



# Money and Banking in Late Imperial China

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錢業會館

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What was money in Late Imperial China?

# Bimetallic system: Silver Taels and Copper Cash



Source: [https://k.sina.cn/article\\_2662423037\\_p9eb159fd02700u7mt.html](https://k.sina.cn/article_2662423037_p9eb159fd02700u7mt.html)



Source: <https://kknews.cc/zh-sg/culture/9ayoaj.html>

# Two views in the literature: Paper money was widespread

“It is impossible at the present time to make even a rudimentary estimate of the stock of money in 18th- or 19th-century China. In view of the prevalence of private notes and the proliferation of issuing bodies, however, there is no doubt that paper notes had by the early 19th century constituted a substantial portion of the total volume of money in circulation. I would not be surprised if it was a third or even greater. At any rate, the bimetallic regime had by then been transformed without government participation into a troika of silver, cash, and paper notes.” – Wang Yeh-Chien (2003)

# Two views in the literature: Paper money was rare

“Although the resurgence of private and government banknote issuance in Qing China is certainly a significant historic turnaround that calls for greater scholarly attention, it has been shown here that there is no solid foundation on which to assert that money shop scrip (broadly defined) was “well accepted” in China in the late imperial era. This is because it constituted in all likelihood an insignificant part of China’s currency stock prior to 1900 and because the circulation of such scrip was regionally fragmented if not parochial” – Niv Horesh (2013).

# Summary

**Thesis:** Late imperial China developed a **free-banking system** in which note issue was limited only by the market and by organic, **voluntary financial associations**

Sources: “Popular” (民间 *minjian*) sources from Shanxi Province

# Key Findings

Paper money was ubiquitous, especially in northern China

**Qing legal system** treated paper money as a debt contract

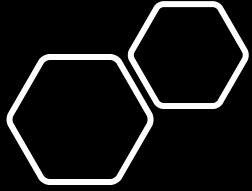
Self-monitoring, **voluntary business association**

Paper money used in rural markets, connected countryside to county seat to urban, commercial hubs



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What part of China are we talking about and does it matter?



# Context

- Merchants from Shanxi began to dominate the overland trade from China to Mongolia and Russia beginning in the Ming Dynasty
- New sources from Shanxi turn old ideas on their head

Present-day Shanxi Province, People's Republic of China




Source: Wikicommons

What we think of as traditional Chinese banks emerged sometime in the late 18<sup>th</sup> century

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- Emerged out of Ming-era savings and loan institutions
- Met the need increased commerce in the high Qing





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Silver is heavy and copper is extremely cumbersome. How did Shanxi merchants cope with this?



Qing-era  
copper note

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Who issued  
these  
notes?

Banks (钱铺 *qianpu*)

Grain brokers

Pawnshops

General Stores

Other corporate entities



Qing-era  
copper note

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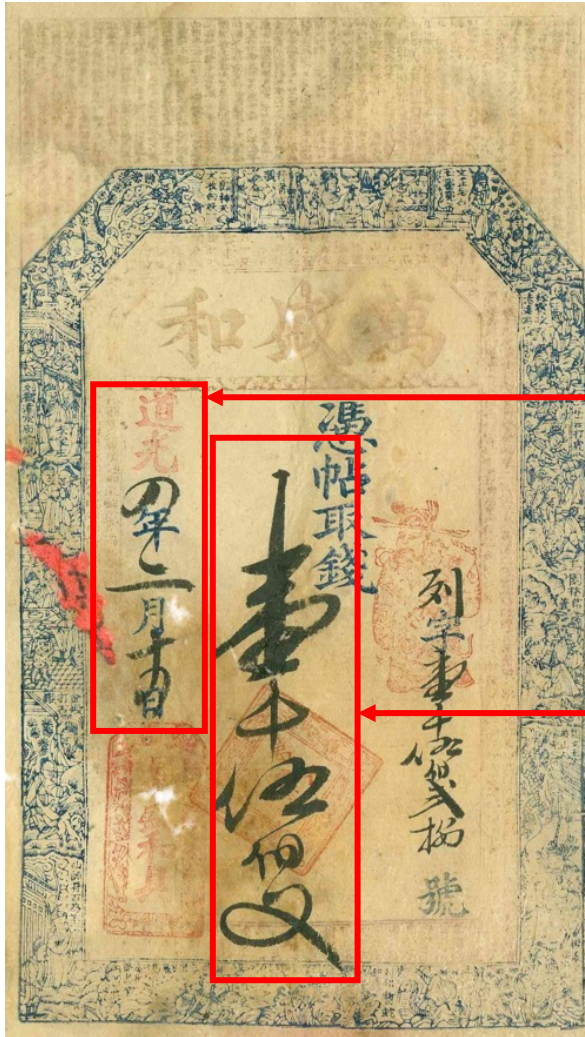


“Wan Sheng He” is the name of the issuing bank

“ping tie qu qian” means “pay to the bearer.”

Serial #1520

Company seal, “Wan Sheng He ju”



Date: 2/15/1824

1,500 Copper Cash



Grain brokers paid in advance for grain with their own scrip

- Note from Xinglongsu Grain Broker
- Face value of 1,000 copper cash
- Issued 8/8/1787
- From Yuanping County, Shanxi



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How do we know these are indigenous to China? Maybe they got the idea from Russians? (Morck and Yang, 2010)

# Merchant Paper in the Ming Dynasty





But why did people trust these privately issued banknotes?

# The integrity of private money in the Qing dynasty rested on three pillars

Legal foundations. The Qing enforced convertibility, treating paper money as a debt contract

Social foundations. Banks of issue formed voluntary associations that regulated their members and ensured adequate reserves. Reminiscent of clearing houses and bank associations in the antebellum United States

Corporate foundations. Complex investment market meant banks were founded with ample equity, and which was *not* dependent on the longevity of the investor.



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What happened if a bank failed? Did it get a bail out? Or...

# Was default severely punished?

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“若非照例嚴辦,無以儆戒將來。相應請旨,將董毓美、辛文縉、沙毓瀛、劉金祥、胡玉德、馬廷慶等六犯,各加枷號三箇月,押赴犯事地方示案,滿日。”

“If we do not punish them severely, there will be no warning for others not to do this in the future. Therefore, I ask that we arrest the criminals Dong Minmei, Xin Wenjin, Sha Yuying, Liu Jinxiang, Hu Yude, and Ma Tingqing and six others. They shall each wear a cangue for three months in public for all day to be made an example of.”



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But no one would trust a banknote on the basis of bankruptcy rights. Why did people trust notes to be paid promptly?

# The key was voluntary regulatory institutions

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Self-regulating industry associations  
ensured solvency of member firms

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Associations restricted member firms  
to businessmen of sterling reputation

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Bank associations also imposed capital  
requirements, including reserves that  
could only be used in emergencies

# Membership had its benefits

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Most importantly: bank associations provided access to liquidity markets, thus making member firms more solvent than firms outside the “club”



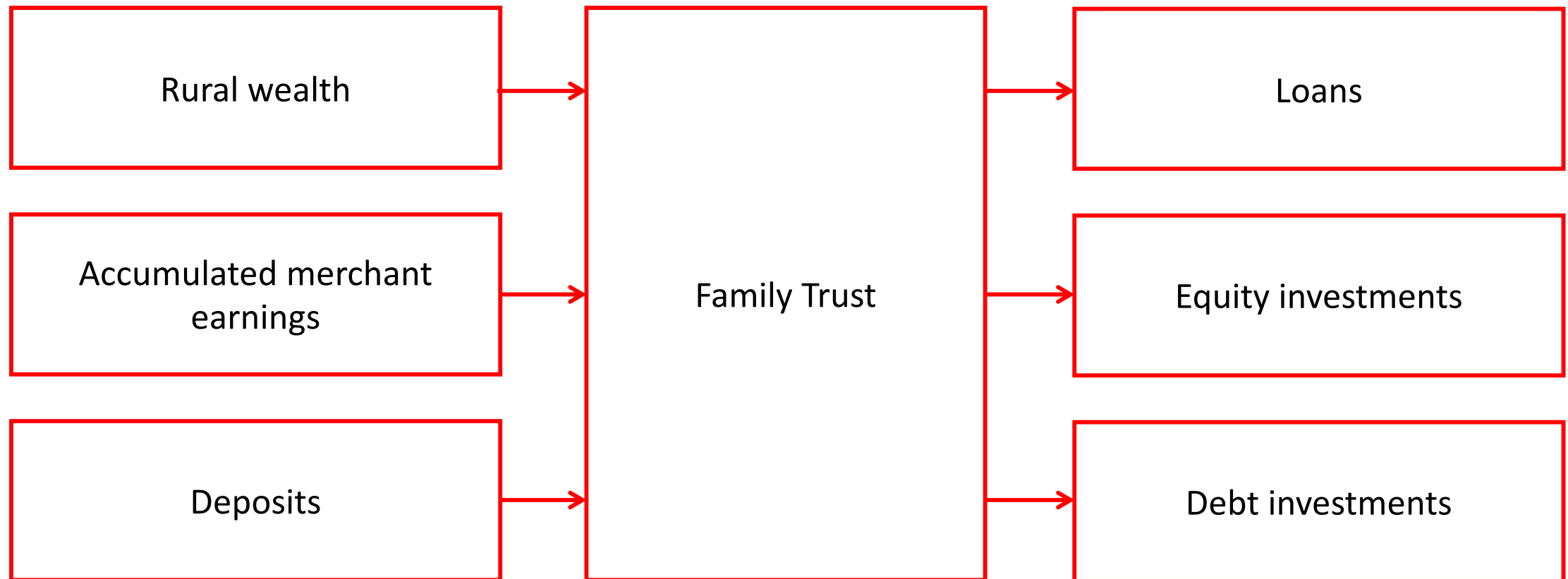


Institutions can promote prudent business practices, but they can't conjure up capital.  
Where did the financing come from?

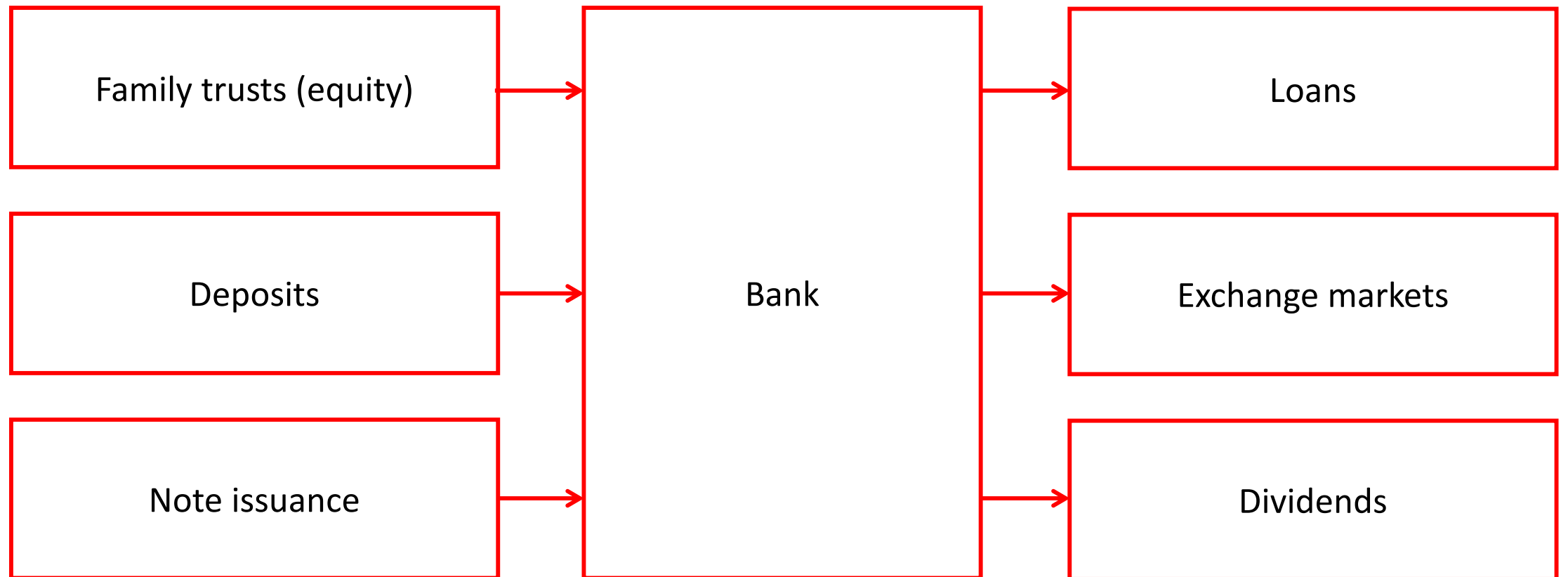
The *tanghao*  
(堂号) or  
“family  
trust”



# Capital markets funneled family wealth into Chinese banking and commercial institutions



# Family trusts provided the equity for stable, surprisingly “modern” banking institutions




# Conclusion

Late Imperial China developed a banking system based on strong property rights

Banking system printed paper notes to meet demand for money in the northern economy

These notes knit together the agrarian and commercial sectors



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That explains why banknotes functioned. But how widespread were they really? Was this limited to major cities and commercial hubs?

Private money  
in the  
countryside:  
issued by rural  
banks, grain  
brokers, and  
general stores



Paper money  
circulated  
through the  
rural  
marketing  
system,  
especially at  
temple fairs

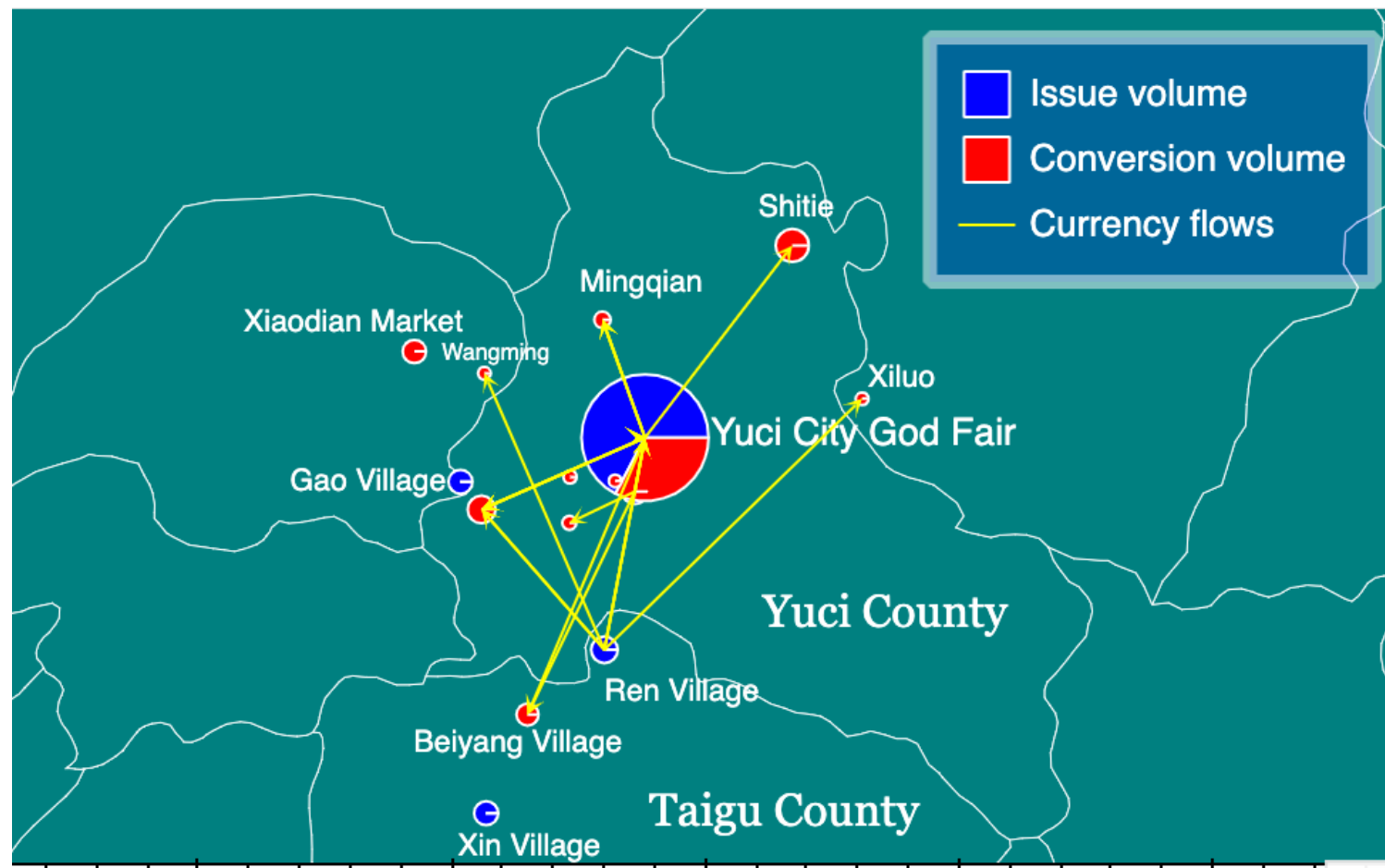
榆次會  
正月 初九上營會 十冬 扣村會  
廿五 懷仁會  
二月 初六大會 初七 西榮會 初八 大趙會  
初九 小常會 十冬 告村會 十一 莊村會  
十二 鳴謙會  
十三 西長寧會 十四 東陽會 十五 城內會  
十六 新村會  
三月 初五 碾村會 小白會 郭家堡會  
初六 王明會 初七 仁世會 初八 郭鳴千會  
初九 郭村會 十冬 王胡會 十一 修同會  
十二 郭陽會 十三 雙村會 十四 郭龍白村會  
四月 初五 王都會 十冬 王胡會 十一 永康會  
十二 城內會 十三 懷仁會 十四 其里驢庄會

Paper money  
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### Yuci County copper note issuance, conversion, and geographic flows



Paper money circulated through the rural marketing system, especially at temple fairs