Paper Money in the Late Qing and Early Republic

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June 2022
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?