells in those times actually constituted a sort of commodity currency. Evidences are legion : ancient poems for example have such phrases as “exchange cloths for yarns,” or “carry a handful of millet to sell”.³⁾ It has also been established by now that swords, and spades too, formed part of such commodity currency. This may be proven from the fact that, in later ages, their imitations were used in coined money. When Emperor Chih Hwang 始皇帝 (or the First Emperor) of the Chin 秦 dynasty embarked upon the establishment of his own money system, he decreed that “gems and jewels, tortoise shells, silver and zin, and the like shall not be used as money.”⁴⁾ This Imperial order, incidentally, shows that these things were actually being used as commodity currency.

Now, the advent of coined money may not be traced back further than the latter years of the Chungchu era 春秋, their use becoming general only after the age had advanced into the Era of Battling Kingdoms 戰國時代. It began with swords and spades, and, then, came up to *chien* 錢. Under the new money system inaugurated by Emperor Chih Hwang, it was decreed : “The currency of our nation shall be classified into two classes : gold shall be of higher class while copper coins shall be known as *pan-liang* 半兩”.⁵⁾

From this it is known that the currency had been unified into metals, and the coin money into *chien*. The same system was followed by the subsequent Han 漢 dynasty. For the following two thousand years until

1) “Ti Wang Shih Chi” 帝王世紀 or The Records of the Imperial Reign.

2) “Chou I.” 周易 8.

3) “The She King” 詩經.

4) “Shih Chi” 史記 30.

5) Ibid.

the latter years of the Ching 清 dynasty, the Chinese currency saw the *chien* rated as its standard money. Paper money, on the other hand, began to circulate from the era of the Sung 宋 dynasty. However, it is noted that such was then accepted mainly as convertible notes. The inconvertible paper money came into being only as a result of conversion having been rendered impossible. And, such, sure, was never a rare occurrence. Rather, it was common. And yet, it remained to be just a fact, never a system. After modern China had its doors opened to foreign intercourse during the closing years of the Ching dynasty, various Western institutions began to be introduced. Thus, inconvertible notes came to be seen⁶⁾ as was also deposit money.

Viewed in this way, then, where are the characteristics of the history of Chinese money to be possibly found? What is stated in the following lines may adequately apply to the situation which did exist up to the era of the Ching dynasty.

II.

The first thing which, above anything else, distinguishes the history of Chinese money may well be found in the high percentage of importance being attached to commodity currency. True, commodity currency makes its debut first in any history of money. It, however, invariably receded as coin money made its appearance on the stage. Exceptionally, in case of an excessive inflation, commodity currency may well be called back on the stage. Such exceptional cases, however, may not be worth special mention here. The case of China, however, was entirely different; at least, until the latter years of the Ching dynasty, a considerably big role was being played by commodity currency. It has already been mentioned that, back in the days of Emperor Chih Hwang, an Imperial decree promulgated designated gold as the superior money and copper *chien* as inferior money. It is easily presumed that gold, mentioned here, alluded to a sort of money by weight, and, such money by weight may safely be considered to belong to the category of commodity currency. Taken in this sense, gold and silver, in whatever ages, may be classified as commodity currency. Not only this, gems and jewels were also commodity currency. It is recorded that Liang Tse 鼂錯 in the era of Han advised Emperor Wen 孝文帝 to the following effect:

“Even gems and jewels and gold and silver may not be eaten when

6) Monetary Reform of 1936 in China.

hungry or may not be worn when cold. The reason, then, that the masses still prize them above anything else should be found in the fact that government make a good use of them. True, these things may be stored easily as they are light or may enable any one to make tour round the land if just a handful of them is carried in their palm, which sufficiently prevents them from hunger and cold.”⁷⁾

Again, Kung Yu 貢禹, another influential courtier, told the Emperor Yuan 元帝 in the following vein:

“That popular minds feel unrest, that people pursue those things which they ought not to, that people fail to till the lands as they wish to and that wicked and vicious people are rampant, should all be traced back to the effect of money. When the root dies, the leaves also will wither. It is advised, therefore, that these gems and jewels and gold and silver should not be used as money.”⁷⁾

These quotations above should serve as evidences that gems and jewels and gold and silver were still in those days playing an amply important role in the form of commodity currency.

Even after the advent of coin money, commodity currency consisting mainly of gems and jewels and gold and silver would not be worth special mention, for gold ores, for example, would well be considered to be commodity currency. But, special mention may be warranted of the fact that even cereals and cloths were classed as commodity currency, and as such, this should be listed as one of the outstanding features of the history of Chinese money. Chang Lin, 張林 premier at the time of Emperor Chang 章帝 of the second Han dynasty, advised the Emperor that “an Imperial decree immediately be issued that taxes be paid in terms of cloths and that all the merchants in the city be told to trade in them so that *chien* shall not be allowed to circulate.”⁸⁾ This advice was adopted. In the era of Emperor Wen 文帝 of Wei 魏 dynasty during the turbulent period of Three Kingdoms, it was decreed that the “masses should cease to handle money and instead barter in cereals and cloths”.⁸⁾

In the era of Emperor Ming 明帝, according to the *Chin Shu* 晉書, (Book of Chin) it was said that “after many years during which the *Chien* had been banned and cereals and cloths used, instead, as means of circulation, people had become so clever that they, without exception, made their cereals wet and their cloths thin so that with heavier weight of the former and broader width of the latter they may bring them increased profit. No

7) “Han Shu” 漢書 or The Book of Han, 24.

8) “Chin Shu” 晉書 or The Book of Chin, 26.

severe punishment could prevent people from indulging in such practices." In the following era of the South and North Kingdoms this tendency was further intensified of which the *Sui Shu* 隋書 (Book of Sui) said: "In the early years of Liang 梁, the *Chien* was in use only in the Metropolis and several other provincial countries, while in other districts, it was used side by side with cereals and cloths". The same book further recorded that in the Kingdom of Chen 陳, too, "millet and cloths were used as currency" besides the *Chien*, and, also, that "in the regions south of the Mountains 嶺南, exchange was done mainly with salt, rice and cloths and no *Chien* is said to be in use." Still, the situation in the South Kingdoms was better compared with that in the North Kingdoms. According to the *Wei Shu* 魏書 (Book of Yi Dynasty), "Ever since the early years of Wei up till the era of Taiho 太和, no *Chien* was ever in circulation." Of course, exchange must have been there, even, though "no *Chien* was ever in circulation. Bartering, however, had by then proved to be too troublesome. If this was true, it could easily be presumed that cereals and cloths must, then, have played the role of currency. To quote the *Wei Shu*, again, "throughout the towns and countries, both to the north and south...cloths in use are those of coarse weaving and of width below the standard measurements, moreover, they were split into pieces, with which to barter." And, further; "Cloths may not be split while cereals are too heavy to be carried along, whereas the *Chien* is neither heavy nor needs measures to evaluate and so it should be considered to be extremely convenient."

"In the Kingdom of Pei Chi" 北齊, says the *Sui Shu*, "is the area north of Yichon 冀州 where no *Chien* is accepted and, instead, trading is done solely in silk cloths."

All these instances should be interpreted as substantiating the statement above. It should be noted, however, that the era of the South and North Kingdoms saw the successive invasions of neighboring alien tribes into the mainland of China. In the entire area north of the Yangtze River these "barbarians" were then in such rampancy that the vast plains of central China continent were reduced to waste, which inevitably exerted a big blow to the contemporary economy of China. It was no wonder, then, that currency economy should witness a temporary recession and, instead commodity economy be brought into common use. It should be safe, if such interpretation is permissible, to say, that, as for this particular period was concerned, it was not that the comparative ratio of such commodity economy rose but that the prevailing warlike situation inevitably worked to disturb the tempo of currency economy. Should this tendency have been confined to this period only, it would have safely been labelled as an exce-

ptional phenomenon and not worth being considered to be a standing characteristic. In spite of all this, however, it would still be said that all through the history of money in China, the commodity currency, has continued to have a comparatively important role to play, and this was because this particular era, alluded to above, was never the last of the succeeding eras, in which cereals and cloths were used as currency. Indeed, they continued to serve as such until much later periods. To quote a few instances, in the 20th year of Chengyuan 貞元 in the era of T'ang Dynasty, it was decreed that "cloths made of silk and other stuffs, and miscellaneous commodities be used side by side with the *Chien*"⁹⁾, and in the 6th year of Yuanho 元和, the concurrent use of *Chien* and cloths was decreed. In a similar decree promulgated in the 4th year of Taiho 太和, it was stipulated that, when trading necessitates use of *Chien* exceeding in certain fixed amount, half of it should be made in either cloths, rice or cereals. Hwang Sung-yi 黃宗義 of Ming Dynasty declared: "In the era of T'ang, people made much use of cloths and very little of money."¹⁰⁾

In the following era of the Sung Dynasty, the economy of circulation saw a big advance, accompanied with a wider use of *Chien*, when even paper money is presumed to have been in use. Even so, down in the 2nd year of Chengho 政和, Tsai Ching 蔡京 asked, that "those who trade in gold, silver, yarns or cloths...be punished."¹¹⁾ This shows that these commodities were still then in general use as currency.

Even in the era of Ming 明, in the era of Emperor Jen 仁宗, it was decreed that those who trade in cloths, besides gold and silver should be admitted to discontinue the practice.¹²⁾ "while the era of Chun Teh 宣德, however, saw the "ban on cloths, rice and millet" half lifted.¹³⁾ That such practice had to be banned bespeaks that it actually was in evidence.

The above observation has been confined, indeed, to the cases where such commodities as cereals and cloths were called upon to play part as a means of exchange. These, however, were often used as means of paying taxes, wages and salaries and fines, of which instances are so numerous that it would be both superfluous and out of question to enumerate all of them. In these instances, they were used as means of payment, it is true, but the function as means of exchange consists in a repetition of

9) "T'ang Shu" 唐書 or The Book of T'ang, 54.

10) Hwang Sung-yi, "The Ming I Tai Fang Lu", Finance, 1. 明夷待訪錄, 財計 1.

11) "The History of Sung" 宋史 180.

12) "The History of Ming" 明史 81.

13) Ibid.

the function as a means of payment. Therefore, in essence, the means of payment is nothing else than the means of exchange, and, here, again, we see instances of commodity currency. Thus, their payment naturally takes the form, by degree, of coined money, paper money and such money as is interpreted in the usual sense of the term. It goes without saying, however, that payment of taxes and wages in kind is never a phenomenon peculiar to history of Chinese money.

III

Another peculiar feature attendant upon the history of Chinese money is the fact that money was often coined illegally on an extensive scale, these unauthorized money literally flowing the market. Such, however, has never been confined to China alone; it may ever be said that forgery is in evidence anywhere and everywhere. What matters, indeed, is the extent and scale to which such is done. In China, illegal forgery of money has been done all too extensively and widely. The entire annals of Chinese money are literally full of records of such practices. Chiu Chün 丘濬 in Ming Dynasty said, "what is wrong with money is it is forged."¹⁴⁾

In the Book of Han 漢書, we come across the clause where Emperor Wen is recorded to have lifted the ban on illegally coined money and permitted the people to coin freely.¹⁵⁾ This unusual decree by the Emperor is presumed to have been motivated by the sympathy felt by the ruler with so many of his subjects who were being executed on charge of violating the ban, whereas the ban had actually no power to prevent them from engaging in the illegal practice of money forgery.

According to the Shih Chi 史記, it is recorded that, in the reign of Emperor Wu 武帝, "several hundred thousands of officials as well as common people were being executed for forgery; the number of others could not be known. More than a million were acquitted for voluntarily surrendering themselves to law. Money was forged, indeed, by every body throughout the land; their number was too numerous for officials to trace them out and punish."¹⁶⁾ The situation was further aggravated by the days of the Kingdoms of South and North. The Book of Sung 宋書 records: "In the first year of Chingho 景和, a man named Sheng Ching-chi 沈慶之 began forging money, and the result was inferior money flood the market so

14) Chiu Chün, "Ta Hsüeh Yen I Pu" 大學衍義補, 27.

15) "The Book of Han" 漢書, 24.

16) "The Shih Chi." 史記, 30.

much so that a string of 1,000 *Chien* failed to measure 3 inches at length, each piece being small and thin. Money was of such light material that it would not sink in water. When it was lightly touched by hand, it would wreck. Merchants would not count it by numbers. It was useless. One hundred thousand *Chien* was not enough to fill up the hollow of the hand. And business could not prosper." In the era of Sui, too; "after Ta Yeh 大業 the Government discipline slackened, cunning and wicked persons were allowed to flourish who flagrantly forged money, then quality of which deteriorated so much that 1,000 *Chin* came to weigh only one *Chin* 斤 whereas it previously did 2 *Chin*. The practice of forging reached the extent where pieces of hide and paper were used as money. Money continued to deteriorate in quality which inevitably resulted in a combined rise of the prices of common duties, and, this eventually, brought about the fall of the Kingdom."¹⁷⁾ Again in the era of T'ang, Emperor Kao 高宗 is said to have ordered his courtiers to resort to straight measures to uproot the illegal practice of money forging¹⁸⁾. In the reign of Wu Tsê-t'ien 則天武后, it is said that people forged money, which deteriorated quality more and more. In the area south of the Great River and Wai River, those forging money hid themselves either in big lakes or deep in high mountains, so that local government officials had no means to keep trace of them for punishment.¹⁹⁾ How was the situation in the days of Sung? A perusal of the History of Sung 宋史 will inform the reader of many instances of Government decrees being issued for banning the practice of money forging. Such descriptions as "private forgery becomes prevalent more and more" and "people everywhere forge money" are met with in this History. In the fourth year of Takuan 大觀, it is recorded, "a list of criminals being punished for forging, as prepared by Government officials, mentioned the names of more than one hundred thousand persons."²⁰⁾ These instances eloquently bespeaks the prevalence of forgery in those days. In the era of Ming, again, as recorded in the History of Ming 明史, "more and more people engaged in forgery ... so that daily punishment with death could not put an end to the practice."²¹⁾ A passage is here quoted from the The Manuscript of Ch'ing Dynasty 清史稿; "people everywhere engaged in forgery in such numbers

17) "The Book of Sui." 隋書, 24.

18) "The Old Book of T'ang." 旧唐書, 48.

19) Ibid.

20) "The History of Sung." 宋史, 180.

21) "The History of Ming." 明史, 81.

that the practice could not be stopped though they were arrested and put to death day in and day out. Government-coined money, too, deteriorated in quality, ... Government decrees banning the practice being issued so often proved utterly ineffective. The prestige of laws was gone, many people freely violated them, and the situation was not considered helpful.

IV

The *Chien* is round in shape and has a square hole in the center. In actual use, a string is passed through this hole, which binds numbers of *Chien*. A bundle of 1,000 pieces of brass cash or *Chien* is called a "string" or 1 *Kwan* 貫. The number of *Chien* falling short of 100 *Chien* is sometimes counted as 100 which is known as "shing pai" 省陌. Such practice may be considered to constitute still another feature of the history of Chinese money.

In the case of "shing pai" 省陌, 1 *Kwan*, because the number of pieces of brass cash involved is less, is shorter in length compared with the standard one. Thus it is called "*Short Chien*" 短錢. The *Short Chien* varies in actual number of *Chien* involved; it sometimes is 40 *Chien*, and sometimes, again 80 *Chien*. A pursuance of the following passage in the "History of Sui Dynasty" 隋志 will clarify the situation in this connection.

"As the cost of money dropped and as, thus, money is easily available, people literally compete in forging money. In the years after Tatung 大同, *Chien* was seen piled up everywhere; prices of commodities rose. In trading, money had to be brought load on vehicle. Its number could not be counted; what matters is no more the number of pieces but only that of *Kwan*. Unfair practices prevailed among merchants, who only sought profit. In the region east of the Poling Mountains 破嶺 80 *Chien* was counted as 100, which was generally known as *Tung Chien* 東錢. Above the Yangtze River 70 *Chien* was counted as 100, which was known as *Hsi Chien* 西錢, while in the Metropolis, 90 *Chien* was counted as 100, which was known as *Chang Chien* 長錢. In the first year of Tatung, the Emperor issued a special decree ordering his subjects to count 100 *Chien* for 100. However, people would not obey the Imperial order. The number of *Chien* for 100 became less and less, the number eventually dropped to 35."²²⁾

Of course, this is only what was seen with the iron cash. Once such

22) "The History of Sui," 24.

was in evidence, however, it was simply inevitable that a similar situation would arise with regard to brass cash. This we could amply substantiate by what is recorded in the authentic contemporary history as is mentioned below. The quotation mentioned above is the first instance where, the practice of "sheng pai" is ever mentioned in an authoritative chronicle. It should be noted, however, that the practice in actuality preceded it, for an old document in the days of the Second Han dynasty says: "1,000 *Chien* destitute of 50 *Chien*," which is generally interpreted as a proof of this. A book handed down from the era of Chin 晉 has the word; "a long string *Chang Chien* 長錢 is received from people, to whom a short string is returned." This indicates that the similar practice was in evidence also in the days of Chin. If it is established that private forging money was being done already in the days of Han 漢, it would be no wonder that the practice of the "shéng pai" 省陌 had been in evidence since such ancient days. On the contrary, it would even be said that such was simply a matter to be expected. Even so it was probably after the era of Tatung in the Southern Kingdoms, as is seen in the above-mentioned "Records of Sui" 隋書, that it gained prevalence on such a scale. There is no question about it being illegal as is the practice of money-forging. No measure of control, however, proved effective to stop it. Even down in the reign of T'ang, the Government failed to ban it. Eventually, on the contrary, it had to be recognized officially, the only step taken in this connection being to impose a limit to the number of *Chien* falling short of 100 *Chien*.

The Imperial decree promulgated in September in the first year of Ching Chang 慶長 said: "Whereas it is generally known that there is no definite number of *Chien* in the "shéng pai" 省陌... it shall herewith be decreed that from now on that 920 *Chien*, that is, 80 short of 1,000, be counted as one *Kwan*."²³⁾

If such limit to the number of *Chien* could effectively be enforced, it may be pointed out, an outright ban of such practice itself could also have been effected. On the contrary, if such practice could not be banned, no limit could effectively be enforced. Actually indeed, the decree as alluded to above apparently failed to be enforced fully. That similar decrees were repeatedly promulgated amply proves this. This was not confined to the days of T'ang only. Similar situation continued to the succeeding eras, down to the Ch'ing 清 Dynasty. It would, indeed, seem to be a predestined appendage to the string-bound holed *Chien*.

23) "The Old Book of T'ang," 48.

The History of Sung 宋史 says: "In the early years of the Sung Dynasty, government offices made it a rule to count either 80 or 85 as 100 *Chien*. However, for popular practice, the number of pieces of brass cash involved varied in different localities. Even 40 *Chien* was counted as 100. In view of this, Emperor issued a special decree, fixing 70 to 60 the minimum in being counted as 100.

The situation did not change much in the succeeding era of Ch'ing 清, Chu Chia-hsien 猪家軒, wrote: "At the present time, 98 *Chien* is popularly accepted as 100, while the prizes awarded in the Metropolis are often on the basis of 30 per 100. In my native province, 40 is generally accepted as 100, although the number originally is optional. This is not much different from what prevailed in the days of Liang. These quotations will amply indicate the wide prevalence of the "Sheng pai."

The "shéng pai" as is explained in the preceding paragraph, is a practice in which the number of *Chien* short of 100 is still accepted as full 100. In other words, it stands on the same reasoning in which three *Chien* are considered to be 10. If the value equivalent to 10 *Chien* is given to the material which is required for 3 *Chien*, the reasoning underlying this is entirely the same as in the case of the "shéng pai" 省陌, the only difference being that while in operation, the former is chemical, the latter is physical. Such *Chien* is called the "large cash" *Ta Chien* 大錢. Against this, the ordinary *Chien* is known as the "small cash" *Hsiao Chien* 小錢. *Ta Chien* stands on the same basis as the "shéng pai" 省陌. It is no wonder, then, wherever the "shéng pai" 省陌 is being practiced, *Ta Chien* is also in practice. Thus, the practice of *Ta Chien* is simply a common phenomenon to be seen anywhere in China. As early as the era of the Three Kingdoms saw Sun Hsien 孫權 of Wu Kingdom decreeing "coining of *Ta Chien* corresponding to 500 in the fifth year of Chiaping 嘉平 and coining of *Ta Chien* corresponding to 1,000 in the first year of Chiyn 赤烏."²⁴⁾ In the era of T'ang, one piece of *Chien Feng Chuan Pao* 乾封泉寶 coin, one *sun* in diameter, was made to correspond to ten pieces of *Kai Yuan Tung Pao* 開元通寶 coin, 0.8 *sun* in diameter. In the Chien Yuan 乾元 era, the *Chien Yuan Chung Pao* 乾元重寶 was coined, one piece of which corresponded to 10, while *Chung Lon Chien Yuan* 重輪乾元 corresponded to 50 *Chien* apiece. In the Pao Ying 宝應 era, *Chien Yuan* 乾元 was changed to correspond to 3 *Chien* a piece, while *Chien Yuan Chung Ling Hsiao Chien* 乾元重稜小錢 and *Chien Yuan Chung Ling Ta Chien* 乾元重稜大錢 were coined. The former correspon-

24) "The Book of of Chin," 26.

ded to 2 *Chien* apiece, and the latter 3 *Chien* apiece.²⁵⁾ In Sung Dynasty it was decreed that such *Ta-Chien* be coined, as would correspond to three pieces of *Hsiao Chien*.²⁶⁾ Down in the days of Hsien Pao 咸豐 era of Ch'ing Dynasty, some of *Ta Chien* correspond to 1,000 while others to 10, they being roughly classified into five grades."²⁷⁾

While the principle is the same as in the case of the "shéng pai" *Ta Chien* differs from it in shape. While how the practice of the "shéng pai," prevailed in China through ages may well be counted among the outstanding characteristics of the history of its money, seldom seen elsewhere, perhaps except in Japan, where the Chinese system of money was imported and the string-bound *Chien* was in common use, *Ta Chien* could not always be counted as such, because such was not uncommon in any country.

V

Lastly, one outstanding characteristic of the history of Chinese money may be found in the paper money issued there. As far as the principle was concerned, paper money in China was supposed to be convertible notes. The fact, however, was that it was invariably issued in excessive amount, rendering conversion impossible. This inevitably was accompanied with a sharp drop in value and failure of satisfactory circulation. Of course, such vicious inflation, as such, was never a thing to be seen in China alone; there is no denying its occurrence in other countries. In countries other than China, however, an inflation, if ever it does occur, is just a temporary phenomenon, whereas in China, it is chronic and usual. A man named Chiu Chün 丘濬 once pointed it out saying that the defect of paper money consists in its superfluity.²⁸⁾ In this sense this may well be qualified to be counted among other outstanding characteristics of the history of Chinese money.

Indeed, in China, a vicious inflation was constant accompaniment to paper notes. It would not be too much to say that the history of money in China is a history of vicious inflations. For instance the History of Sung Dynasty 宋史 says: "paper money, indeed, is in abundance, but, money is always in shortage. So much so that laws of conversion may

25) "The Old Book of T'ang", 48.

26) "The History of Sung", 180.

27) "The Manuscript of Ch'ing Dynasty", 清史稿

28) Chiu Chün, *ibid.*, 27.

not be enforced."²⁸⁾

Again, the History of Chin Dynasty 金史 says: "The state finances everything with *Pao Chien* 宝券 notes. Since its emergency, only several months have elapsed by now, when its circulation already is being blocked."²⁹⁾ Hsü-ting 胥鼎, peace commissioner in the East Yellow River area, in his advice to the throne, said: "Every paper money of 1,000 *Chien* denomination actually deserves only 1 *Chien* in value, which is not enough even to cover the cost of its production."³¹⁾ A passage of a similar advice to the throne written by Ping Chang Kao Chi 平章高琪 is quoted: "The war had a heavy drain in the state treasury, most expenses being paid for with *Pao Chien* notes. The revenue, however, was not enough to cover the expenditures...At the present time, a note of 1,000 *Chien* denomination carries the value of only several *Chien*. As it is printed, so it is spent up in no time..."³⁰⁾ Again, the History of Yuan Dynasty 元史 records: "Paper notes were printed and made to circulate among the people. Before long, the price of commodities saw a sharp rise, to the extent that the prices were some-times as high as ten times of what they previously were. Notes had to be printed day in and day out in large amount to finance war expenses. Government supplied awards and wages and special allowances. Everywhere men used paper notes...which, when deformed and discolored, could not be used again. In the Metropolis, ten bundles of such notes are not enough to buy a bushel of millet. Due to this, trade is now being done with commodities and goods in all neighbouring localities, where paper notes are entirely disused, both officially and privately, or where these notes are being looked upon as useless worn-out leaves. The consequence of all this is that the state treasury is nearly empty."³³⁾

The same situation continued down to the Ming Dynasty. This could be seen by the fact that about the 26th year of Hungwu, 洪武 the *Ta Ming Pao Hsiao* 大明行鈔 had the value dropped to mere 160 *Chien* for one *Kwan* of the notes.³²⁾ It should be noted here, however, such excessive issue of paper notes was rarely seen in the era of Ch'ing Dynasty. This was because the Government authorities, then, considered the issue of paper notes as an evil thing, which may be resorted to only under extreme exigencies, and, did everything in their power to avoid such. A court

29) "The History of Sung," 181.

30) "The History of Chin," 48.

31) Ibid.

32) "The History of Yuan," 97.

33) "The History of Ming," 81.

scholar named Tsai Chi-ting 蔡之定, in the era of Chia Ching 慶嘉, once advocated the issue of paper notes, only to be punished by the Government for "attempting to disturb the Government administration by making absurd and irresponsible utterances."³⁴⁾ It is easy to assume that the authorities of the Ch'ing Dynasty took such policy so that they might not be responsible for the same blunders as had been committed by politicians of the previous ages, when the evils attendant upon the excessive issue of paper notes was all too evident, while principal among such evils, was the effect such excessive issue exerted upon the state finance and civilian economy, which were inevitably gravely disturbed. Viewed in this way, the fact that the problem of a vicious inflation seldom came up to the fore in the era of Ch'ing Dynasty was, in itself, a proof indicating that vicious inflation as such constitute one of the most remarkable features of the history of money in China.

VI

In the preceding chapters, the characteristics of the history of Chinese money have been found to be discovered in the comparatively big weight of commodity currency; in the rampancy of illegal private forging, in the prevalence of the "shéng pai" and the successive excessive issue of paper notes. As these phenomena are listed, the impression is unavoidable that all of these are not separate and independent phenomena but are really what have grown from one root. What can be this root, at all? It is simply this; shortage of *Chien*.

First, let us examine the peculiar fact: the comparatively big weight being carried by commodity currency. That, even down in the age when money had come to be coined, commodity currency was allowed to carry such big weight, should be attributed to the shortage of *Chien*. Or, rather, it may appear to have better be attributed to the exigency faced in the case of transactions done on a big scale. Such interpretation is not without reason; rather, it should be conceded to be a fact, because it stands to record that gold, silver, cereals and cloths were used as means of exchange in case of big-scale transactions. However, exigency in such cases only would rather find the use of paper money more convenient and fit for the purpose. The fact was, however, even after the appearance of paper money, the use of commodity currency was not terminated, as has already been described in the preceding leaves. Why? Was it not beca-

34) Liu Chin "Tsao, Huang Chao Hsu Wen Hsien," 劉錦藻, 皇朝統文獻通考, 25.

use the value of paper money was always liable to drop due to excessive issue? The reason for this is the impossibility of conversion, which, in turn, is carried by the shortage of *Chien*, as will be explained later. The times of great internal disturbances were always accompanied by the circulation of cereals and cloths as a means of exchange. Such was not a phenomenon confined to China alone. Besides, such practice was possible only when coined money or paper money virtually lost their intrinsic functions, when it may not be safe to attribute it merely to a shortage of *Chien*. However, it is noted that, in China, such circulation of cereals and cloths as a mean of circulation was never confined to such times of emergency. It has already been clarified that this is precisely the reason why it is counted among the main characteristics of the history of money in China.

Now, with regard to the rampancy of illegal private forging, it should, of course, be noted that such practice originated in attempts of law-despising elements to seek profits. Profits, in such cases, will be possible only by drastically deteriorating the quality of money. When its quality is degraded, it will gradually cease to circulate. When it ceases to circulate, acquisition of profits, in turn, will be rendered out of question. In order that illegal private forging is resorted to at all, it will be required, allowing for the degradation of its quality, to be equipped with such properties that its circulation is still possible. What, then, are these properties? It may, perhaps, be allowable to count among such properties the shortage of *Chien*, for, in case *Chien* is in acute shortage, money, no matter how degraded in its quality, will have to be allowed to circulate. Such way, of course, be the last recourse to be taken in such an contingency. Thus, it may be seen that the prevalence of private forging of money amply bespeaks the chronic shortage of *Chien*.

About the same interpretation will be made regarding the prevalent practice of the "shéng pai" which apparently had its root in the tendency among contemporary people to cater to the "string" to the negligence of *Chien*. Viewed in this light, this practice was also attributable to the desire for profit. However, the reason why it came to enjoy such wide and extensive prevalence among people, to the extent that all Government measures to exterminate it failed and the Government, eventually, had to acquiesce to the tendency, stipulating only such minor controlling steps intended to curb extremities, should be found in the desire, tacitly approved, to make up for the chronic shortage of *Chien*,

35) "Chinese Repository," XX. p. 292.

which would otherwise have been impossible.

Lastly, it is only too apparent that the ever-present shortage of *Chien* served to constitute one feature associated with the appearance of paper money. The excessive issue of paper money and the consequent drastic decline of its value are caused through its impossibility of being converted, and, this impossibility of conversion is due to the shortage of the specie. More than that, the Chinese people have carried a special character signifying paper money, which has an implication of "money in shortage," namely *chàu* 鈔 which is formed of two parts metal and few, intimating a lack of money. From this, it may be seen that paper money in itself symbolizes a shortage of *Chien*. The first paper money to appear in China was seen in Szechuan 四川 in the era of the Sung Dynasty, and this Szechuan paper money was originated by the following circumstances. In the era of the Sung Dynasty, copper money was very much in shortage and the local regime banned the circulation of copper money. Copper money, thus, was replaced by iron money. Iron money had much less value, which caused the increase of coins required for payment. Naturally, their weight increased and their transportation was found burdensome. In order to overcome this inconvenience, paper money was brought into being. Seen in this way, it may be said that, in the case of China, too, the emergence of paper money was just for the convenience of handling, especially that of transporting from one place to another. It should not be forgotten, however, China had still another reason behind this: the shortage of copper money.

The preceding lines have, it is hoped, made it clear that all of the listed characteristics of the history of money in China had their common root in the fact that copper money, the recognized specie, was chronically in shortage. The shortage of *Chien* prompts the practice of private forging and the "shéng pai," urges the Government authorities to issue paper notes in excessive amounts, causing the value of currency to constantly fluctuate, which, in turn, allows the extensive circulation of commodity currency as a means of exchange. All these come from one root-factor, and this circumstance may reasonably be compared to the natural phenomena of sinking stones, of floating leaves, of flowing smokes and of falling apples being attributed to one and the same universal law of gravity.

VII

It has been pointed out in the preceding chapter that the shortage of copper money, China's specie, was the all-pervading factor giving rise

to all such peculiar aspects of the history of money in China, as have been enumerated earlier. Let us now pose to consider this point: Is it possible at all, that the specie should even be in shortage? According to the quantity theory of money, talk about the over-abundance or shortage of currency should, in itself, be simply nonsensical, for, as this particular theory expounds, the following equation may be possible:

$$P = \frac{M}{C}$$

(P=Price, M=Quantity of money, or currency, C=Quantity of commodity)

Therefore, if M is small, P will likewise become small. On the contrary, if M is big, P will likewise become big. It is only this, the equation itself continues to hold good. Therefore, increase or decrease of the quantity of currency may be possible, but there can be no over-abundance or shortage of it. Increase or decrease, on one hand, over-abundance or shortage, on the other, belong to a different category. Thus, so long as the foregoing theory is acceptable, there can be no shortage of *Chien*. Besides, it may not be possible to entirely disregard this theory: the existence of such phenomenon as inflation or deflation may well be said to substantiate this standpoint. In spite of this, however, we are inclined to accept the fact of currency being in shortage, for the quantity of currency as alluded to in the quantity theory of money refers to the purchasing power of currency in its entirety, not to pieces of money constituting it. When, here, we mention a shortage of currency, we mean it in terms of pieces. In this aspect only, a shortage of currency will be possible. This will become only too evident when we assume an eventuality when the pieces of currency have decreased to the last piece of coined money, the last piece of paper note. No matter how much value such last piece of coined money or paper note may come to have in such an eventuality, and, therefore, even though the above-mentioned equation may be allowed to hold good, the shortage of currency in that particular community and at that particular time will be too evident to be denied.

This, however, does not solve all the problem at the fore. The shortage of money will at once imply a deflation. A look at the history of money in China, however, will inform one of too many instances of inflation, a phenomenon diametrically opposite to deflation. It may even be said with justice that inflation, and none other, constitutes the one outstanding characteristic of the history of money in China. Question, thus, will naturally arise why it is that its feature be sought in the shortage of money. This is perfectly justifiable. It have already been mentioned that Chiu Chün 丘濬 once said that the "evil of paper money consists

in being in abundance." *Chien*, too, has too often been tended to be inflation. However, that the inflationary tendency with regard to paper money was attributable to the shortage of money, has earlier been explained. How, then, was the inflationary tendency with regard to *Chien*? This was due, among other things, to the prevalence of private forging of inferior-quality money, the appearance of *Ta-Chien* and the continued practice of the "shéng pai". And, it has already been mentioned that all these were attributable to the fundamantal shortage of *Chien*. Thus, it may be seen that the inflations as recorded in the history of money in China were simply an outward expression of the chronic shortage of money.

Not only this. It may also be seen with regard to copper money, that the phenomenon of deflation, or shortage of *Chien*, was simply usual and worked to cause financial and economic instability, which Government authorities of successive ages had to tax their brains to overcome. There even is a special expression of "*Chien* famine." which compares the shortage of money with that of cereals in famine.

VIII

Where, then, should the cause for the shortage of *Chien*, the specie, be found? In this regard, reference should probably be first made to the growth of money economy and the consequent shortage of copper ore. These are the two essential factors making possible the afore-mentioned equation of the quantity theory of money. They are on reciprocal relationship, and, there, the problem of the regulating function (due words) to the fluctuations of the money value (prices of commodities, in other and the speed of the circulation of money, comes in. Therefore, the quantity of *Chien* which may be required as money economy progresses may not easily be determined. And thus, even if endeavor is made to determine the quantity of commodities in transit, of the copper ores produced or the quantity of money to be coined, it would be not only difficult but rather impossible to prove numerically that these two constitute the cause for the shortage of money. Even so, it should be recognized that they are the very factors, and, fundamental factors, responsible for the shortage of money, for, no matter how money economy may grown and, consequently, no matter how the demand for copper money may rise, coining of money to any quantity desired would be possible provided that the supply of copper ore be adequate, and, consequently, there would follow no such shortage of brass cash. On the contrary, there would never

be a shortage of brass cash unless there is a development of money economy. Well, money economy develops, by degrees. This is just a natural course of things; there is no denying it. But, copper produced in China is of small quantity. There is no space available here to make an estimate of the production of copper in successive eras through the history of China. It may only be pointed out here that, even today, China produces very little copper. Mineral resources are not a fruit, but capital assets. As they are dug out, they are reduced, and, hence, the fact that their production now is small does not necessarily mean that it has always been so. If, however the improvement of mining techniques is taken into consideration, the chronic shortage of copper ore may well be presumed. Saying this will at once mean that, the production of copper falls while the demand for copper money rises consequent upon the development of money economy. This again, is to affirm that the progress of money economy and the consequent rise in the demand for copper money, combined, cause a shortage of copper money.

Next, hoarding may be mentioned in connection with the question of the speed of the circulation of money relative to the quantity theory of money. Currency may be considered to hide away and decrease to the extent that it is hoarded, and, here, this, too, may be counted among the causes for the shortage of copper money. To cite an instance: in the third year of Yuanho 元和 in the T'ang Dynasty, it was decreed that "hoarded money be put back in circulation."³⁶⁾ This evidently was prompted by the desire on the part of the Government authorities to place a stringent ban on the practice of hoarding. This was not the sole instance: similar decrees were successively promulgated in the 7th, and the 12th year of Yuanho, the 4th year of Taiho 太和 during the reign of the T'ang Dynasty. This is sufficient to prove that hoarding was very much in vogue, then. From this, again it is known that hoarding was for the purpose of gaining profit by the inevitable rise in the value of currency, just as in the case of a monopolized price of a specific commodity, which would entail acquisition of additional profit. Such, however, should not be considered the only motive behind the practice of hoarding. As has already been stated, private forging of inferior quality money and the drop of the value of notes due to excessive issue have rather been things of usual occurrence in China. It is no wonder, then, that the situation offers a very suitable ground for the Gresham's law to work. Good money, thus, tends to hide in, which, in turn, invites hoarding. Ho-

36) The Old History of T'ang, 48.

wever, in this case, there is no guarantee that coined money of different quality may not be accepted at the same value, and it may not be denied that bad money, to that extent, may have its value degraded, limiting the scope of an unrestrained working of the Gresham's law. In spite of this, this may not at all be rejected as far as the causes of hoarding are concerned. Coupled with the prevalent practice of private forging of inferior quality money and the sharp drop of the value of paper money, it may easily be presumed that hoarding, too was being practiced on an extensive scale.

Further, the forging of copper utensils may also be mentioned in this connection. The shortage of copper ore and the consequent shortage of copper money will evidently be further aggravated by the flow of the already inadequate supply of copper ore into other channels of use than for coining money. When it is thought that there would never have been a shortage of copper money if all the copper ore available had been devoted to the coining of money, the circumstance as mentioned above will be seen to have constituted one of the most decisive factors causing such shortage of copper money. In extreme cases, copper money was dissolved into copper utensils, which, needless to say, directly spurred the already acute shortage of money. Through the history of China, instances are not seldom where copper ore was used for making utensils. An advice to the throne submitted to a T'ang Emperor said, in part: ".....the shortage of coined money is due to the high value of copper, and the high value of copper is because it is used in multiple ways. In making weapons, iron is superior to copper; in making utensils, varnish would be more to the purpose than copper. And so there would be no harm in banning the use of copper for such purposes. The throne should at once move to prohibit it. If it is banned and its use for such purposes, ceases, its value will naturally fall, and sufficient copper would be available for coining money."³⁷⁾ Another submission to the throne in the era of Sung Dynasty declared: ".....daily utensils as well as musical instruments are all made of coin...coins, which are not dissolved to be made into various utensils, are not much in volume, and numerous copper utensils are now openly sold in the streets of the Metropolis."³⁸⁾ Thus, each succeeding age saw the promulgation of Imperial decrees banning the use of copper ore for other purposes than coining money. The ban sometimes went to the extent of prohibiting the possession of copper utensils as well

37) "The Old History of T'ang," 48.

38) "The History of Sung," 180,

as their making. From the era of Chin Dynasty down to that of Ming Dynasty, casting of statues in copper and making of utensils out of copper were looked upon with utter disapproval as well as illegal forging of money. It is needless to say that, side by side with such bans, people were urged to deliver whatever copper utensils in their possession to the Government offices to be utilized for coining money. Records to such effect abound in the pages of authorized editions of history.

Lastly, but, not leastly, the flow of copper money overseas may also be mentioned in this connection. Such, indeed, was a factor, direct and important, which caused the shortage of copper money. Already in the reign of T'ang Dynasty, ban was placed on the transportation of copper money beyond the national boundaries. The History of T'ang Dynasty records that "no one is allowed to cross the Lokusan Pass 駱谷散關 carrying one coin on his person." As overseas trade flourished in the era of Sung Dynasty, it was only natural that the tendency of currency being brought out to foreign lands was intensified. Chang Fangping 張方平 once deplored: ".....as is rumored, army forces in remote frontier regions allow Chinese copper money to flow out without limit, taxes being paid in only nominal quantity. The money is a treasure of China; what excuse, then, can we have when it is used also by barbarians?"

This is just one instance out of many, in which nationalminded leaders of each succeeding ages gave a free expression to their apprehension about the unchecked flow overseas of China's money, which indicates that the situation was sufficiently serious. The wide circulation of the *Yunglo* 永樂 coins of the Ming Dynasty in the contemporary Japan is a historical fact, too well known to be mentioned here.