

Paper Money in the Late Qing and Early Republic

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Informal vs. Formal Institutions

- Local groups supplied “private” money in Qing China in absence of central monetary authority
- Many examples of informal institutions
 - ▶ Formal property rights vs. village allocation of farmland (Chris Udry)
 - ▶ Formal financial institutions vs. “gift-giving” norms (Taiwan, China)
 - ▶ Support of private firms via “special deals” by local Communist Party cadres
- How well do informal institutions work?
- Do informal institutions “trap” societies?
- Adapt informal institutions or abandon them completely?

Private Money in Qing China

- Private money supplied by local organizations and businesses
 - ▶ Cash shops
 - ▶ Cash merchants
 - ▶ Merchants
 - ▶ Pawnshops
 - ▶ General stores
- Private money was paper money
 - ▶ Fully backed by copper and silver?
 - ▶ Or convertible to copper and silver upon demand?
 - ▶ Or was it akin to fiat money?
- If private money is fully backed, why the need for legal institutions and banker associations?

How well did private money work?

- Was private money fiat money?
 - ▶ Fiat money relaxes deflation constraint
 - ▶ Fully backed money (even if paper money) does not.
- How many paper currencies?
- Changes in market shares of different currencies?
- Benefits and costs of multiple currencies?
- How widely used?
 - ▶ Paper money referenced in “Dream of Red Chamber” fan fiction
 - ▶ Does popular culture reference things that are common or that are rare?

Private money disappeared in early Republican period

- Legal restrictions + competition by central authorities?
- Would China have been better off if private money had stayed?