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Paper Money in the Late Qing and Early Republic, 1820-1935

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PAPER MONEY IN THE LATE QING AND EARLY REPUBLIC, 1820-1935

One's affairs are unsound without a note in hand
As paper replaces coin of Wang Mang's command
Its value by the market, not poetry, revealed
My red notes and seals to my brother I yield
Written money plucked from thin air abounds
Nor does this money come from the ground
Amongst metals, gold and silver are greatest in worth
Yet with a slip of paper, you can travel the earth!
-- Li Guanting, *Xiangyan jieyi*, 1849.[1]

Introduction

This chapter traces the history of privately issued paper notes (票帖 *piaotie*) that circulated as currency in Qing-era China. Private paper notes first appeared in China as early as the Tang dynasty (618-907 AD),[2] but their prevalence expanded by orders of magnitude from the late eighteenth to early nineteenth centuries. By no later than the Daoguang imperial reign (1820-1850), private paper circulated through all strata of society. Wealthy tea merchants and humble farmers alike tendered and accepted paper notes as a form of payment. Issuers of paper money set up shop in commercial hubs and rural market towns. For this reason, Qing-era private notes qualify as a form of paper money, much like western banknotes, and not merely as an instrument of wholesale commerce. The nature of these monetary instruments varied. Most were redeemable

[1] "事非操券總難憑，白水真人變褚生
紙貴文章歸市賈，珠匯符印讓家兄
盡教書向空中撰，不見錢從地上行
金品競推黃白貴，一張關會遍寰瀛"
Li Guangting (李光庭), *Xiang Yan Jie Yi (鄉言解頤)*, Daoguang (清道光刻本), vol. 5 (5 卷) (Beijing: Erudition Database, 1849).

[2] Xinwei Peng, *Zhongguo Huo Bi Shi* (Shanghai: Qu lian chu ban she, 1954), 280-282 and Liansheng Yang, *Money and Credit in China: A Short History* (Cambridge: Harvard University Press, 1952), 51-52 both stress that these were remittance notes and place the true emergence of money in the Song (960-1279). Peng states that the Northern and Southern dynasties (420-589) also used money-like instruments.

for metal: under the Qing's bimetallic standard, this meant either unminted silver measured in "taels" (roughly 1.3 ounce) or minted copper coins known as "cash." This chapter focuses on *copper notes*, as these were by far the most common.[3] Certain notes traded at a discount or premium to their face value while others passed current at par. Private notes could be both interest- and non-interest bearing. They could be either term-dated, in which case the notes matured at a specified date, or redeemable on demand. Some of these monetary instruments restricted their usage to a specified party (as with a modern-day bank check), while most were payable to the bearer (as with a banknote).

Copper notes differed by region. This chapter focuses on copper notes in Shanxi and parts of northern China under Shanxi merchant influence. Such notes were generally synonymous with merchant paper. They could come from any business, with grain merchant notes especially common.[4] But the most important issuers were specialized financial institutions known as *qianpu* (钱铺) ("cash shops") or *qianzhuang* (钱庄) ("cash merchants"). I refer to such specialized financial institutions collectively as "banks." Indigenous banks printed notes at considerable scale, especially in urban and commercial centers. In rural areas, general stores (杂货店 *zahuodian*) and pawnshops (当铺 *dangpu*) supplemented banks by issuing paper currency in villages and market towns. Shanxi merchant paper generally circulated at par within a limited regional catchment area.

[3] H.B. Morse writes, "Paper money...speaking generally and *exceptis excipiendis*...is in China based on copper and not silver...[T]o-day the notes of money-changers circulate readily within a radius limited only by the credit and reputation of the issuing firm." H.B. Morse, "Currency in China," *Journal of the North-China Branch of the Royal Asiatic Society* 38 (1907): 1–60. For a discussion of silver notes, see Chapter XXX on the remittance market.

[4] George Qiao, "The Rise of Shanxi Merchants Empire, Institutions, and Social Change in Qing China, 1688-1850" (Ph.D., Stanford, 2017), http://purl.stanford.edu/bg803zm7823, 315.

Previous scholarship on Qing-era paper money revolves around the importance of notes in the composition of the money supply. Wang Yeh-chien's seminal studies on Qing-era money consider paper money as a "third currency" used mainly in northern China.[5] Other scholars dispute the prevalence of paper money. According to Niv Horesh, "…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….the circulation of such scrip was regionally fragmented if not parochial."[6] I find Horesh's position extreme,[7] but he raises several undeniably important questions. How far did paper money really penetrate into the interstices of Chinese society? Why did it spread so rapidly after the Daoguang era? What were the institutions and market practices that allowed copper notes to pass current?

Recent, pathbreaking scholarship has begun to address these questions. Cao Shuji, Yang Qiming, and Xu Junsong establish the use of paper notes not only in the northern, but also in the

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[5] Yeh-Chien Wang, "Evolution of the Chinese Monetary System, 1644-1850," in *Collected Essays in the Economic History of Qing China*, ed. Yeh-Chien Wang (Taibei Xian Banqiao Shi: Dao xiang chu ban she, 2003); Yeh-chien Wang, *Zhongguo jin dai huo bi yu yin hang di yan jin (1644-1937)* (Taibei Shi Nan'gang: Zhong yang yan jiu yuan jing ji yan jiu suo, 70). Also see Dai Jianbing 戴建兵, *Zhongguo Qianpiao (中国钱票)* (Beijing: Zhonghua shu ju, 2001); Longsheng Li, *Qing Dai de Guo Ji Mao Yi: Bai Yin Liu Ru, Huo Bi Wei Ji He Wan Qing Gong Ye Hua*, BOD 1 ban, Shi Di Zhuan Ji Lei AC0013 (Taibei shi: Xiuwei zi xun ke ji gu fen you xian gong si, 2010); and Hongzhong Yan, *Zhongguo de Huo Bi Jin Rong Ti Xi (1600-1949): Ji Yu Jing Ji Yun Xing Yu Jing Ji Jin Dai Hua de Yan Jiu* (Beijing: Zhongguo ren min da xue chu ban she, 2012) who come to similar conclusions.

[6] Niv Horesh, *Chinese Money in Global Context: Historic Junctures between 600 BCE and 2012* (Stanford, California: Stanford University Press, 2013), 146.

[7] Peng Xinwei is consistent with Wang Yeh-Chien. Xinwei Peng, *Zhongguo Huo Bi Shi* (Shanghai: Qu lian chu ban she, 1954), 557-558. But Yang Liansheng and David Faure appear sympathetic to Horesh's interpretation. Yang writes, "After the Yuan, paper money declined rapidly and practically disappeared after the sixteenth century. The revival of paper currency in the nineteenth century was largely the result of the impact of economic forces from the Western world." Liansheng Yang, *Money and Credit in China: A Short History*, (Cambridge: Harvard University Press, 1952), 62. Also see David Faure, *China and Capitalism: A History of Business Enterprise in Modern China*, (Hong Kong: Hong Kong University Press, 2006), 12.

southern, countryside.[8] George Qiao identifies the takeoff of the frontier trade as the catalyst for Shanxi merchant financial innovation. He locates the origins of Shanxi merchant paper money in the Mongolian borderland markets that boomed as a result of Sino-Inner Asian commerce.[9] Cao et. al and Qiao approach the question of monetary instruments from opposite perspectives. The former drill deep into the fabric of village life, scrutinizing the marginalia on individual notes in order to recreate their role in commerce and society. The latter pursues the macro-level impetus for paper money in the frontier trade, which caused a spike in demand for money in regions of the country where copper was scarce and difficult to transport. Both sets of scholars seek to recapture the commercial dynamism in Qing society, and the role that paper money played in it.

This chapter examines Qing-era private money in the same spirit, seeking the origins of paper money in traditional Chinese institutions as well as in Shanxi merchants' entrepreneurial prowess. In pursuing this larger theme, it makes three contributions. First, it offers a long-durée history of Qing-era private paper money, covering its proximate antecedents in the Ming dynasty and its afterlife in the Republican period. This is critical, as most studies of Qing-era notes end with the fall of the monarchy. But private money's persistence through the Republic, in the face of increasingly interventionist political regimes, is testimony to traditional Chinese finance's vitality. Second, this chapter seeks to determine the sources of copper notes' public trust. I argue

[8] Cao Shuji 曹树基 and Yang Qiming 杨启明, "Qingday Dongnan Difang Xiao Shichang Zhong de Pingpiao Yu Xinyong 清代东南地方小市场中的凭票与信用) [Pingpiao and Credit in Qing-Era Southeast Regional Markets]," *Zhongguo Jingjishi Yanjiu 中国经济史研究 [Researches in Chinese Economic History]*, no. 6 (2020): 102–17. Cao Shuji 曹树基 and Xu Junsong 徐俊嵩, "Qindai Shanxi de Qianti Yu Xinyong: Yu Dongnan Diqu Bijiao 清代山西的钱帖与信用:与东南地区比较 [Qing-Era Shanxi Monetary Notes and Credit: A Comparison with the Southeast Region]," *Shi Lin 史林 [Historical Review]*, no. 6 (2020).

[9] George Qiao, "Shanxi Merchants in the Qing Empire: How the Frontier Trade Transformed Chinese Business and Society" (Unpublished manuscript, 2022). Also see Qiao's chapter on paper notes, XXX, in which he establishes their primacy in Inner Mongolian commerce.

that the integrity of China's private paper money derived from both state and civil institutions. The state was important not for any active role in supporting paper money, but for upholding a legal regime that honored the sanctity of contracts. Law was a necessary but insufficient basis for private notes. Equally essential were business associations that acted as gatekeepers, allowing only sound firms to join. Finally, this chapter addresses the question of circulation. It shows that paper money circulated between rural and commercial areas. They traveled through the rural marketing system and stitched together neighboring agrarian and commercial economies far better than unwieldy copper could have.

Paper money prior to the Qing

China invented the world's first money-like paper, known as "flying cash" or "*fei qian*" (飞钱) in the Tang Dynasty (618-907 AD). Flying cash was a remittance note issued by merchants in large cities.[10] The Song (960-1279 AD) was the first dynasty to experiment with convertible banknotes, i.e. true paper money.[11] Starting in the 11th century, the Song state circulated paper money called *jiaozi* (交子) and, later on, *huizi* (会子) (among others).[12] Song paper began as convertible notes issued by private merchants. Over the course of the dynasty,

[10] Ou Yangxiu (欧阳修), ed., "Shihuo si (食货四) ('On food and goods')," in *Xin Tang Shu (新唐书)*, Chinese Text Project, vol. 44, accessed April 30, 2022, https://ctext.org/wiki.pl?if=gb&chapter=691717&remap=gb#p23. Note that s

[11] Peng Xinwei, *Zhongguo Huo Bi Shi* (Shanghai: Qu lian chu ban she, 1954), 280-282 and Liansheng Yang, *Money and Credit in China: A Short History* (Cambridge: Harvard University Press, 1952), 51-52.

[12] Lu Shiyi (陆世仪), "Lun qianbi 论钱币 ('On money')," in *Huangchao Jingshi Wenbian (皇朝经世文编)*, Chinese Text Project, vol. 52, accessed April 30, 2022, https://ctext.org/wiki.pl?if=gb&chapter=670040&remap=gb#p6. Richard Von Glahn, *Fountain of Fortune: Money and Monetary Policy in China, 1000-1700* (Berkeley: University of California Press, 1996); 51. Richard von Glahn, "Monies of Account and Monetary Transition in China, Twelfth to Fourteenth Centuries," *Journal of the Economic and Social History of the Orient* 53, no. 3 (2010): 463–505.

paper notes gradually became a state monopoly, and then lost their convertibility as the throne succumbed to the temptation to meet fiscal deficits with the printing press.[13] The subsequent Yuan Dynasty (1271-1368 BC) issued a series of paper currencies. These held their value briefly but underwent severe depreciation owing to profligate overprinting. The Yuan state made intermittent attempts to consolidate its currency with varying degrees of success. By the early 1350s, with the dynasty teetering on the brink of civil war and collapse, its paper money was worthless.[14] The succeeding Ming Dynasty (1368-1644) is infamous for an early attempt to issue fiat money. The value of Ming fiduciary paper collapsed by 1400 and in the 1430s the state abandoned any pretense of a fiat paper standard.[15] After this, hard silver and copper became currency of the realm, with silver growing in importance throughout the Ming.[16] The fiscally conservative Qing state took a more metallist approach than its predecessors. It cast its own

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[13] Congming Gao, *Song Dai Huo Bi Yu Huo Bi Liu Tong Yan Jiu*, Di 1 ban, Song Shi Yan Jiu Cong Shu. Di 2 Ji (Baoding Shi: Hebei da xue chu ban she, 2000), 55-67.

[14] Richard von Glahn, "Monies of Account and Monetary Transition in China, Twelfth to Fourteenth Centuries," *Journal of the Economic and Social History of the Orient* 53, no. 3 (2010): 463–505; Richard Von Glahn, *Fountain of Fortune: Money and Monetary Policy in China, 1000-1700* (Berkeley: University of California Press, 1996), 57-70.

[15] Richard Von Glahn, *Fountain of Fortune: Money and Monetary Policy in China, 1000-1700* (Berkeley: University of California Press, 1996), 70-82; Ray Huang, *Taxation and Governmental Finance in Sixteenth-Century Ming China*, Cambridge Studies in Chinese History, Literature and Institutions (London; New York: Cambridge University Press, 1974), 69-74. Also see Chau-Nan Chen, Pin-Tsun Chang, and Shikuan Chen, "The Sung and Ming Paper Monies: Currency Competition and Currency Bubbles," *Journal of Macroeconomics* 17, no. 2 (March 1, 1995): 273–88, https://doi.org/10.1016/0164-0704(95)80101-4, who argue that Ming depreciation was due to competition from silver rather than overprinting.

[16] Richard Von Glahn, *Fountain of Fortune: Money and Monetary Policy in China, 1000-1700* (Berkeley: University of California Press, 1996). Von Glahn writes, "By the early fifteenth century, then, silver had achieved a dominant position in the Chinese economy, to the point where we can begin to speak of a "silver economy" (76); Richard von Glahn, "Myth and Reality of China's Seventeenth-Century Monetary Crisis," *The Journal of Economic History* 56, no. 2 (1996): 429–54; Dennis O. Flynn and Arturo Giráldez, "Cycles of Silver: Global Economic Unity through the Mid-Eighteenth Century," *Journal of World History* 13, no. 2 (2002): 391–427. On Ming use of copper, including the unusually small volumes in which it minted copper coins, see Xinwei Peng, *Zhongguo Huo Bi Shi* (Shanghai: Qu lian chu ban she, 1954), 433-451.

copper coins and denominated tax obligations in silver. But the Taiping Rebellion (1850-1865)[17] forced the court to issue paper money known as "official notes" (官票 *guanpiao*). But the impact of such notes was limited outside of the capital, and in any even they depreciated rapidly, falling to 3% of their face value by the time they were discontinued in 1861.[18]

Private notes in the Ming Dynasty

The Ming discontinued fiduciary paper in the 15th century, but merchants circulated their own commercial scrip at least toward the end of the dynasty. These bills of exchange are the proximate antecedent to Qing-era private money. One example comes from a travelogue from the Tianqi (天启) reign. The scholar-general Zhu Zuwen (朱祖文) records in detail his use of remittance notes, which he carried to Beijing in lieu of hard silver (about which, see Chapter XXX).[19] Even more persuasively, the Shanghai Municipal Museum holds a blank promissory note from the Chongzhen imperial reign (1627-1644), visible in Image 1.[20]

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[17] Qing fiscal revenues dropped owing to the rebellion, while military expenditures increased by 12 million silver taels on a previous budget of between 21.7-26.6 million silver taels, an increase of roughly 50%. Hanzhi Deng, "The Merit of Misfortune: Taiping Rebellion and the Rise of Indirect Taxation in Modern China, 1850s-1900s," Monograph (London, UK: London School of Economics and Political Science, January 2021), https://www.lse.ac.uk/Economic-History/Working-Papers. On the Taiping Rebellion more generally, see Stephen R. Platt, *Autumn in the Heavenly Kingdom: China, the West, and the Epic Story of the Taiping Civil War*, 1st ed. (New York : Alfred A. Knopf, 2012).

[18] Hongzhong Yan, *Zhongguo de Huo Bi Jin Rong Ti Xi (1600-1949): Ji Yu Jing Ji Yun Xing Yu Jing Ji Jin Dai Hua de Yan Jiu* (Beijing: Zhongguo ren min da xue chu ban she, 2012), 73.

[19] Zuwen Zhu and Tingbo Bao, *Bei Xing Ri Pu*, Zhi Bu Zu Zhai Cong Shu, di 21 han (Taibei: Yi wen yin shu guan, 1966).

[20] Fu Weiqun 傅为群, *Jiu Fu Yu Min : Shanghai Qian Zhuang Piao Tu Shi 九府裕民—上海钱庄票图史*, Di 1 ban. (Shanghai : Shanghai shu dian chu ban she, 2002), 35.

Image 1. Ming-era Promissory Note. Source: Fu Weiqun 傅为群, Jiu Fu Yu Min : Shanghai Qian Zhuang Piao Tu Shi 九府裕民—上海钱庄票图史, Di 1 ban. (Shanghai : Shanghai shu dian chu ban she, 2002), 35.

The note is tattered and partly destroyed. But what remains of it reads:

> Contracted credit note
> [Blank 1]   at a value of silver in the amount of [Blank 2] taels
> Clearly agreed in person to repay by [Blank 3] month
> Lest it not be repaid, this contact is being drawn up as proof, with both parties keeping one copy
> In the year Chongzhen [Blank 4] month [Blank 5] day [Blank 6] from Wang Jiaxi.[21]

The note is a blank, unused form for a promissory note. It was meant to be filled out and used in a transaction between Wang Jiaxi, the issuer, and a counterparty. Wang Jiaxi would have been a buyer or perhaps a broker, and the seller would have accepted the note, after it was filled out,

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21 计银　　　　　　两　　钱
面言定约至　月兑还不致
后无凭立此合同各存一纸 X
崇祯　年　　月　　日王嘉锡

instead of hard silver.[22] The contract is printed with a Chinese woodblock printing press, with certain details left blank to be filled in later by hand. Blank 1 is left to specify the item sold. Blank 2 specifies the price in silver of the goods sold, that is, the note's face value. Blank 3 allowed Wang Jiaxi to specify the date of the note's maturity, while Blanks 4 through 6 were left fill in the date of the note's issue. The name of the seller does not appear anywhere. This means that the note was payable to its bearer and, thus, could circulate. The format and wording closely resemble Qing-era monetary notes, establishing a direct link to later financial practices.[23]

The fact that the note was printed with woodblock press tells us that the issuer Wang Jiaxi must have issued these notes at scale. It is reasonable to infer a significant volume of promissory notes, at least in major commercial centers. Nevertheless, the scope of Ming-era notes remains unclear. Popular sources from Ming-era business are tantalizingly rare—and it would be imprudent to extrapolate too much from a single, tattered sample.[24] There is also a

[22] This is consistent with Harry Parkes's Qing-era observation that "[p]romissory notes form the chief medium through which large mercantile transactions are conducted" and that promissory notes of major firms could circulate as currency. See H. Parkes, "An Account of the Paper Currency and Banking System of Fuhchowfoo," *Journal of the Royal Asiatic Society* 13 (January 1852): 179–89, https://doi.org/10.1017/S0035869X00165098.

[23] Morck and Yang suggest, implausibly, that Chinese banking practices come from Russia. Randall Morck and Fan Yang, "The Shanxi Banks," SSRN Scholarly Paper (Rochester, NY: Social Science Research Network, April 1, 2010), https://papers.ssrn.com/abstract=1586691. The hypothesis is unpromising even without the larger historical context. The clear links between Shanxi merchant practices and Ming-dynasty practices should put paid to this hypothesis.

[24] Though when we do happen upon popular sources, we find evidence of significant commercialization. See Joseph Peter McDermott, *The Making of a New Rural Order in South China. II: Merchants, Markets, and Lineages, 1500-1700* (Cambridge, United Kingdom ; New York, NY: Cambridge University Press, 2020), who finds increasingly economic deployment of resources and financial innovations in Huizhou. Ian Matthew Miller, *Fir and Empire: The Transformation of Forests in Early Modern China*, Weyerhaeuser Environmental Books (Seattle: University of Washington Press, 2020) discovers a nascent securities market in Timber dating back to the Ming. Liu Qiugen 刘秋根, "An Analysis of the Financing Configuration of Hui Shang's Stores in the Ming Dynasty," *Journal of Hebei University (Philosophy and Social Science)*, no. 03 (2003): 23–30 and Liu Qiugen 刘秋根, "Balance Sheet of Industry and Commerce During the Ming and Qing Period——Accounting Research into Accounting Books

telling lack of monetary instruments in Ming-era literature. Given the keen attention to commercial details in books like *The Plum in the Golden Vase*, such absence of evidence constitutes evidence of absence. It seems likely that bills of exchange traded in large markets, but their use was limited to wholesale commerce. [25] They should be thought of as promissory notes, not money.[26]

The spread of private copper notes in the Daoguang reign

During the Qing, we see private, paper notes that could change hands in the market by at least the Qianlong reign.[27] This was probably a continuation of Ming-era promissory notes, not a form of money used in everyday circulation. The takeoff of paper notes as media of exchange likely occurred shortly before the Daoguang reign, while their use continued to grow throughout the Qing.[28] This financial transformation is apparent in Qing-era literature. In the late 18th or early 19th century novel Yaohua Zhuan (瑶华传), the main character Yao Hua is a pawnshop

of Checking of the Cheng's Dye House During Wanli Times," *Journal of Hebei University (Philosophy and Social Science)*, no. 1 (2010): 1–7 who finds evidence of interregional competition and lively investment markets during the Ming Dynasty.

[25] George Qiao's new history of the Shanxi merchants in Inner Asia offers a convincing explanation. According to Qiao, the use of paper notes as money became widespread with the rise of the Shanxi merchants' overland trade during the reign of the Qianlong Emperor. George Qiao, "Shanxi Merchants in the Qing Empire: How the Frontier Trade Transformed Chinese Business and Society" (Unpublished manuscript, 2022).

[26] There is a fine line between promissory notes and money. To me, the distinct is precisely whether or not such instruments were intended only to facilitate wholesale commerce, or could be used to make a variety of purchases and discharge debt obligations. On a technical level, for financial instruments to count as money they must satisfy demand for liquidity and correspond directly to the price level; but in a world of very little data, such definitions are of little help in classifying actual Ming and early Qing-era notes.

[27] JSSLC, Piaotei, 1

[28] This standard chronology is also used by Dai Jianbing 戴建兵, *Zhongguo Qianpiao (中国钱票)* (Beijing: Zhonghua shu ju, 2001), 2-3.

owner. In one scene, she prints a 500 tael silver note that she gifts to Feng Gu, and suggests Feng Gu "deposit" it in her pawnshop in Taiyuan to earn interest. "That way, if your husband stops taking care of you, you will have money to spend."[29] Qing-era literary apocrypha (essentially, "fan fiction") of the classic *Dream of the Red Chamber* also contain multiple references to silver notes.[30] One writer named Baiyun Waishi Sanhuaju (白雲外史散花居) writes a scene in which a debauched servant named Wang Hou'er steals a silver note to go drinking, whoring, and gambling.[31] The mid-19th century novel *Treasured Mirror for the Connoisseur of Flowers* (品花寶鑒) (best known for its depiction of same-sex love) relates several descriptions of silver notes.[32] In one vivid passage, the main characters arrive at a *yinhao*. The novel reads, "The manager welcomed us inside and gave us tea. Fusan said, 'There's a matter I want to discuss with you. Please print me a silver note for 2,400 taels due on the thirtieth of the month.'" The manager regrets that, as it was already the 26th of the month, he did not have time to prepare silver for a note due on the 30th.[33]

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[29] Ding Bingren 丁秉仁, *Yao Hua Zhuan 瑤華傳*, Qing Taoyin Shuwu cang banben 清涛音书屋藏板本 (Erudition Database, n.d.), vol 11.
[30] On *Dream of the Red Chamber* fan fiction, see Keith McMahon, "Sequels to Stone: Polygamous Harmony and the Theme of Female Talent," in *Approaches to Teaching The Story of the Stone (Dream of the Red Chamber)*, ed. Andrew Schonebaum and Tina Lu (New York: The Modern Language Association of America, 2012), 381–89.
[31] Baiyun Waishi Sanhuaju 白雲外史散花居, *Hou Honglou Meng (后红楼梦 "Later Dream of the Red Chamber")* (Erudition Database, n.d.).
[32] We now have an excellent English-language introduction to and partial translation of this classic work. See Naixi Feng, "Passionate Space of a Beijing Theater: Annotated Translation of an Excerpt from The Precious Mirror of Ranking Flowers (Pinhua Baojian)," *CHINOPERL: Journal of Chinese Oral and Performing Literature* 40, no. 2 (2021): 128–43.
[33] Chen Sen, *Treasured Mirror for the Connoisseur of Flowers (品花宝鉴)*, electronic resource (Beijing: Erudition Database, 2009), https://stanford.idm.oclc.org/login?url=http://server.wenzibase.com.

Copper notes feature in the literature with equal prominence. An early reference comes from the religious tract, the *Jade Record* (yuli baochao 玉历宝钞). A passage in the book recounts a startling coincidence occurring in Jiaqing 14 (1809), in which Yang Caizhao, "picked up a copper note worth over 8,000 Beijing copper cash lying in front of the Temple to the Perfected Warrior" on Mao'er Hutong. He walked from there to the neighboring Black Sesame Hutong, where he "…saw a man grappling a youth and thrashing him savagely. I asked why he was doing this, and he said the youth had lost his copper note. Inquiring further, I found that the face value and date of issue were identical to the note that I myself had found. With a rush of noble sentiments, I returned his note to him."[34] Dating the source is difficult. We know that there was a copy of the *Jade Record* published in Jiaqing 20 (1815). If the text was in this edition, it would serve as powerful evidence of widespread use of copper notes in Jiaqing reign Beijing. However, the only copy of the *Jade Record* I have been able to find is a later edition, published in 1920. Thus, it is possible that this passage was added later. For an unambiguous appearance of copper notes in Qing-era novels, we can return to the *Treasured Mirror*. The novel describes a scene in which the stingy Yao Liangxuan "…took out of a box several copper notes. He looked at them as if he were cutting off a piece of his own flesh. With pain in his heart, he took a two *diao* note and then another one *diao* note that he put between a slip of paper…"[35] A novel published around the same time, *Seductive Dreams* (風月夢 *feng yue meng*), features a copper note as well as discounted promissory notes.[36] The prevalence of private money in novels is

[34] *Jade Record (玉曆至寶鈔 Yuli Zhi Baochao)*, electronic resource, 1920th ed. (Beijing: Erudition Database), vol 1.
[35] Chen Sen, *Treasured Mirror for the Connoisseur of Flowers (品花宝鉴)*, electronic resource (Beijing: Erudition Database, 2009), chapter 60.
[36] Hanshen Mengren 邗上蒙人, *Seductive Dreams 風月夢*, electronic resource (Beijing: Erudition Database), chapter 32. *Seductive Dreams* is known for its lurid depiction of unsavory business dealings, including prostitution, racketeering, and usury. See Keith McMahon, "The

doubly suggestive. It means that the reading public must have taken such financial instruments for granted as a part of everyday life.

Official memorials to the Qing court record copper notes as widespread in north China by the early Daoguang reign (1820-1850). A memorial from the Beijing infantry commander references a series of bank failures from 1825, the fifth year of the Daoguang reign, in which the defunct banks were left with notes outstanding.[37] Another memorial from 1836 establishes the widespread use of cash notes in Manchuria. The memorial consists of a report from the military governor, Yi Jing, that states, "The seaport of Gaiping is a hub of commerce. Merchants, commoners, and others use silver and copper to conduct trade, otherwise they make payments with notes, whichever is most convenient." The military governor goes on to say that banks in the area have circulated notes since 1828, a practice that he excoriates since they refuse to redeem their notes with hard currency or real goods.[38] The governor of Shanxi province, Shen Qixian (申启贤), penned a memorial in 1836 in which he states, "When the people purchases property, buy grains, or trade in commodities, there is little use of silver and much use of copper cash. For amounts of 1,000 cash, they still use hard cash. But for amounts up to some tens of thousands or more, this amount is truly difficult to transfer. Moreover, it must be counted lest you be shortchanged and this cannot be completed in a short while. This is why the Yangzi River area, Zhejiang, Fujian, Guangdong, and such provinces use foreign coins; and why Zhili, Henan,

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Attendant's Lament: Loan-Sharking, Squeeze, and Extortion in the Yangzhou Novel Fengyue Meng (Seductive Dreams)," *Journal of Chinese Literature and Culture* 5, no. 1 (April 1, 2018): 1–33, https://doi.org/10.1215/23290048-4345231.

[37] People's Bank of China, ed., *Historical Materials of Modern Chinese Money Zhongguo Jin Dai Huo Bi Shi Zi Liao.*, vol. 1 (Beijing: Zhonghua shu ju, 1964), 127.

[38] The Chinese reads, "自道光八年蓋各錢鋪起意開使兑買銀貨之票,誆買銀糧。軍民雖不得錢,其票 尚可兑買銀貨。" People's Bank of China, ed., *Historical Materials of Modern Chinese Money*, vol. 1 (Beijing: Zhonghua shu ju, 1964), 124.

Shandong, Shanxi, and such provinces use copper notes."[39] In other words, the north used copper notes to conduct everyday transactions. At this point, notes must be considered a true form of circulating currency, i.e. money. Indeed, the fact that land transactions were conducted with paper indicates that even the countryside adapted to this new monetary system.

Paper notes also feature prominently in the Qing dynasty's two most influential treatises on monetary theory. Wang Liu's (王鎏), a Jiangnan literatus, finished a draft of his "Modest proposals on coin and currency" (*Qianbi chuyan* 钱币刍言) by 1828 (fully 12 years before the Opium War).[40] According to Wang Liu, circulating notes were widespread in Beijing, Anhui, Shandong, and Manchuria. Indeed, he believed virtually no transactions above 500 copper cash were settled in physical copper.[41] Wang Liu urged the state to follow the example of private banks and print fiat paper. In 1846, Xu Mei (许梅) published "Discourse on paper money" (钞币论 *Chaobi lun*) in response. He excoriated paper money as a shell game.[42] In a pithy summation of his staunch mentalism, Xu Mei declared, "Silver is silver. A banknote is a piece of paper."[43] But both writers agreed that privately issued paper notes were widespread.

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[39] People's Bank of China, ed., *Historical Materials of Modern Chinese Money Zhongguo Jin Dai Huo Bi Shi Zi Liao.*, vol. 1 (Beijing: Zhonghua shu ju, 1964), 128.
[40] William T. Rowe, "Money, Economy, and Polity in the Daoguang-Era Paper Currency Debates," *Late Imperial China* 31, no. 2 (2010): 69–96. Rowe offers a succinct history of Wang Liu's manuscript and publication. I also use Rowe's excellent translation of the *Qianbi chuyan*, "Modest Proposals on coin and currency."
[41] Wang Liu, *Qian Bi Chu Yan: 3 Juan*, electronic resource (Beijing: Erudition Database, 2009).
[42] On the late Qing intellectual and political rivalry between metalism and those in favor of fiduciary paper (including Wang Liu and Xu Mei, respectively), see Manhong Lin, *China Upside down: Currency, Society, and Ideologies, 1808-1856*, 270 (Cambridge: Harvard University Asia Center, 2006), 147-179. Also see William Rowe's revision, which challenges the "liberalism" that Lin reads into certain officials' ideas on money, but does find evidence of a proto-nationalist, even physiocratic sentiment. William T. Rowe, "Money, Economy, and Polity in the Daoguang-Era Paper Currency Debates," *Late Imperial China* 31, no. 2 (2010): 69–96.
[43] "银，银也。钞，纸也。" Xu Mei, *Chao Bi Lun*, electronic resource (Beijing: Erudition Database, 2009), https://stanford.idm.oclc.org/login?url=http://server.wenzibase.com.

Later in the Qing, textual evidence of paper currency becomes even more abundant. References to circulating notes in the gazetteers abound. The Shuntian Prefectural Gazetteer (i.e. Beijing Gazetteer), says that copper notes virtually replaced hard copper in the capital.[44] The Guan County Gazetteer from Shandong and the Jilin Gazetteer describe the widespread use of paper notes as currency (in Guangxu-era Jilin, notes were issued by state mints and merchants).[45]

Creditor Rights and Bankruptcy Proceedings: The Legal Foundations of Qing-era Private Money

The previous section establishes the widespread use of copper notes by the Daoguang reign. But why did people trust these notes? What instilled confidence in them? This section shows how Qing law provided the legal foundations of private money by giving creditors recourse in the event of default. When a bank failed to honor its notes, noteholders had two options. The preferred means of resolution was to convene a creditor committee and work out a private arrangement with the delinquent party. In the event that this failed, either because the bank was too insolvent or because of gross negligence or fraud on the part of the bank, creditors had recourse to the legal system. The Qing state would seek to recover as many assets from the defaulting party as possible in order to pay restitution to the bank's noteholders. If it felt the bank had acted in bad faith or committed fraud, it might also subject the bank managers and employees to criminal penalties.

We see evidence of private negotiation of failed banks in the correspondence of Shanxi *piaohao*. Though Shanxi *piaohao* were renowned for the caution they exercised in choosing

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44 Zhidong Zhang and Jiamei Zhou, "(Guangxu) Shuntian Fu Zhi: 130 Juan," electronic resource, *Zhongguo Fang Zhi Ku*, 2013, https://stanford.idm.oclc.org/login?url=http://server.wenzibase.com.

45 Guilin Li, ed., *Guangxu Jilin Tong Zhi: 122 Juan*, electronic resource, 清光緒十七年刻本 (Beijing: Erudition Database, 2009), https://stanford.idm.oclc.org/login?url=http://server.wenzibase.com.

counterparties, there are several instances in which they were caught holding the paper of banks that went belly up. In one instance, a *qianzhuang* in Chongqing named Zhengtaichang (正泰昌) defaulted. A committee of its creditors negotiated a settlement with the *qianzhuang* in which it agreed to pay back 60 cents on the dollar over the next three years. The remaining 40% would be paid over the following four years. The *piaohao* lamented that "southerners are truly devious, and it will not be easy to collect this debt," but still saw the negotiated settlement as its best option.[46] That such negotiated settlements were typical of bank failures is borne out by Harry Parkes's account. Parkes writes, "It is surprising how few failures are to be heard of…In such cases, they arrange matters amongst themselves, in a very quiet manner; and seldom refer them to the authorities for management. The defaulters have to dispose of all their property and lands, and pay their debts with the proceeds to the best of their ability. Their creditors…are generally enabled to give a dividend of from 50 to 60 cents on the dollar…"[47] In short, when a *qianzhuang* failed, noteholders had a measure of protection. By forming creditor committees, they could negotiate with the defunct bank and at least recover part of their capital.[48]

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[46] JJSLJC, "Correspondence book of a Chongqing piaohao branch" (清代重庆某票号信稿_解读). Unfortunately the correspondence is undated.

[47] H. Parkes, "An Account of the Paper Currency and Banking System of Fuhchowfoo," *Journal of the Royal Asiatic Society* 13 (January 1852): 179–89, https://doi.org/10.1017/S0035869X00165098.

[48] This form of negotiated settlement was found in many instances of Qing and early Republican-era commercial bankruptcy, and not limited to financial institutions. See Lou Min 娄敏, "'Youxian' Yu 'Wuxian' Zhijian: Tanhuan Guize de Changzhai Luoji: Yi Jiangjinxian Zhaiwulei Sifa Dang'an Wei Zhongxin '有限'与' 无限'之间: 摊还规则的偿债逻辑* ———以江津县债务类司法档案为中心 [Between 'limited' and 'Unlimited': The Rules and Logic of Repaying in Installments. A Case Study Using Legal Cases of Jiangjin County Debt]," *Zhongguo Jingjishi Yanjiu 中国经济史研究 [Researches in Chinese Economic History]*, no. 2 (March 2018): 66–81.

The Qing legal system functioned as the ultimate guarantor of paper notes. It did this in despite the lack of an explicit legal or regulatory framework governing the use of paper money. Rather, Qing courts simply treated privately issued notes as a contract. This granted substantial protections to noteholders, as the Qing were consistent in upholding the sanctity of concracts.[49] In effect, it meant that by issuing a monetary note, a firm took on unlimited liability for itself, its manager, and the lineages of its key investors to make good on its paper. Furthermore, Qing law interpreted a banknote as a *debt* contract. This is critical because "…the one area in which the state was specifically authorized to intervene in the free-will transactions of the people was in the realm of debt. Debt is one of the few areas of civil law in which the [Qing] Code specifically assigns responsibility for adjudication to the state. Likewise, the state specifically takes responsibility for punishing those who do not pay their debts."[50] In other words, the state did not guarantee private notes. But it did guarantee that its coercive powers would be brought to bear against firms that defaulted on their notes.

An early example comes from the collapse of five note-issuing banks in Manchuria during the Daoguang reign. The bank failures occurred in Gaiping prefecture, the commercial

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[49] Zelin, Ocko, and Gardella write, "Private property was in fact vigorously upheld in imperial codified law, yet the relevant property-holding unit was the household rather than the individuals who constituted it. Within the limited operational capacities of a premodern government, officials sought to forestall the chronic social disruptions attributable to property rights disputes but routinely upheld the "sanctity" of contracts when cases reached the courts, as they often did." Madeleine Zelin, Jonathan K. Ocko, and Robert Gardella, *Contract and Property in Early Modern China* (Stanford, Calif: Stanford University Press, 2004), 5.

[50] Madeleine Zelin, "A Critique of Rights of Property in Prewar China," in *Contract and Property in Early Modern China*, ed. Madeleine Zelin, Jonathan K. Ocko, and Robert Gardella (Stanford, Calif: Stanford University Press, 2004), 17–36. Philip Huang summarizes the legal position of creditors, writing, "No Qing court to my knowledge ever departed from the principle that debts had to be repaid" (124). Philip C. Huang, *Code, Custom, and Legal Practice in China: The Qing and the Republic Compared*, Law, Society, and Culture in China (Stanford, Calif: Stanford University Press, 2001).

center of region. According to Military Governor Yi Jing, the banks were insolvent as a result of the dubious practices of local money shops. Since 1828, money shops had been issuing notes to purchase silver and grain. These notes were non-convertible or redeemable only in other ports but were accepted because they were exchangeable for goods in stores. But in 1830 and 1832, the local gentry and subjects sued the money shops. They accused them of conspiring to raise the note prices of grain and silver, and of refusing to redeem their notes in hard currency. The plaintiffs convened a committee to oversee the notes and set a deadline for the money shops to redeem them. A report from the creditor committee found that the five defunct money shops were capitalized with 50 to 200 million copper cash, in total. But their total notes still outstanding amounted to 3.833 billion copper cash (worth 638,000 silver taels).

The government treated the defunct banks as criminals, subjecting them to "strict prosecution." The military governor ordered everyone involved with the defunct banks to be arrested. Those who could repay what they owed would be set free. Those that failed to pay would be further investigated and punished for fraud. Any of the debtors that owed over 120 silver taels would be sentenced to penal servitude in a military colony. Meanwhile, the military governor asked for permission to sentence the six businessmen in charge of the banks to three months in the cangue in addition to military penal servitude. He further had copies of the report drawn up by the creditor committee forwarded to the officials in the hometown of the six bank owners with instructions to immediately liquidate their familial property in order to repay their debts.[51] The upshot is that the Qing state recognized unlimited liability on the issuing banks and

[51] People's Bank of China, ed., *Historical Materials of Modern Chinese Money Zhongguo Jin Dai Huo Bi Shi Zi Liao.*, vol. 1 (Beijing: Zhonghua shu ju, 1964), 124-125.

enforced their obligations with the full power of the penal code, seizing their family's assets and imposing criminal penalties on the banks' owners and employees.

A second telling example comes from Xinjiang province. In Guangxu 13 (1887), a Muslim financier of unknown provenance named Lan Yonggui (兰永贵) was operating the Yongxingquan (永兴泉) money shop in Suilai County (绥来县) (today, Manasi Township 玛纳斯镇). The shop had scant capital of its own and funded its operations by issuing "quite a lot of paper notes." Evidently, the Yongxingquan company printed more paper than the Suilai market could digest. On the 7th day of the 2nd month of the year, noteholders began lining up at the door. This continued over the course of three days, during which, in the words of the local sub-prefect, "people gathered at the bank like a swarm of bees trying to exchange their notes for hard cash." In short, Lan Yonggui was facing a full-blown bank run. Facing imminent failure, on the tenth day of the month he absconded and his whereabouts were unknown. In response, the sub-prefect conducted a survey of all local Muslim and Han Chinese businesses to find who was left holding Yongxingquan notes. He then had the Yongxingquan's assets audited and sealed, with the implication that they would be liquidated to help pay back noteholders. At the same time, the sub-prefect issued notices to neighboring officials, seeking the arrest of Lan Yonggui and his extradition back to Suilai county. [52] In short, he viewed the default as a breach of contract and the flight of Lan Yonggui as evidence of bad faith. He sought the detention of Lan Yonggui in order to force him to repay the noteholders.

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[52] "Zhendidao jiu chaji qianpu taopao puzhu Lan Yonggui bing sihou kaishe qianhao xu yan'ge cha'yan ziben deng shi zha Tulufan ting wen"(镇迪道就查缉钱铺逃跑铺主兰永贵并嗣后开设钱号需严格查验资本等事札吐鲁番厅文), Xinjiang Uygur Zizhiqu (China) and Zhongguo bian jiang shi di yan jiu zhong xin, eds., *Qing Dai Xinjiang Dang an Xuan Ji*, vol. 56, Xinjiang Dang an Wen Xian Cong Shu (Guilin Shi: Guangxi shi fan da xue chu ban she, 2012), 200.

Solvency and Public Confidence: The Civil Foundations of Qing-era Private Money

The Qing legal system was a necessary but insufficient condition for privately issued paper money. No one would accept a note at par if they had to go through a cumbersome bankruptcy process to redeem it. Private money required something more than legal protection: it demanded public confidence. Public trust in Shanxi merchant notes, particularly in urban commercial centers, rested on regional bank associations. These associations played a vital gatekeeping role. They restricted membership to local firms of impeccable creditworthiness. Only a firm of sufficient capitalization and sterling reputation—the latter earned either by its own track record or that of its investors and managers—would be accepted into the association. Membership gave a firm a seal of approval, comparable to a modern-day AAA credit rating. The solvency of member firms was also, in some measure, a self-fulfilling prophecy. This is because bank associations came with certain "club goods" that directly enhanced its members' credit.[53] Critically, membership in the local financial association granted access to a complex settlement and clearing system that included a short-term liquidity market. Thus, member firms need not fear that slight fluctuations in ready cash might lead to insolvency. Oftentimes, member firms even honored one another's notes and provided a measure of mutual guarantee for each other's liabilities. Though these gatekeeping institutions functioned in many ways like a modern-day regulatory agency, they differed in one key respect: membership was voluntary. A firm could

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[53] See Meng Zhang's discussion of "club goods" with regard to timber merchant associations in southern China. Meng Zhang, *Timber and Forestry in Qing China: Sustaining the Market* (Seattle: University of Washington Press, 2021), 139-171. Zhang specifically mentions information sharing about the creditworthiness of customers as a key club good provided by timber associations. Writes Zhang, "Members were required to report any customer who failed to pay by the designated time limit, and the association would send a notice to all its members to stop doing business with the reported customer until the arrears in question were cleared" (155). As in the case of Shanxi associations, we see a gate-keeping effect in which only businesses in good standing were permitted to be active members in and to trade with the trade association.

choose not to participate, and indeed would not be allowed to join if other member firms did not have sufficient confidence in it. But for a bank's notes to pass current, it had to be a member in good standing of the local association. By far the best treatment of bank associations and their critical role in maintaining the integrity of paper money comes from George Qiao. Qiao demonstrates decisively the role that the Guihua bank association (on which more below) monitored member banks and maintained solvency in local money.[54] This section builds on his work to add another element to these associations success: access to liquid financial markets.

Unfortunately, no primary sources from these associations have survived, and even secondary material is scant. The Shanxi financial association that we have the most information about comes from the city of Guihua.[55] Guihua was founded by the Altan Khan in the 1570s. During the Qing, it served as a military headquarters and eventually become the hub of commerce for trade between China proper, and the steppe.[56] By the late Qing, the Shanxi merchants of Guihua had organized themselves into "*she*." *She* were originally religious associations, and are often translated as "incense societies." Since the Song dynasty, *she* had maintained temples, performed religious rites, made sacrifices to deities, and gathered for religious worship. In the late Ming and early Qing, their activities expanded to include

[54] George Qiao, "The Rise of Shanxi Merchants Empire, Institutions, and Social Change in Qing China, 1688-1850" (Ph.D., Stanford, 2017), http://purl.stanford.edu/bg803zm7823, 326-340.
[55] This city went by different names under each of China's modern political regimes. During the Qing, it was Guihuacheng or Guihua. During the Republican period, it was merged into Suiyuan county (绥远县 *Suiyuanxian*) and went by the name Suiyuan or Guisui. After the founding of the People's Republic, it was merged into Hohhot, the provincial capital of the Inner Mongolia Autonomous Region.
[56] George Qiao, "Shanxi Merchants in the Qing Empire: How the Frontier Trade Transformed Chinese Business and Society" (Unpublished manuscript, 2022), chapter 1.

construction of local infrastructure such as roads, irrigation, and wells.[57] By the Qing, *she* included economic organizations[58] as well, but these often retained religious significance.

Guihua had 15 main *she,* one for each of the foreign products, grain, flour and paper, milling, financial, cobbler, leather and tanning, tea, restaurants, Mongol trade, rugs and carpets, rawhide, wholesale Mongol trade, pawnshops, and horse and mule trading industries. These organizations, in turn, combined to form a single, supra-association for the entire merchant community in Guihua. This organization was known as the "Xiangqi she" (乡耆社) or "Association of Elders." The Association of Elders was founded in the Guihua Temple of the Three Sages. A four-person board of directors was selected from the managers of its member organizations to run the association. The Association of Elders arbitrated merchant disputes, laid out guidelines for local business practices including weights and measures, and represented merchant interests to the local government.[59]

The financial industry association named itself the Baofengshe (宝丰社). Baofengshe (宝丰社) name translates to something like "Guihua bank association." "Bao" denotes the financial industry, while "Feng prefecture" was Guihua's ancient place name.[60] A book entitled *Summary Facts of Guisui* (归绥识略(三十六卷)), includes the active incense societies along with the dates

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[57] Yang Bo 杨波, "Songdai Yilai Taihangshan Diqu Cunshe Yanjiu 宋代以来太行山地区村社研究 [Study on Village Community (She) in Taihang Mountain Area since Song Dynasty]" (Ph.D. Dissertation, Baoding, Hebei, Hebei University, Center for Song History, 2020).

[58] Yang Bo says that Shanxi tended to call these *she,* but that they were called *hui* or *hang* elsewhere. Yang Bo 杨波, "Songdai Yilai Taihangshan Diqu Cunshe Yanjiu 宋代以来太行山地区村社研究 [Study on Village Community (She) in Taihang Mountain Area since Song Dynasty]" (Ph.D. Dissertation, Baoding, Hebei, Hebei University, Center for Song History, 2020), 224-225.

[59] Sun Yao, Sun Lei, and Ren Ping, trans., *Shanxi Sheng Zhi, Zhongguo Fen Sheng Quan Zhi*, vol. 17 (Taiyuan: Shanxi sheng difang zhi bianzuan weiyuanhui bangongshi, 1992), 457.

[60] George Qiao, "Shanxi Merchants in the Qing Empire: How the Frontier Trade Transformed Chinese Business and Society" (Unpublished manuscript, 2022).

and places at which they make sacrifices and perform acts of worship. One of the societies listed is the *Baofengshe*, which performed its devotional acts on the 14th, 15th, and 16th days of the sixth lunar month at the Temple to the God of Wealth[61]—a fitting venue for a society that functioned as the de facto regulator of the local financial industry.

According to the *Draft Version of the Suiyuan Gazetteer*, Baofengshe was founded in the early Qing, though the precise date of its founding was already untraceable by the Republican period. The Gazetteer explains that the market was at first prey to manipulation and cornering. As a result, the merchants of Guihua founded Baofengshe to regulate the market. In the Gazetteer's words, "...The silver and cash industries then became the center of the market. They cornered and manipulated the market, and held all power over it as the hub through which all goods passed. Later there was the Baofengshe. When the society was established is impossible to trace today. This being the case, during the Qing era, Baofengshe was the key nexus of commerce and finance. Its purpose was to manage the merchants of the various industries and to ensure their unimpeded operations." Another passage in the Gazetteer describes the Baofengshe in similar terms. It explains that when Guihua was founded as a market town, banking firms frequently swindled their customers, "making fishmeat out of them." In addition, they engaged in speculative buying and selling of commodities along with their banking activities. "This," the Gazetteer states, "is something that banks especially should not do. Therefore, the Baofengshe was founded. It was no less than the leader of the financial industry. All merchants and visiting traders of every industry had intimate connections with it, and it was indispensable. The daily loosening or tightening of money was out of the control of any individual merchants. When

[61] Zhang Zeng 张曾, ed., *Guisui Shilve (归绥识略 "Summary Facts of Guisui)*, Qing Dynasty (1949), 248.

financial rates rise and fall, Baofengshe alone had power over them."[62] This passage tells us that Baofengshe regulated the conduct of member firms with respect to their clients. Specifically, it forbade member financial firms from proprietary trading in commodities or over-lending on their capital. In other words, it maintained the solvency of its member banks.

Third, Baofengshe performed one of the roles of modern day central banks, modulating money market prices by furnishing liquidity when money was tight and soaking up excess funds when it was overabundant.[63] Partly it was able to do this by handling the tax receipts of local officials. Local officials would at times deposit taxes with Baofengshe, which would relend them out to member institutions.[64] The primary goal of its interventions in the market appears to have been to keep copper and silver exchange rates stable; this makes sense as a sharp change in rates could cause serious commercial disruptions for firms with assets in one currency and liabilities in another. To this end, Baofengshe even cast its own silver ingots in an attempt to simplify transactions requiring physical silver within Guihua.[65]

Membership in Baofengshe meant access to Guihua's complex system of settlements and clearing. Commercial settlements and clearing in Guihua were conducted monthly in a practice known as "as "dingmao" (订卯). They did not use hard copper or silver, but mostly relied on

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[62] *Suiyuan Tong Zhi Gao*, Di ban (Huhehaote Shi: Nei Menggu ren min chu ban she, 2007), vol 32, 657.
[63] *Suiyuan Tong Zhi Gao*, Di ban (Huhehaote Shi: Nei Menggu ren min chu ban she, 2007), vol 32, 667.
[64] Jia Hanqing (贾汉卿), "Guihua Jinrong Shihua (归化金融史话) ('Tales of Guihua Finance')," in *Zhonghua Wenshi Ziliao Wenkui (中华文史资料文库): Vol. 14, Jingji Gongshang Bian (经济工商编)*, ed. Quanguo zhengxie wenshiziliao weiyuanhui (全国政协文史资料委员会), vol. 14 (Zhongguo wenshi chubanshe, 1996), 293–309.
[65] Pan Ziyi (潘子宜), "Baotou Jinrongye Jianshu (包头金融业简述) ('A Brief Account of the Baotou Finance Industry')," in *Neimenggu Wenshi Ziliao (内蒙古文史资料)*, ed. Zhongguo renmin zhengzhi xieshang huiyi neimenggu zizhiqu weiyuanhui wenshiziliao yanjiu weiyuanhui bian 中国人民政治协商会议内蒙古自治区委员会文史资料研究委员会编, vol. 33,183–88.

virtual currencies known as "*pu yin*" (谱银, literally, "registered silver") or *bodui qian* (拨兑钱 "account book transfer cash").[66] These monthly settlements were critical. Qiao explains that of all Baofengshe regulatory practices, "…the most important was '*dingmao*'…Dingmao was a clearing scheme devised for banks to settle accounts between them, to correct errors, and to curb banks' tendency to over-issue notes and extend credit excessively."[67] In other words, *dingmao* was tantamount to a system-wide audit that gave member banks a measure of transparency into the solvency of peer institutions.

Equally important to the auditing function of settlements and clearing, was access to liquid markets. Members in Baofengshe could borrow or lend into daily, interbank liquidity market known as the *richai* (日拆) (literally, "daily interbank lending"). Rates fluctuated daily and Baofengshe posted the new rates each day for public perusal. Borrowing in this interbank market did not even require physical transfer of specie. Baofengshe would print its own notes for lenders in the interbank market to lend to borrowers.[68] This vastly reduced the need for member institutions to keep hard cash in the till. It also meant that banks with extra cash on hand did not need to worry about idle capital, as they could earn a return in interbank markets.

Membership in Baofengshe meant that a bank could issue its own paper money, borrow in liquid money markets, and conduct clearing and settlements with peer institutions. But membership was restricted to institutions of unimpeachable financial integrity. To join

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[66] On virtual currencies and account book clearing, see Chapter 3.
[67] George Qiao, "The Rise of Shanxi Merchants Empire, Institutions, and Social Change in Qing China, 1688-1850" (Ph.D., Stanford, 2017), http://purl.stanford.edu/bg803zm7823, 330-331.
[68] Zhang Zhaochu 张肇础, "Baofengshe de Chengli Ji Qi Huodong (宝丰社的成立及其活动)," in *Hohhot Wenshi Ziliao (呼和浩特文史资料)*, vol. 10 (Hohhot shizhengxie wenshiziliao weiyuanhui (呼和浩特市市政协文史资料委员会), 1995), 94–96.

Baofengshe required local government license,[69] a 200 tael fee, and references from several respected member institutions. Member banks had to maintain a "reserve" (*hubenjin* 护本金) to be tapped only in emergencies.[70] Meanwhile, financial institutions left out of Baofengshe operated as savings and loans institutions. These were known as "*zhang zhuang*" (帐庄, "note houses"). They were smaller in scale, did not issue their own notes, and had no access to settlements and clearing,[71] except through an account at a larger, Baofengshe member institution.

Several Qing-era official documents mention Baofengshe in passing. A stone stele in Hohhot's Temple of the Three Sages (*Sansheng miao* 三圣庙) records the attempt by the local garrison commander to "clean up" the financial industry in Guihua, which had until then been "a mess." It laments that while most commercial associations were willing to comply with his reforms, "Baofengshe alone has not followed them."[72] Unfortunately, there is little detail in the stele apart from the fact that the general found the monetary system deceitful and full of charlatans. Read neutrally, we can simply infer that the local government was not powerful enough to regulate Baofengshe, which considered itself competent to operate without government oversight. Zeng Guoquan (曾国荃), the governor of Shanxi and fourth brother of the

[69] George Qiao, "The Rise of Shanxi Merchants Empire, Institutions, and Social Change in Qing China, 1688-1850" (Ph.D., Stanford, 2017), http://purl.stanford.edu/bg803zm7823, 328.
[70] This reserve consisted of deposits made by equity investors on top of their equity investment. Investors earned a regular dividend of 0.4% per month on the reserve but could not withdraw their principal. We can think of this form of funding as something like present-day preferred equity. Riben Tongwenhui (日本同文会), ed., *Shanxi Sheng Zhi, Zhongguo Fen Sheng Quan Zhi*, trans. Sun Yao, Sun Lei, and Ren Ping, vol. 17 (Taiyuan: Shanxi sheng difang zhi bianzuan weiyuanhui bangongshi, 1992), 537.
[71] Pan Ziyi (潘子宜), "Baotou Jinrongye Jianshu (包头金融业简述) ('A Brief Account of the Baotou Finance Industry')," in *Neimenggu Wenshi Ziliao (内蒙古文史资料)*, ed. Zhongguo renmin zhengzhi xieshang huiyi neimenggu zizhiqu weiyuanhui wenshiziliao yanjiu weiyuanhui bian 中国人民政治协商会议内蒙古自治区委员会文史资料研究委员会编, vol. 33, 183–88.
[72] Zhichang Zheng, *Guisui Jin Shi Zhi: Bu Fen Juan*, Tai 1 ban, Shi Ke Shi Liao Xin Bian. Di 3 Ji. Di Fang Lei, di 32 ce (Taibei: Xin wen feng chu ban gong si, 1986).

great Qing-era General Zeng Guofan, penned a memorial on the monetary system of Guihua. In it, he mentions that Baofengshe will serve as a conduit for turning hard cash into deposits and vice versa in return for an exchange fee[73] (on deposits and virtual money, see the next chapter).

Though Baofengshe is the best attested to financial association, it seems to have been typical of large Shanxi merchant financial markets. Baotou, about 180 kilometers to the west of Guihua, and Datong, about 250 kilometers to its east, had comparable associations known as Yufengshe (裕丰社) and Hengfengshe (恒丰社), respectively.[74] Wenshui, located in the heart of Shanxi's financial center of Jinzhong, similarly restricted financial markets—including derivatives markets in currency—to members of the local bank association. *Zhangzhuang* outside of the association could only conduct such trades through an account with a member bank, which would charge a fee.[75] Virtually all major markets outside of Shanxi province hosted a "Shanxi-Shaanxi Association" (*Shan-Shaan Huiguan* 山陕会馆) or "Shanxi Association" (*Shanxi Huiguan* 山西会馆). A Japanese observer laconically described the function of one such society in Anding County, Gansu Province, writing, "The Shan-Shan Huiguan is located within the South Gate and has a temple of the red god in it. There are more than three hundred people from the two provinces. It exerts influence over the financial institutions. Its architecture is magnificent……the primary content of [its] work include [overseeing] sacrifices, the financial industry, and the water pipe industry [i.e. opium]."[76] In the southern Chinese financial centers of

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[73] Guoquan Zeng, *Zeng Zhongxiang Gong Wen Ji: 2 Juan*, electronic resource, vol. 15 (Beijing: Erudition Database, 2009).
[74] Kong Xiangyi 孔祥毅, "Zhongguo yinhangye de xianqu: qianpu, qianzhuang, yinhao (中国银行业的先驱:钱铺 钱庄 银号)," *China Finance (中国金融)*, no. 12 (2010): 92–93.
[75] Cheng Jianmin 成建民, "Jiefangqian Wenshui Chengxiang Jinrongye Zhuangkuang (解放前文水城乡金融业状况)," in *Wenshi Wenshi Ziliao 文水文史资料*, vol. 12 (Wenshui xian zhengxie wenshizliao bianweihui, 1992), 1–42.
[76] Tōa Dōbunkai (Japan), ed., *Shina Shōbetsu Zenshi*, vol. 6 (Tōkyō: Tōa Dōbunkai, 6), 771.

Fuzhou there is ample evidence of similar self-regulating institutions. Harry Parkes writes in his celebrated paper on the Fuzhou financial industry that, "…several of the leading banks of known stability cooperate with each other to keep up the value of their notes… their notes pass current everywhere, and with everybody. They contribute mutual support by constantly exchanging, and continually cashing each others' notes."[77] Doolittle describes the custom for being accepted as an issuing bank. A new bank would invite other bankers to a feast, who would show their support and implicit confidence in the new enterprise by attending.[78] Small banks in Fuzhou maintained a reserve equal or nearly equal to their notes outstanding, as their notes often circulated for less than a day.[79] Shanghai hosted two institutions governing native bank conduct: the "northern" and "southern" cash associations.[80] As in Guihua, in order to have access to clearing and interbank lending markets money Shanghai *qianzhuang* had to belong to one of the two associations.[81]

Gatekeeping institutions explain trust in the paper notes of major commercial hubs. But a major contention of this chapter is that private paper circulated amongst smaller markets as well, and indeed penetrated deep into the countryside. In markets too small for an entire financial industry, let alone a self-regulating financial association, credibility had to come from elsewhere.

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[77] H. Parkes, "An Account of the Paper Currency and Banking System of Fuhchowfoo," *Journal of the Royal Asiatic Society* 13 (January 1852): 179–89.
[78] Justus Doolittle, *Social Life of the Chinese: With Some Account of the Religious, Governmental, Educational, and Business Customs and Opinions. With Special but Not Exclusive Reference to Fuchchau*, vol. 2 (New York: Harper & Brothers, 1865), 141.
[79] H. Parkes, "An Account of the Paper Currency and Banking System of Fuhchowfoo," *Journal of the Royal Asiatic Society* 13 (January 1852): 179–89.
[80] Zhongguo ren min yin hang, ed., *Shanghai Qian Zhuang Shi Liao* (Shanghai: Ren min chu ban she, 1960), 643 and 682.
[81] In Shanghai, this included the *yangli* (洋厘), the exchange market between silver dollars and silver taels, as well as the interbank *yinchai* (银拆) lending market. Andrea Lee McElderry, *Shanghai Old-Style Banks (ChÊ»ien-Chuang), 1800-1935: A Traditional Institution in a Changing Society*, Michigan Papers in Chinese Studies, no. 25 (Ann Arbor: Center for Chinese Studies, University of Michigan, 1976), 42-45. Note that McElderry uses an unorthodox romanization ("yin she") for *yinchai*.

In southern China where the impact of Shanxi merchant institutions on grassroots finance was limited, credit in rural notes came from largely from the land. Cao Shuji and Wang Guojin's discovered a system of handwritten promissory notes issued by individuals in rural, southern China. These notes were still similar to money; they circulated in open markets (though not at par). But on the face of the note, a specific asset—generally *dian* rights over a specific piece of land, but sometimes a given quantity of grain or a draught animal—were designated as collateral. In the event of default, the noteholder had recourse to hard assets. The logic behind such notes was, as Cao and Yang point out, similar to rural lending.[82] Of course, this implies a sharply limited catchment area of circulation.

In Shanxi and areas under significant Shanxi-merchant influence, rural paper was more advanced. Even in rural, agrarian communities circulating notes were far more likely to be printed rather than handwritten and were virtually all issued by institutions rather than individuals. At a local level, credit likely derived from the fact that the world of such institutions was small and intimate; a *shuren shehui* (熟人社会) in Chinese. People knew the investors and managers of institutions they dealt with as their neighbors, kin, or friends. Cao and Xu speculate on the possibility that land still underlie Shanxi notes. But they hedge by then suggesting Shanxi business institutions had enough of a reputation that they did not depend on land as collateral.[83] They adduce the example of general stores issuing notes as suggesting that the credit of such

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[82] Cao Shuji 曹树基 and Yang Qiming 杨启明, "Qingday Dongnan Difang Xiao Shichang Zhong de Pingpiao Yu Xinyong 清代东南地方小市场中的凭票与信用) [Pingpiao and Credit in Qing-Era Southeast Regional Markets]," *Zhongguo Jingjishi Yanjiu 中国经济史研究 [Researches in Chinese Economic History]*, no. 6 (2020): 102–17.

[83] Cao Shuji 曹树基 and Xu Junsong 徐俊嵩, "Qindai Shanxi de Qianti Yu Xinyong: Yu Dongnan Diqu Bijiao 清代山西的钱帖与信用:与东南地区比较 [Qing-Era Shanxi Monetary Notes and Credit: A Comparison with the Southeast Region]," *Shi Lin 史林 [Historical Review]*, no. 6 (2020).

notes depended on the store's turnover of inventories. This strikes me as plausible, as in a pre-industrial rural community everyone would have known which general stores were doing a brisk business, and which were floundering.

The weight of evidence suggests Chinese private-market paper excelled at maintaining public confidence, and its value. The *Draft Version of the Suiyuan Gazetteer* states:[84]

> In that time [the Qing Dynasty] circulating money including notes issued by banks and all merchants. These provided capital to turnover goods. The most popular with the general public were notes issued by the financial and grain industries. They looked at such notes as the equal of hard cash. It was common for people to store these notes for many years without using them.

This is a strong endorsement of private money. It means that people had confidence in the long-term integrity of notes, such that they viewed them as not merely a medium of exchange, but a place to park savings. An oral history from a veteran of the 1930s Baotou financial industry tells a similar story. He recalled that, "During the Guangxu reign, it was extremely inconvenient to circulate or ship silver ingots or minted copper. As a result, prosperous businesses issued convertible paper notes (paper notes could be converted into hard copper and had a face value of either 500 or 1,000 copper cash). These were convenient to circulate."[85] Though the statement is vague, it suggests that notes were issued by firms of strong financial standing. The fact that they were more convenient to circulate, indicates they were widely accepted and therefore rarely defaulted on. Finally, Parkes's first-hand account seems to confirm the reliability of private

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[84] "其时钱之流通。钱行及各行商均可发行凭帖，以资周使。而钱粮两行之凭帖。最为人民所欢迎。视同现款。往往有存贮数年不用者。" *Suiyuan Tong Zhi Gao*, Di ban (Huhehaote Shi: Nei Menggu ren min chu ban she, 2007), 663-664.

[85] "光绪年间因周行银元宝、铜钱制，运送大宗款项很不方便，一些殷实商号引发凭帖（凭帖兑取制钱，分张为 500 文和 1000 文两种）兑现，周行便利。" Qu Zi'an 渠自安 and Liu Jingshan 刘静山, "Batou de Qianhangye (包头的钱行业)," in *Neimenggu Wenshi Ziliao*, vol. 33 (Zhongguo renmin zhengzhi xieshang huiyi neimenggu zizhiqu weiyuanhui wenshiziliao yanjiu weiyuanhui 中国人民政治协商会议内蒙古自治区委员会文史资料研究委员会, 1983), 168–82.

notes, albeit his experience comes from Fuzhou in the south. According to Parkes, there had in the past been a wave of bank failures and worthless notes. But the industry recovered and constructed the gatekeeping practices described above. As a result, the private money system "…seems now to have become settled on a firm, enduring basis, which speaks volumes for the dependence that is to be placed upon the public credit. There are very few notes that are now below par; and such of them as are to be found are only of small amounts."[86] Doolittle is more ambiguous. He writes that larger banks have solid reputations, and their notes were in great demand. But according to Doolittle, there was still risk to a noteholder lest the bank fail. It seems likely that Doolittle was describing risk of notes issued by smaller banks (which Parkes agreed were prone to failure).

Perhaps most convincing is Cao and Xu's study of Shanxi merchant private notes. Cao and Xu assume that the amount of time that a note was outstanding is roughly correlated with the public confidence in such notes. That is, if notes are suspect, noteholders will rush to exchange them. They then tabulate all the Qing-era notes found in JSSLJC to see how long notes spend outstanding. Though this is not possible to do for every note, they find that over time the length

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[86] H. Parkes, "An Account of the Paper Currency and Banking System of Fuhchowfoo," *Journal of the Royal Asiatic Society* 13 (January 1852): 179–89. Parkes's description fits well with boom and bust cycles, as does the official description of Xinjiang qianzhuang. It is possible that in good times, it was easy to open up a qianzhuang and to have one's notes accepted. But during a slowdown, more speculative firms and their notes are likely to have been driven out of the market. Doolittle is more ambiguous as he says that the "[t]he real risk in the use of bills arises from the liability of the bank to fail suddenly." I read this statement as referring solely to the small number of notes issued by smaller firms. This is suggested by the fact that he also writes, "Some of the banks are of long standing , and , as their proprietors are known to be very wealthy and sufficiently honest , their bills are in general use in the transaction of business " and that "A bill is generally preferred to the cash which it represents…" Justus Doolittle, *Social Life of the Chinese: With Some Account of the Religious, Governmental, Educational, and Business Customs and Opinions. With Special but Not Exclusive Reference to Fuchchau*, vol. 2 (New York: Harper & Brothers, 1865), 139-140. Read in this way, Doolittle's account is consistent with Parkes.

of the Qing, the amount of time that notes spent circulating increased dramatically.[87] This suggests a financial system that was increasingly solvent over time—and thus which allowed private paper to play a greater and greater role. These findings are consistent with Li Longsheng's analysis of the importance of *silver* notes used in commercial transactions. Li Longsheng estimates that between 1776 and 1851, silver notes' share of the money supply used in silver transactions rose from a meager 13% to 46%.[88] One should take the precision of such estimates with a grain of salt; but directionally the trend is clear: the Qing dynasty was developing an increasingly sophisticated financial system capable of supplying privately-issued instruments to market participants from all walks of life.

Shanxi copper notes: function, format, and issuing banks

Cao and Xu offer abundant examples of notes issued by Shanxi merchants. For our purposes, I will reproduce four of their examples and one of my own. Two of these examples are meant to be broadly representative of Shanxi merchant paper money. The other three examples are interesting because of their marginalia, which gives us an indication of the breadth of these notes in Chinese society. That is, Cao and Xu find "village notes" (cunpiao 村票) issued by a motley collection of village qianzhuang along with general stores and butchers. These circulated in the countryside often far and away from any count or prefectural seat.

[87] Cao Shuji 曹树基 and Xu Junsong 徐俊嵩, "Qindai Shanxi de Qianti Yu Xinyong: Yu Dongnan Diqu Bijiao 清代山西的钱帖与信用:与东南地区比较 [Qing-Era Shanxi Monetary Notes and Credit: A Comparison with the Southeast Region]," *Shi Lin 史林 [Historical Review]*, no. 6 (2020).
[88] Longsheng Li, *Qing Dai de Guo Ji Mao Yi: Bai Yin Liu Ru, Huo Bi Wei Ji He Wan Qing Gong Ye Hua*, BOD 1 ban, Shi Di Zhuan Ji Lei AC0013 (Taibei shi: Xiuwei zi xun ke ji gu fen you xian gong si, 2010), 180.

An early example of a printed monetary note from Qing-era Shanxi dates from the Jiaqing Reign (1796-1820). It is issued by a corporate entity named Guangchengde (广成德). A picture of the note is visible in Image 2.

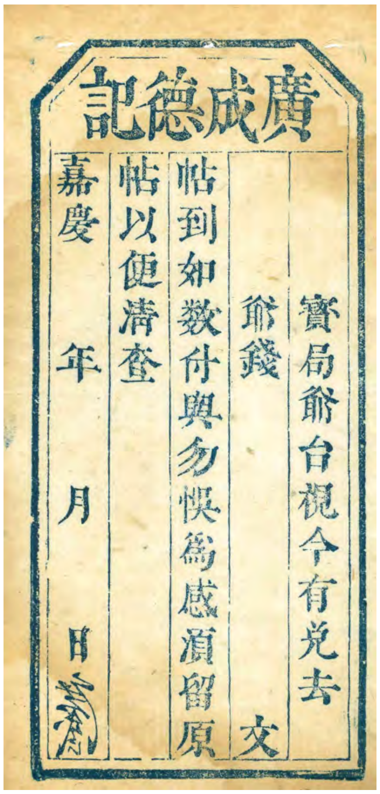

Image 2. Guangchengde copper note. Source: JSSLJC, Piaotie, 2.

The note reads, in English:[89]

Guangchengde Company
[Blank 1]   the honorable company, has agreed to pay
[Blank 2]   to the amount of [Blank 3] copper cash
Open presentation, pay to the bearer the written amount. Retain this note for auditing purposes.
Jiaqing [Blank 4] Year [Blank 5] Month [Blank 6] Day. [Sealed]

The Guangchengde company was most likely a major *qianzhuang* based in Taigu. The *piaohao* Rishengchang (日升昌), mentions a Guangchengde in its internal correspondence from the early Xianfeng reign, frequently noting that it will pay customers through accounts at Guangchengde.[90] Similarly, a stone stele erected in Xinzhou to commemorate the restoration of the Yanmen fort, lists a Guangchengde amongst the Taigu merchants that contributed to the project.[91] As Cao and Xu make clear, this note involves three parties. First, there is the issuer, Guangchengde, whose name is printed on the note's letterhead. Blank 1 is the party liable for the note. Blank 3 is the face value. Blanks 4 through 6 offer a place to write the date of issue. The note is then "chopped" with the official, Guangchengde company seal.[92]

[89] JSSLJC, Piaotie, 2.
[90] Huang Jianhui 黄鉴晖, ed., *Shanxi Piao Hao Shi Liao*, Di 1 ban (Taiyuan Shi: Shanxi jing ji chu ban she, 2002), 843-846
[91] Zhao Rongda 赵荣达, *Jinshang wanli gu chalu 晋商万里古茶路* (Shanxi gu ji chu ban she, 2006), 125-126.
[92] Cao Shuji 曹树基 and Xu Junsong 徐俊嵩, "Qindai Shanxi de Qianti Yu Xinyong: Yu Dongnan Diqu Bijiao 清代山西的钱帖与信用:与东南地区比较 [Qing-Era Shanxi Monetary

We can learn a number of things from this note. First, the note is printed with a wood-block printing press. This indicates Guangchengde had a large note-issuing operation. Second, this note is a blank. It has not yet been filled in with customer names, monetary amounts, or the date of issue. It was likely left over by the end of the Jiaqing reign, when Guangchengde would have had to begin printing new notes for the Daoguang emperor. This dates the printing of the note to no later than 1819, a full 20 years before the Opium War and the arrival of western-style financial institutions. Thus, we see primary sources testifying to that fact the circulation of credit money was widespread in the Qing well before western influence. This was an indigenous practice with roots in the Ming. This particular note could have been used either as local currency or as a remittance note. That is, if Guangchengde had issued it as a liability of a local institution, it would have functioned as a bank check. But if it issued it as a liability of an institution elsewhere, the note would have been a copper remittance.[93]

The next example, visible in Image 3, was issued by the Wanshenghe (万盛和) company. Wanshenghe was a major *qianzhuang* in the commercial hub of Xin Prefecture (*Xinzhou* 忻州).

Notes and Credit: A Comparison with the Southeast Region],” *Shi Lin 史林 [Historical Review]*, no. 6 (2020).

[93] Kong Xiangyi does an excellent job of explaining different kinds of Shanxi merchant notes in terms of modern-day banking approximate equivalents. Kong Xiangyi 孔祥毅, “‘Ming-Qing Zhongguo jinrong geming ji qi huobi shangren’ zhi yi: Ming Qing Zhongguo jinrong geming de beijing yu biaozhi ‘明清中国金融革命及其货币商人’之一:明清中国金融革命的背景与标志,” *Financial View 金融博览*, no. 02 (2009): 68–71.

Image 3. Wanshenghe copper note. Source: JSSLJC, Piaotie, 3.

It provided credit to regional merchants, other banks, and conducted brokerage services for clients to participate in Xin prefecture's exchange markets.

The text of this note reads, with sealed text in red and handwritten text underlined:

> Wanshenghe
> Serial #1520
> Pay to the bearer 1,500 copper cash
> Daoguang Year 4 Month 2 Day 15
> Wanshenghe Sealed[94]

As in the previous example, the note was printed as a blank form. It has a border filled with literary scenes and poetry, printed with intricate engraving. This would make it difficult to forge. This note has been filled in and is therefore "live." The date, serial number, and face value were filled in by hand when the note was issued.

The note is stamped in several places with red ink, colored red in the transcription. There is a seal of the God of Wealth beneath the serial number. We also see an official seal of Wanshenghe under the face value. These vouchsafe that the note is real. Some text of the note is also stamped, such as the imperial reign name, "Daoguang," and a second Wanshenghe seal. The Daoguang reign is stamped with a seal for convenience; should the emperor pass away, the firm would not waste its notes but could simply cast a new seal. The second Wanshenghe seal is another verification mechanism to prevent counterfeiting.

[94] JSSLJC, Piaotie, 3. In Chinese:

> 万盛和
> 列字壹仟伍佰贰拾号
> 凭帖取钱壹千伍佰文
> 道光四年二月十五日
> 万盛和具

This note's liability structure is simpler than the previous note. Wanshenghe has issued the note, and it is Wanshenghe's responsibility to redeem it for copper on demand to the bearer. This means that the note was a kind of banknote that could circulate as currency. Wanshenghe must have issued many such notes. We can tell this both from the woodblock printing press, as well as from the serial number. This was the 1,520th note issued in the series and was issued in the middle of the 4th month. Qianzhuang generally issued multiple "series" of notes every year. Thus, Wanshenghe was on a pace to issue at least 4,053 copper notes by year end. If the face value of this note was typical, this means that a single, prefectural qianzhuang was issuing no fewer than six million copper cash (i.e. 4,000 X 1500) in paper notes on an annual basis!

Shanxi copper notes: catchment area and circulation through society

We have now seen two representative examples of monetary notes, one a check-like draft on a third party and the other a banknote-like liability of its issuer. We also see that both kinds of these notes were printed in large volumes well before significant contact with the west. But the question still remains regarding their scope in society. Were these instruments restricted to major commercial markets? Or did they reach larger segments of society?

Cao and Xu find ample evidence of notes from larger markets making their way into villages. The marginalia on a copper cash note issued in Fanzhi County (繁峙县), records a transaction in Nanliushu (南留属), a village roughly 10 kilometers away.[95] Even more importantly, they find "village notes" (*cuntie* 村帖) issued by village institutions outside of major markets circulating throughout the Shanxi countryside. Village notes are especially likely

[95] Cao Shuji 曹树基 and Xu Junsong 徐俊嵩, "Qindai Shanxi de Qianti Yu Xinyong: Yu Dongnan Diqu Bijiao 清代山西的钱帖与信用:与东南地区比较 [Qing-Era Shanxi Monetary Notes and Credit: A Comparison with the Southeast Region]," *Shi Lin 史林 [Historical Review]*, no. 6 (2020).

to bear the scribbled recordings of transactions in which the note was transferred to a new owner prior to being redeemed. This testifies to the fact that even in the village, these notes were not merely receipts for cash loans, but truly served as a form of circulating currency. Cao and Xu also discern institutional differences between market notes and village notes. Issuers of village notes are sometimes *qianzhuang*, but are often shops, especially general stores (*zahuodian* 杂货店). This leads Cao and Xu to conclude that, "The village general store functioned as the financial center of the Shanxi countryside." They also find that Shanxi rural notes, unlike rural notes in the south, circulated at par.[96]

[96] Cao Shuji 曹树基 and Xu Junsong 徐俊嵩, "Qindai Shanxi de Qianti Yu Xinyong: Yu Dongnan Diqu Bijiao 清代山西的钱帖与信用:与东南地区比较 [Qing-Era Shanxi Monetary Notes and Credit: A Comparison with the Southeast Region]," Shi Lin 史林 [Historical Review], no. 6 (2020).

To illustrate how village notes worked, we can produce an example from the Yongshun company, visible in Image 4.

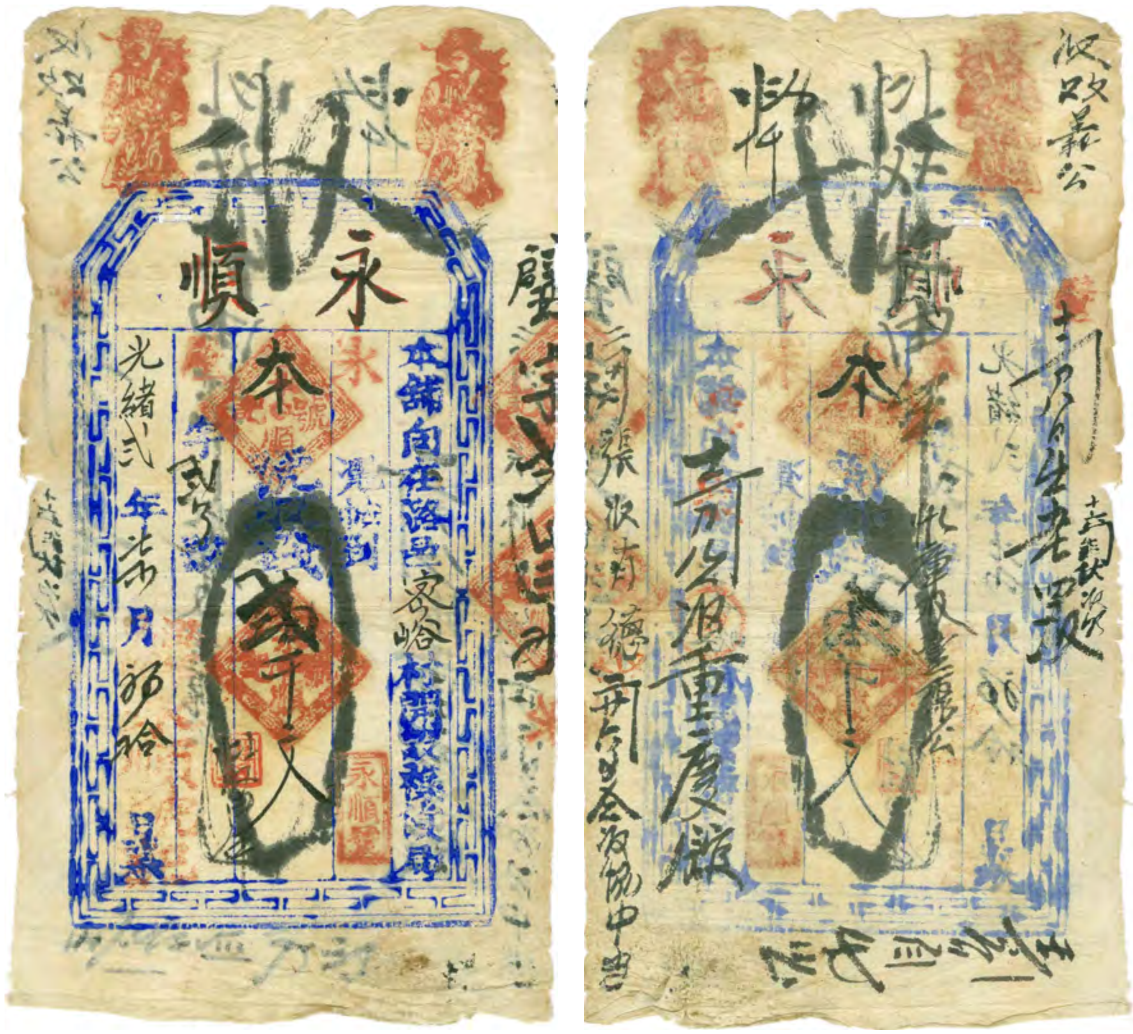

Image 4. Yongshun copper note, 1876; front (left) and back (right). Source: JSSLJC, Piaotie, 32.

This note is from the JSSLJC and is not included and Cao and Xu's analysis,[97] though they do examine a different note from the same Yongshun. Because the text is difficult to see in the picture, I have transcribed it in both Chinese and English:[98]

[97] To be more specific, Cao and Xu's article contains a minor error in its analysis of the Yongshun note. The JSSLJC includes two notes from Yongshun; Cao and Xu analyze the front of one note and the back of the other, mistaking them for the front and back of the same note.
[98] JSSLJC, Piaotie, 32.

永顺
本铺向在潞邑密峪村开设杂货局
凭帖到（永顺号）
（永顺号记）本号取钱（永顺号记）弍千文
璧字弍号
光绪弍年柒月初十日

Yongshun
This shop is established in Yuncheng City's Miyu Village, where it operates a generate store
Bearing this note to (Yongshun Co.)
(Yongshun Co.) Our own company to redeem it for (Yongshun Co.) 2,000 copper cash.
Bi Series #2
Guangxu Year 2 Month 7 Day 10

The note is printed on a woodblock press and chopped numerous times with different seals. In the transcription above, I imitate the ink on the original note and record printed text in blue, hand-written text in black, and seal stamps in red. Once again, fact that the note is printed on a Chinese printing press reveals a degree of scale. But unlike other notes we have seen, the name of the issuing firm ("Yongshun", in red above) is stamped at the top of the note, rather than printed. Similarly, the phrase specifying the firm's location, "This shop is established in Yuncheng City's Miyu Village, where it operates a general store" (本铺向在潞邑密峪村开设杂货局) is printed, except for the name of the village. Specifically, the characters for the village name "Miyu" (密峪) are hand-written, while the character for "village" (*cun* 村, in blue above) is printed. This tells us that the printing operation did not belong to Yongshun or indeed to Miyu Village. Rather, the printer was located in the prefectural seat of Yuncheng. It printed blank copper notes at scale for explicit use by village general stores in the Yuncheng area. Additionally, the character *ben* (本) is hand-written. This character establishes the liability of the note as belonging to the issuer, i.e., it makes it a banknote. Had the name of a different firm been written in its place, the note would have been a liability of a third party, i.e., a remittance. This makes sense, since this note was printed in a set of blank, generic notes for use by a large number of scattered, rural general stores. These blank notes could either be filled out by the issuer to function as its own, circulating banknotes, or as drafts on third parties. This means that that villages in the Yuncheng environs must have been full of general store scrip. General stores issued such notes at the village level, and the notes circulated as currency or functioned as inter-village remittances. The volume of notes at any individual store was too small to justify a printing press on site, but the combined volumes made it economical to print notes in volume at the prefectural seat.

There is even more information on the back of the note, also visible in Image 4. Here we find marginalia recording the circulation of the note throughout Miyu village. It reads:

收双义公
23500
十二月五日自帖与
十二月初八日收重庆厂
十二月初八日与老四收
十六日能伏收帖
二月廿六日会收协中 X
三月十六日张收有德
账库收于聚公

Received by Shuangyigong
23500
12/5 Traded itself to
12/8 Received by Chongqingchang
12/8 Given to Laosi who received it
12/16 Received by Nengfu
[Guangxu Year 3] 2/26 “Hui” received by Xiezhong X
3/16 Zhang Youde received it
Note retired by Jugong

The marginalia indicate that the note circulated for eight months, from its issue date on Guangxu 3 Month 7 Day 10, to its retirement on 3/16 of the following year. During this period, it changed hands eight times. On 3/16, it was received by Jugong, an employee of the store, who retired the note. We thus see that the note circulated within the village as currency. The names on the back of the note are instructive. One of the bearers of the note was named Lao Si, meaning "fourth son." This is a humble appellation of someone who was the fourth son in a family. Chongqingchang is also interesting, as it was some kind of corporate entity. Finally, the note comes from a pair of Yongshun notes, both found in the JSSLJC. The other note was issued on the same day. Its serial number is the same "Bi" (璧) series, but it is #5 in the series.[99] Since the note in Image 4 was number three in the series, this means that in a single day this village general store issued at least three copper notes.

Several notes in the JSSLJC collection show urban financial institutions issuing notes that flowed to the countryside or, perhaps, were issued deliberately for use in more rural areas. Cao and Xu's article analyzes a remittance note from the Huining Pawnshop (惠宁当),[100] which was issued in the Huaitai market town (怀台镇) in Shanxi province's Wutai county. The note was payable to an individual named Nie Shangsheng (聂上升) by a third party, the Huipu Pawnshop (惠溥当), doubtless an affiliate of the issuing Huining Pawnshop. The marginalia shows that the note was paid out not in Huaitai market, but in Dou village (豆村), slightly more than ten kilometers away.[101] In effect, the pawnshop in the market town acted as a bank allowing

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[99] JSSLJC, piaotie, 33.
[100] Cao Shuji 曹树基 and Xu Junsong 徐俊嵩, "Qindai Shanxi de Qianti Yu Xinyong: Yu Dongnan Diqu Bijiao 清代山西的钱帖与信用:与东南地区比较 [Qing-Era Shanxi Monetary Notes and Credit: A Comparison with the Southeast Region]," *Shi Lin 史林 [Historical Review]*, no. 6 (2020).
[101] JSSLJC, Piaotie, 6.

customers to transfer funds between local villages. Cao and Xu find several examples of remittance notes flowing between different villages, sometimes over 15 kilometers away.[102]

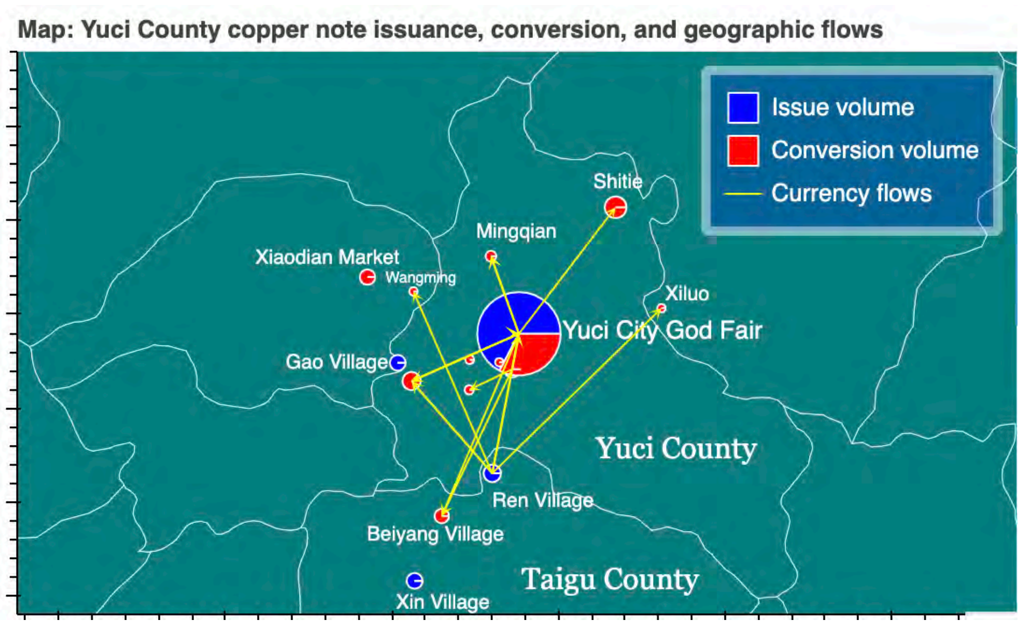
For another window into how notes connected commercial centers and the countryside, we can turn to a ledger compiled in Guangxu 16 (1890). The ledger comes from Fushengchang (复盛长), a qianzhuang from Yuci county, and is a *pingtie hao zhang* (凭帖号帐), or "record of convertible notes."[103] Today, Yuci is a sub-municipality of Jinzhong City in Shanxi Province. It lies between Taiyuan, the provincial capital, and the Qing-era financial centers of Pingyao, Qixian, and Taigu. During the Qing, Yuci was a major commercial center in its own right. It traditionally held an enormous "City God Temple" temple fair in the fifth month of the lunar calendar. Merchants from all over Shanxi and especially from neighboring Taigu attended the fair to conduct business. During the Kangxi reign, Yuci became a critical part of the overland trade. The Changs of Yuci, one of the great Shanxi merchant families, emerged at this time dealing in cloth and the Mongol trade. They later become one of the major Shanxi merchant families involved in the overland tea trade to Russia via Khiakta.[104]

The account book contains a list of serial numbers of each copper note that it issued, along with the face value and date of redemption. Over the 617-day period from Guangxu 17 Month 3 Day 8 to Guangxu 18 Month 11 Day 4, Fushengchang issued 148 notes. The final page of the ledger contains a schedule of the dates of local temple fairs and markets in Yuci and

[102] Cao Shuji 曹树基 and Xu Junsong 徐俊嵩, "Qindai Shanxi de Qianti Yu Xinyong: Yu Dongnan Diqu Bijiao 清代山西的钱帖与信用:与东南地区比较 [Qing-Era Shanxi Monetary Notes and Credit: A Comparison with the Southeast Region]," *Shi Lin 史林 [Historical Review]*, no. 6 (2020).
[103] JSSLJC, Piaotie, "Guangxu 17 Month 1 Fushengchang record of convertible notes" 《光绪十七年复盛长记新正月吉立凭帖号账》.
[104] Li Chengguang (李程光), *Rushang Changjia (儒商常家)* (Shanxi jing ji chu ban she, 2004).

several neighboring counties. The fact that the qianzhuang wrote this schedule in the ledger of its register of notes is highly suggestive, implying that these rural fairs were an important place for issuing and redeeming copper notes.

A deeper analysis of the account book reveals more precisely how notes flowed through the Yuci area via the marketing system.[105] By matching the dates in the account book to the dates in the temple fair schedule, it is possible to pinpoint the exact fairs at which notes were issued and redeemed. For some notes, the issuing fair and redeeming fair were different. This allows us to recreate the precise route of a single copper note circulating through the Yuci economy. The results of this analysis are summarized in Map 1.



Map 1. Yuci County copper note issuance, conversion, currency flows of Fushengchang notes, 1890-1891. Source: JSSLJC, "Guangxu 17 Month 1 Fushengchang record of notes." GIS data from "CHGIS V1," https://sites.fas.harvard.edu/~chgis/data/chgis/v1/. Data analysis and map made in Python; Guido Van Rossum and Fred L Drake Jr, Python Reference Manual (Centrum voor Wiskunde en Informatica Amsterdam, 1995).

[105] G. William Skinner, "Marketing and Social Structure in Rural China: Part I," *The Journal of Asian Studies* 24, no. 1 (1964): 3–43, https://doi.org/10.2307/2050412. Skinner is mainly concerned with "standard markets"; though he does mention temple fairs in passing as extremely important nodes in Chinese marketing. The Yuci account book in question is mainly concerned with temple fairs.

The Map shows that the Yuci county seat, where the City God fair took place, was the hub of currency issue and redemption. This is not surprising, as the Yuci City God fair lasted an entire month and was the single most important marketing event in the Yuci economy.[106] But it also shows significant issue of copper notes at Ren, Gao, Xin, and Guo Villages; and redemption of copper notes at Yongkang Village and Shitie. Particularly interesting is the fact that some notes *traveled* from one fair to another (these routes are marked Map 1 with yellow lines). For example, notes issued at the City God fair made their way to Shitie village, 25 kilometers away. Similarly, notes issued in the Taigu County Ren Village fair traveled 30 kilometers all the way to the Xiluo fair in Shouyang county. This shows that copper notes issued by financial institutions based in commercial centers could act as a kind of common currency in the countryside, at least if they were issued by banks that attended rural temple fairs.

Finally, we find additional direct evidence of copper notes traveling in currency circuits[107] over quite long distances, and linking commercial centers and rural markets, in a correspondence book compiled in Guangxu 5 (1879). The book records letters between the headquarters and a branch office of a Qing-era qianzhuang-cum-cloth trader. Since most *qianzhuang* were unit banks, they did not leave behind correspondence books. But this particular qianzhuang had at least two branches. The head office was based somewhere in present-day Hebei province, probably the Lulong county seat.[108] The other branch was located in Chifeng, a Shanxi-merchant trading entrepot in Inner Mongolia. Most of the letters between Lulong and

[106] Linshu Chang and Jinghao Zhang, eds., *Republican-Era Gazetteer of Yuci County*, 20 vols., 1942.
[107] The term is Kuroda's. See Akinobu Kuroda, "Concurrent but Non-Integrable Currency Circuits: Complementary Relationships among Monies in Modern China and Other Regions," *Financial History Review* 15, no. 1 (2008): 17–36.
[108] I thank my colleague Chen Tianyi for this insight.

Chifeng relay market information, with the latest quotations in money, grain, and cloth markets. But one letter, sent on 3/9 from Lulong to Chifeng, reads, "Today sent along with my letter, Chifeng copper notes worth 108,500. These are mostly mountain and countryside notes. As soon as they arrive, hurry to exchange them at our partner firms. If there are any counterfeits, we can return them as soon as possible."[109] This shows that merchants were marketing Lulong products in the Chifeng environs. They were making purchases, probably of cloth, on behalf of retailers operating in Chifeng's more isolated mountain and rural communities. These merchants paid in the scrip of the mountainous and rural destination markets. In order to cash the scrip, headquarters has sent the paper money back to Chifeng by courier. In Chifeng, it could be cashed at banks that conduct business in the countryside (much as the above Yuci qianzhuang conducted business in Yuci's surrounding environs). In the event that someone slipped them a bad bill, the Lulong qianzhuang could return it. In other words, money was circulating all the way from rural Chifeng, south to Lulong, and then back to Chifeng to be converted into hard copper. This is an excellent example of what Kuroda referred to as a "currency circuit"; except that the circulating medium is a form of banknote, rather than hard copper.[110]

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[109] "今随字捎去赤帖钱 108,500，系山乡帖多，至交相契之家急为使之，如有假帖早为退回。" JSSLJC, Miscellaneous qianzhuang and cloth merchant correspondence book, 1879 (光绪五年正月某钱 庄布店来信稿), 10. Philologists may question my translation, as it could potentially be glossed as "…sending to Chifeng, copper notes…" rather than "…sending Chifeng copper notes…." In context, the meaning is clearly the latter. The text frequently mentions items sent from Lulong to Chifeng using the wording "捎去" (*shaoqu*, i.e., "sent"). But only in this instance does the character *Chi* (赤) appear. This means it is an adjective modifying *tie* (帖) rather than an object of the preposition for "send."

[110] By this, Kuroda means distinct kinds of money used in particular geographies, marketing areas, or industries. Akinobu Kuroda, "Concurrent but Non-Integrable Currency Circuits: Complementary Relationships among Monies in Modern China and Other Regions," *Financial History Review* 15, no. 1 (2008): 17–36.

Countryside notes circulating at par were widespread in northern China. The epigram for this chapter comes from a short essay on money in Li Guanting's *Xiangyan Jieyi*, a collection of Beijing folkways in the Jiaqing and Daoguang reigns. Li Guanting writes, "These days people do not like to use hard cash but instead use notes…In the countryside people do not use printed notes but instead use *tiezi*. Someone will go to a business who wants to acquire hard cash. They quibble and ask to leave an IOU without giving a copper note, saying, 'How can this shop pay copper in exchange for a note, but not for my *tiezi*?'"[111] Tiezi (帖子) refers to a less-standardized, often hand-written note used outside commercial centers; this is exactly what the Lulong qianzhuang meant by "*shanxiang tie*" (山乡帖), or "mountain and countryside notes."

We can see an example of a *tiezi* in Image 5. It was issued by the Yuanxing grain shop, a grain merchant in Qu market, Quwo county, in 1902. The note is complicated, so I annotated it by section. The annotations offer a transcription, transliteration, and brief explanation of the meaning conveyed in different parts of the note. The note itself tells a rich story about currency flows in the Quwo-Yicheng region of Shanxi. It is a copper remittance for 5,000 cash issued by the Yuanxing grain shop located in Qu market. The note is redeemable at the Yufengyong company in Beiguan village, twenty kilometers east of Qu market in neighboring Yicheng county. Yuanxing was likely a grain merchant while Yufengyong was a qianzhuang that Yuanxing banked with. It appears that Yuanxing purchased grain in Yicheng and paid for the grain by writing *tiezi*. These *tiezi* notes were not redeemable at Yuanxing, which would have

[111] "鑄銅為錢，翦紙為票，其輕重虛實懸殊也。近人厭用錢，而喜 用票，於是假票之獄日興。惟有於鋪中大書隄防假票四字 而已。鄉間不用票而用帖子，一人持帖到某家，錢不現成，遂 致口角，曰「帖子請著不給錢，票子傳著方給錢乎？」" Li Guangting (李光庭), *Xiang Yan Jie Yi (鄉言解頤)*, Daoguang (清道光刻本), vol. 5 (5 卷) (Beijing: Erudition Database, 1849).

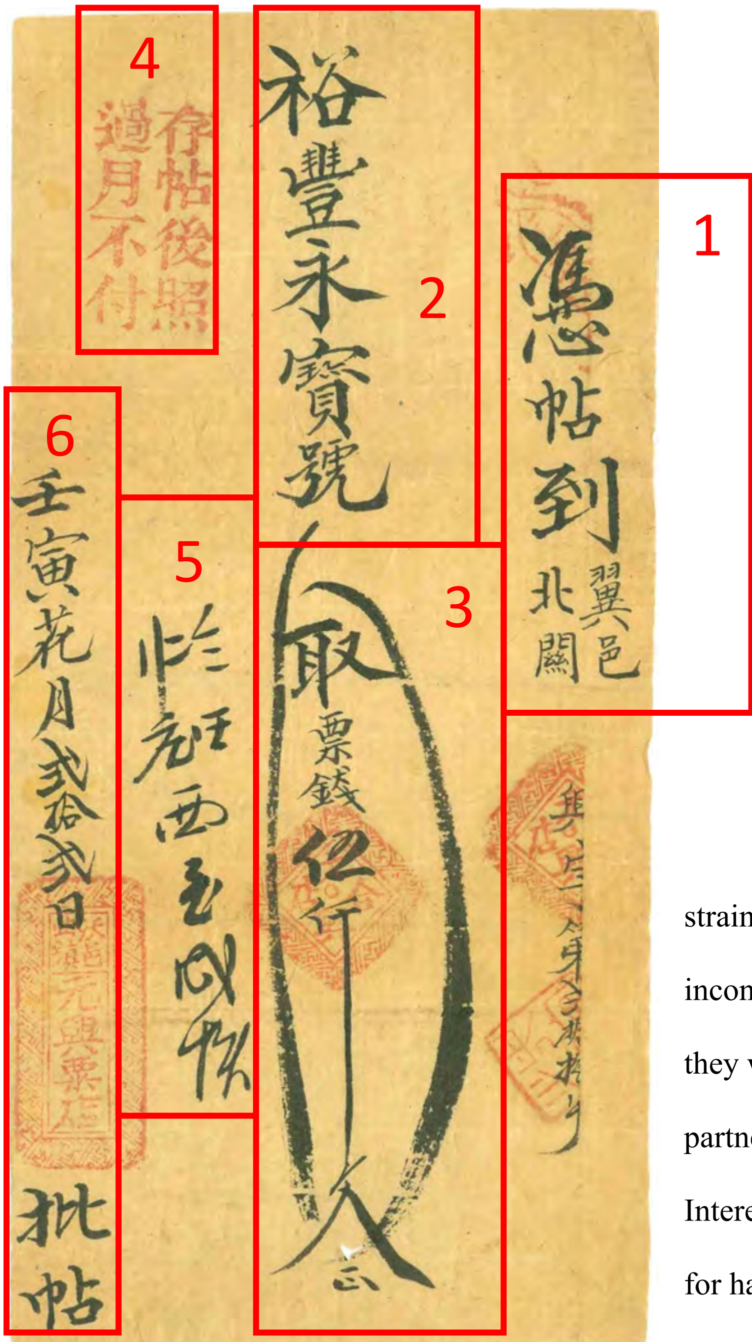

Image 5. Pingtie, 1902/2/22, JSSLJC, Piaotie, 67. Notes: 1) "Pingtie dao Yi yi Beiguan" (凭帖到冀邑北关), meaning, "bearing this note to Beiguan village in Yicheng county." This tells the noteholder that the note is redeemable in Beiguan village, Yicheng. 2) "Yufengyong baohao," (裕丰永宝号) meaning, "the honorable Yufengyong Co." This is the party responsible for the note. 3) "Qu piaoqian wuqian wen" (取票钱伍仟文), "to redeem in notes 5,000 copper cash." This is the face value. It means the note will be paid out with 5,000 copper cash worth of Yufengyong's own notes. The face value is circled, meaning the note has already been paid out and is no longer live. 4) "Cun tie hou zhao guo yue bu fu" (存帖后照过月不付), meaning "save this note for reference but do not pay out on it again." This is a seal indicating that the note has been paid out and is no longer a live liability. 5) 22.8 Zhuang XXX, Xizhicheng, huo" (22.8 庄X，西至成，货), "22.8 sacks, xizhicheng, inventory). This means the note was given as compensation for 22.8 sacks of grain. 6) Renyin huayue ershier ri [seal] Wo yi X zhen Yuanxing sudian [/seal], pi tie (壬寅花月贰拾贰日，沃邑曲镇元兴粟店，批帖). This is the issue date, Renyin 2/22 in the lunar calendar or 1902/3/31 in the solar calendar. It then has the seal of the issuing firm, the Yuanxing Grain Shop located in Qu Market of Quwo county. The final two characters simply mean "note issued."

strained Yuanxing's liquidity and also inconvenienced Yicheng peasants. Instead, they were redeemable at Yuanxing's local partner bank, Yufengyong. Interestingly, the notes were not redeemable for hard copper but for Yufengyong *notes*. These notes would have probably been time-dated, akin to a modern-day bank acceptance. After the Yufengyong notes matured, the peasants would have been able to convert them into hard copper.

The upshot is paper notes financed even the agrarian sector. Grain merchants could purchase inventories on credit by issuing their own *tiezi*. These *tieizi* were not backed by copper, but rather by time-dated notes of the grain merchant's partner bank, not too different from financing imports with a modern-day letter of credit. This arrangement allowed grain to flow from Jicheng to Quwo without the need to transport, or even tender, physical copper. Once the Yuanxing grain merchant sold its inventories, it would presumably repay its debt at Yufengyong, which could then offer hard copper to the peasants and close the currency circuit. Importantly, George Qiao identifies a similar arrangement for financing the grain trade in the Hohhot environs.[112] The fact that we see a similar financing structure in Quwo is strong proof of one of Qiao's key contentions: that innovations on the frontier did not stay on the frontier, but helped spur financial innovation across all areas with Shanxi merchant activity.

Apart from the geographic ambit of paper money, there is also a question of how private paper circulated through society. Was this mostly money issued for and by merchants (in both commercial areas and the countryside), or did it find its way to farmers and others of a more humble station? The evidence is mixed. The lowest denomination of copper note in the JSSLJC is consistent at 500 copper cash throughout the entire Qing. This is supported by numerous textual sources. Wang Liu writes, "In the capital, all market transactions from 500 cash and above are conducted with copper notes."[113] In Xining, the capital of northwestern Qinghai province where Shanxi merchants were extremely influential, six or seven major banks issued copper notes in denominations of 500 copper cash.[114] According to the *Shina Shōbetsu*, some

[112] George Qiao, "The Rise of Shanxi Merchants Empire, Institutions, and Social Change in Qing China, 1688-1850" (Ph.D., Stanford, 2017), http://purl.stanford.edu/bg803zm7823, 315-316.
[113] "京師民間市易自五百以上皆用錢票。" Liu Wang, *Qian Bi Chu Yan: 3 Juan*, electronic resource (Beijing: Erudition Database, 2009).
[114] Shenglan Ji, "(Minguo) Xining Fu Xu Zhi: 10 Juan," electronic resource, *Zhongguo Fang Zhi Ku*, 2013, https://stanford.idm.oclc.org/login?url=http://server.wenzibase.com.

markets in Shanxi issued 500 copper cash as the lowest denominated note, while others issued notes starting at 1,000 copper cash.[115]

How to interpret this is complex. In the Daoguang period, 500 cash was a non-trivial, but hardly large, some of money. In Beijing, during the latter Daoguang reign 1 silver tael was equal to about 1600 copper cash.[116] One fiscal *dan* (approximately 75 kg) of wheat in Zhili province (where Beijing was located) hovered between 0.98 and 4.32 silver taels, meaning 500 copper cash could purchase about 5.42 to 23.92 kilos of grain. Using average yearly grain consumption of 151 kilograms, and ignoring non-grain consumption, this amounts to 13.1 to 57.8 average days' worth of per capita income. We get a similar ballpark of how in per capita income 500 copper cash represented from Werner Burger. Warner Burger writes that a tailor made 60-70 cash per day, in which case 500 cash would be equivalent to about seven or eight days' worth of income.[117] This would put paper notes within reach of most citizens, even peasants, in the empire—at least for certain, major transaction. We have further evidence attesting to the widespread use of cash in society from the failure of the Gaiping banks in 1836. Military Governor Yi Jing wrote that he planned to "[First] audit the banks and use their cash on hand to

[115] Riben Tongwenhui (日本同文会), ed., *Shanxi Sheng Zhi, Zhongguo Fen Sheng Quan Zhi*, trans. Sun Yao, Sun Lei, and Ren Ping, vol. 17 (Taiyuan: Shanxi sheng difang zhi bianzuan weiyuanhui bangongshi, 1992).
[116] People's Bank of China, ed., *Historical Materials of Modern Chinese Money Zhongguo Jin Dai Huo Bi Shi Zi Liao.*, vol. 1 (Beijing: Zhonghua shu ju, 1964), 125.
[117] For weights and measures of fiscal *dan* see Hu Tieqiu, "The Research on the Formation Mechanism of Cangdou in Various Regions in the Qing Dynasty," *Journal of Tsinghua University (Philosophy and Social Sciences)* 2, no. 36 (March 15, 2021): 27–51. For grain prices see Yeh-Chien Wang, *Qing Dynasty Grain Prices Database* (Institute of Modern History, Academia Sinica, 2014), https://mhdb.mh.sinica.edu.tw/foodprice/. For estimates of grain consumption see Lillian M. Li and Alison Dray-Novey, "Guarding Beijing's Food Security in the Qing Dynasty: State, Market, and Police," *The Journal of Asian Studies* 58, no. 4 (1999): 992–1032, https://doi.org/10.2307/2658493. For value of cash, see Werner Burger, *Ch'ing Cash: Ch'ing Cash* (Hong Kong: University Museum and Art Gallery, The University of Hong Kong, 2016), 251-252.

purchase grain. This grain will be used to redeem small notes in order to give succor to the poor. Large notes will have to wait to seek repayment."[118] In other words, small-denominated notes were assumed to be used in the retail market, and thus used by even the poor. The government redeemed those first in order to prevent the bank failures from causing starvation.

Moreover, we can infer that, at least in regions of northern China under Shanxi merchant influence, notes continued to penetrate deeper and deeper into poorer social classes throughout the Qing. This is because copper depreciated steadily over latter Qing, while banks continued to issue 500 cash notes. By the end of the Guangxu reign, millet hovered around 14,000 cash per *dan* in Hebei province. This meant copper cash could purchase around 0.22 kilos of gran; at most a third of a day's average grain consumption for the country.

Regulation and Competition from the Late Qing to the Republican Period

During the beginning of the Daoguang reign, the massive bank failure in Gaiping prompted an attempt to regulate private money. In a series of memorials, governors of several provinces discuss offered opinions on how the state should act. Thus, Military Governor Yi Jing wrote that after cleaning up the bad notes in Gaiping, "…false notes [i.e. notes unbacked by copper] must never be permitted to circulate again. The conversion of notes into other notes shall be strictly banned and offenders harshly punished."[119] The governor of Sichuan went even further, blaming paper notes for the rise in silver prices and suggesting a ban on all private copper notes. Initially, the emperor was inclined to ban all copper notes, and issued an order to

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[118] People's Bank of China, ed., *Historical Materials of Modern Chinese Money Zhongguo Jin Dai Huo Bi Shi Zi Liao.*, vol. 1 (Beijing: Zhonghua shu ju, 1964), 124.
[119] People's Bank of China, ed., *Historical Materials of Modern Chinese Money Zhongguo Jin Dai Huo Bi Shi Zi Liao.*, vol. 1 (Beijing: Zhonghua shu ju, 1964), 125.

that effect.[120] But other officials defended private paper, insisting that without it the people would have no money with which to conduct everyday commerce. Shanxi Governor Shen Qishen explained, “In the event that all copper notes are banned, it is still the case that the people have long used copper to conduct exchange and will not be able to switch to silver taels. If they use only hard copper cash, then the transportation and counting will be costly and bothersome.”[121] He went on to point out that stocks of hard copper were not sufficient to replace copper notes on a moment’s notice and raised the specter of even more provinces becoming reliant on foreign minted coins. Governor Shen allowed that notes issued by non-financial institutions, IOUs issued by debtors in lieu of paying hard cash, and “timed notes” only redeemable on maturity ought to be banned. It is clear that what most bothered officials was not private money per se, but rather un-backed currency or currency used for speculation. Nevertheless, regulation remained an aspiration until the end of the dynasty.

Toward the end of dynasty and during the Republican period, privately issued paper money faced two challenges. First was unprecedented competition from modern banks run along western models. Between 1895 and the fall of the monarchy, a total of 17 Chinese-owned banks set up shop, though only seven survived into the Republican period.[122] Foreign banknotes also began to compete with traditional Chinese paper money. Beginning in 1866, foreign banks became active in Chinese credit markets though, as Niv Horesh shows, their mainland note issuance was actually fairly low during the Qing and only reached its apex during the Republican

[120] People’s Bank of China, ed., *Historical Materials of Modern Chinese Money Zhongguo Jin Dai Huo Bi Shi Zi Liao.*, vol. 1 (Beijing: Zhonghua shu ju, 1964), 125-126
[121] People’s Bank of China, ed., *Historical Materials of Modern Chinese Money Zhongguo Jin Dai Huo Bi Shi Zi Liao.*, vol. 1 (Beijing: Zhonghua shu ju, 1964), 128.
[122] Hongzhong Yan, *Zhongguo de Huo Bi Jin Rong Ti Xi (1600-1949): Ji Yu Jing Ji Yun Xing Yu Jing Ji Jin Dai Hua de Yan Jiu* (Beijing: Zhongguo ren min da xue chu ban she, 2012), 160-161.

period.[123] The second challenge came in the form of a more determined effort to regulate the currency. After the 1895, the Qing court set up official provincial government banks that issued their own paper money.[124] Shanxi established two such local government financial institutions. The provincial capital of Taiyuan organized the "Jintai Official Bureau" (晋泰官局) in 1902, while Suiyuan formed its own local government bank in 1904. But we should not exaggerate the regulatory authority of these banks. Their principal mandate was to supply an adequate volume of notes to prevent cash shortages, and to mitigate volatility in the silver/copper cash exchange rate. Moreover, the Taiyuan bank was a for-profit institution and run entirely by merchants, with the provincial government formally committed to non-interference in its management.[125]

A potentially more serious threat to the system of private money came from the central government. In 1909, the Board of Finance (*Duzhi bu* 度支部) issued "*Regulations on the Circulation of Silver and Cash Paper Notes*." This made the issuance of paper notes by private entities illegal, and promulgated a schedule for retiring notes outstanding.[126] In 1910, it formally granted state banks a monopoly on the issuance of convertible paper. A set of "temporary regulations" allowed private paper to continue circulating, but restricted volumes of note

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[123] Niv Horesh, *Shanghai's Bund and beyond: British Banks, Banknote Issuance, and Monetary Policy in China, 1842-1937*, Yale Series in Economic and Financial History (New Haven: Yale University Press, 2009). Nor can we ignore Russian influence in Mongolia and Manchuria, where Rubles were extremely popular from the 1890s to the Bolshevik Revolution. Chia Yin Hsu, "The 'Color' of Money: The Ruble, Competing Currencies, and Conceptions of Citizenship in Manchuria and the Russian Far East, 1890s-1920s," *The Russian Review* 73, no. 1 (2014): 83–110.
[124] Luman Wang, *Chinese Hinterland Capitalism and Shanxi Piaohao: Banking, State, and Family, 1720-1910* (London: Routledge, 2021).
[125] Yang Tao, *Qing Mo Guan Yin Qian Hao Shi Liao Ji Zhu*, Di 1 ban (Beijing: Zhongguo she hui ke xue chu ban she, 2019), 63-66.
[126] Luman Wang, *Chinese Hinterland Capitalism and Shanxi Piaohao: Banking, State, and Family, 1720-1910* (London: Routledge, 2021); Board of Finance, "Duzhibu Zouding Tongyong Yinqianpiao Zanxing Zhagncheng (度支部奏定通用银钱票暂行章程)," *Shangye Zazhi (Shaoxing) (商业杂志 (绍兴))* 2, no. 4 (1910): 35–38.

emissions, set capital requirements, and mandated issuing banks to acquire guarantees from other businesses of sound reputation.[127] The dynasty's goal was to unify the currency under its new central banks: the Bank of Communications and the Great Qing Bank. These regulations made it much more difficult to issue private notes, especially in cities with a heavy state presence. But we should not overstate its impact, nor the Qing state's capacity to enforce such an edict. Only four months later, the Sichuanese provincial Office of Industrial Promotion (*quanye dao* 劝业道) issued its own circular, ordering regional governments to move slowly on the new measures. It explained, "the Board of Finance's edict would restrict the circulation of silver and copper notes issued by private merchants. This is to protect the market and clean up commerce. Because the people are accustomed to using these notes and have done so for a long time, this cannot be done hastily."[128] In effect, the Industrial Promotion Office ordered the local government to slow-walk the new regulations. What appeared to be a forceful measure from the perspective of the court in Beijing, was less impressive at the local level.

During the Republican period, the twin challenges of modern banks and state intrusion intensified. The modern banking industry grew rapidly, with 52 Chinese banks operating in 1926, and 164 on the eve of the second world war.[129] During the warlord period (1915-1928), militarists—at least those with relatively stable and competent regimes—often sought control over the local financial system. In Yunnan, the warlord Fudian Bank functioned as a monobank

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[127] Board of Finance, ed., *Du Zhi Bu Bi Zhi Zou an Ji Yao* (Beijing, 1910), 13-14 and 33-35.
[128] "支部的奏案，限至商民发行银钱票子，系为保全市面，整顿商务起见，因为民间习用久了，不能急于禁止云云。" Nanchong Shi (China), ed., *Qing Dai Sichuan Nanbu Xian Ya Men Dang An*, Di 1 ban, vol. 269, Guo Jia Qing Shi Bian Zuan Wei Yuan Hui Dang an Cong Kan (Hefei: Huang Shan shu she, 2015), 108-109.
[129] Yeh-chien Wang, *Zhongguo jin dai huo bi yu yin hang di yan jin (1644-1937)*, (Taibei Shi Nan'gang: Zhong yang yan jiu yuan jing ji yan jiu suo), 69.

whose notes became the only currency to circulate in the province.[130] In Shanxi, Yan Xishan assumed similar control of the financial system. An earlier provincial bank, the "Official money department" (官钱局 *guanqian ju*), issued only limited amounts of paper money.[131] But in 1919 Yan Xishan reorganized it into the Shanxi Provincial Bank (山西省银行 *Shanxi sheng yinhang*). Though nominally private, the bank was in fact controlled by Yan. He even received formal permission from the Beiyang government to issue Shanxi Provincial Bank banknotes, which circulated as convertible fiduciary paper.[132] The Yan Xishan government further attacked private money in numerous missives banning the practice and unifying the currency under the silver dollar standard. These at first had limited effect, but after 1923 Yan enforced these rules more vigorously.[133] But even Yan Xishan could not dispose of private money entirely. In 1930, he joined forces with Feng Yuxiang in an ill-considered bid to overthrow Chiang Kaishek. Yan Xishan's troops were defeated at the battle of the Central Plains. His currency lost 95% of its value and ceased to function as a median of exchange.[134] As a stopgap, Yan allowed the private market to resume printing notes until the bank was reorganized.

Notes of the old Republic

Buffeted by increasingly aggressive state actors and competition from modern banks, merchant paper found ways to adapt. In Xiakou (now a part of Wuhan), qianzhuang ceased

[130] Shi Yun, *Fu dian yin hang yu miao xi qi ye* (Kunming: Yun nan ren min chu ban she, 2013).
[131] Zhou Baoluan, *Zhonghua Yin Hang Shi*, Zai ban (Shanghai: Shang wu), 18-19.
[132] Kong Xiangyi 孔祥毅, "Yan Xishan de Huobi Jinrong Sixiang Yu Shijian (阎锡山的货币金融思想与实践)," *Journal of Shanxi Finance and Economics University*, no. 05 (1993): 65–70.
[133] Donald G. Gillin, *Warlord: Yen Hsi-Shan in Shansi Province, 1911-1949* (Princeton, N.J: Princeton University Press, 1967), 99-101.
[134] Liu Fengbo 刘峰搏 and Han Dandan 韩丹丹, "On Yan Xi-Shan and the Issue of 'Paper Money of Jin' After China's Civil War in 1930 (阎锡山与中原大战后'晋钞'的发行)," *Shanxi Archives*, no. 03 (2012): 92–94.

issuing "cash notes" (*qianpiao* 钱票) in 1910, in accordance with the Ministry of Finance's regulations. But they continued to circulate "convertible certificates" (*dui quan* 兑券).[135] In some parts of the country, private paper continued to circulate regionally. Lou Min's study of notes in the Sichuan area found businesses issuing their own, circulating scrip as early as the mid-Qing and continuing well into the 1930s.[136] The *Minguo Ribao* reported on private paper money circulating in Jilin's commercial areas and county seats. It laments a profusion of low-quality notes, but states that note issued by the city's two largest *yinhao* have maintained excellent credit and public confidence.[137] Nor were these regions anomalous. In the early Republican period, most provinces continued to use private paper money, though usage was more common in the north, northwest, and along Yangzi river ports and less common along the southern coast.[138] In short, the long, Qing-era tradition of private paper money lived on well into the Republic.

Nevertheless, the end of monarchy brought three critical changes to regional paper money. First, the issuing institutions changed. Over time, there is a marked trend away from traditional private banks and toward state institutions. By the end of the Republican period, it no

[135]Yindong Lu and Zushe Hou, *(Minguo) Xiakou Xian Zhi: 22 Juan*, electronic resource (Beijing: Erudition Database, 2013).
[136] Lou Min 娄敏, "Jindai Zhongguo Changjiang Shangyou Diqu de Shangye Xingyong Piaoju: Yi Baxian Yu Jiangjin Wei Li 近代中国长江上游地区的商业信用票据:以巴县与江津为例 [Modern Chinese Commercial Bills in the Upper Yangzi: A Case Study of Ba County and Jiangjin]," *Zhongguo Jingjishi Yanjiu 中国经济史研究 [Researches in Chinese Economic History]*, no. 6 (2020): 118–32.
[137] "Jinan Jinrong Wenluan Zhi Jiuji (济南金融紊乱之救济)," *Min'guo Ribao (民國日報)*, August 28, 1924.
[138] According to Chen Xiaorong, private paper money was most common in Dongbei, Shanxi, Shandong, Hebei, HunanHunan, Hubei, Jiangxi, and Jiangbei. It was also common in certain regions of Sichuan, Gansu, Guangxi, and Anhui. Menawhile, Jiangnan, Zhejiang, and Guangdong used private notes less frequently. Chen Xiaorong, *Qian Piao Fan Lan Dui Minguo Jin Rong Ti Xi de Ying Xiang Yan Jiu*, Di 1 ban (Beijing: Zhongguo she hui ke xue chu ban she, 2015), 43.

longer makes sense to speak of "private money"; rather, the competition in question is between money issued by central governments and money issued by regional authorities. Second, the denomination of the notes transitioned from copper cash to silver dollars. Third, issuing institutions altered the format of their notes. The traditional Chinese vertical notes with florid engravings that Parkes had admired as "pretty" gradually gave way to the horizontal, "modern" format of western banknotes.

Institutional changes came about, per Hemingway, gradually then suddenly. As of 1915 or so, many counties in Shanxi, as well as Guihuacheng and Baotou, continued to circulate copper cash notes almost exactly as they had during the Qing. The *Shina Shōbetsu* records that in Xugou, "Copper notes are issued by banks and strong businesses. There are those that were issued during the Qing, and those that have been issued since the founding of the Republic. Most notes are printed using the old format. Only the Emergency Money Department issues notes in the new format."[139] Here we see a market where money looked mostly as it had during the Qing, but where a local government institution was already issuing horizontal, "new-style" banknotes. In Pingyao, the transition was even more abrupt. Though the market continued to rely on copper notes as its primary medium of exchange, the largest issuer was the western-style Weifeng Bank (蔚丰银行), followed by the more traditional *qianzhuang*.[140] In 1918, Yan Xishan's military government in Shanxi undertook drastic, centralizing reforms of the financial system. He

[139] Riben Tongwenhui (日本同文会), ed., *Shanxi Sheng Zhi, Zhongguo Fen Sheng Quan Zhi*, trans. Sun Yao, Sun Lei, and Ren Ping, vol. 17 (Taiyuan: Shanxi sheng difang zhi bianzuan weiyuanhui bangongshi, 1992), 486.
[140] Riben Tongwenhui (日本同文会), ed., *Shanxi Sheng Zhi, Zhongguo Fen Sheng Quan Zhi*, trans. Sun Yao, Sun Lei, and Ren Ping, vol. 17 (Taiyuan: Shanxi sheng difang zhi bianzuan weiyuanhui bangongshi, 1992), 512.

established the Shanxi Provincial Bank (山西省银行) with a monopoly over rights to issue paper money within the province.[141]

During the 1920s, notes are increasingly issued by local governments or quasi-governmental institutions such as chambers of commerce and cooperatives.[142] Notes issued by private companies redeemable for specie become increasingly rare. Thus, after this period it no longer makes sense to speak of "private" money, but rather local money. Image 6 shows an annotated copy of a note issued by the Guangmaoyong Company (广茂永记) in Sanjiao market of Linxiang county. The top of the note has the characters "Shanghui yanqi," (商会验讫) meaning, "Examined by the Chamber of Commerce." This suggests that the Chamber of Commerce guaranteed that the note was both real, as well as backed by sufficient assets to maintain its value. This example is one of several notes issued by local companies and guaranteed by the Chamber of Commerce. These notes should be considered a form of quasi-state currency, since during the Republican period Chambers of Commerce acted as an intermediary between the state and businesses.

Image 6. Guangshengmao copper note. JSSLJC, Piaotie, 127.

[141] Kong Xiangyi 孔祥毅, "Yan Xishan de Huobi Jinrong Sixiang Yu Shijian (阎锡山的货币金融思想与实践)," *Journal of Shanxi Finance and Economics University*, no. 05 (1993): 65–70; Yang Erxia 杨二霞, "Qiantan Min'guo Shiqi Jinchao Faxing Dui Shanxi Jingji Sheui de Yingxiang (浅论民国时期晋钞发行对山西经济社会的影响)," *China Economist*, no. 05 (2012): 197–99.
[142] See Chen Xiaorong, *Qian Piao Fan Lan Dui Minguo Jin Rong Ti Xi de Ying Xiang Yan Jiu*, Di 1 ban (Beijing: Zhongguo she hui ke xue chu ban she, 2015), 23-24. Chen Xiaorong aptly classifies such notes as "semi-governmental" (半官票 *ban guanpiao*).

A second change is in the nature of the metal underlying regional notes. In the Qing, the overwhelming majority of paper money was redeemable for hard copper. But during the Republic, and particularly after the inauguration of Nationalist rule in 1927, many regional notes cease to be convertible. Rather, they are issued in order to "circulate on the market" for the purposes of "relieving finance." These notes were generally backed by the local government, and intended to circulate as an extraordinary measure for a limited period of time. An excellent example is a note issued by the Datong Chamber of Commerce in 1928, seen in Image 7. The face value is one yuan, and the note was issued by the Chamber of Commerce to circulate within Datong to "rescue finance." Text printed on the back of the note makes clear it was not convertible. Moreover, the Chamber of Commerce forbade businesses from rejecting the note or discounting it relative to convertible notes. In other words, this slip of paper is a kind of county-level fiat currency.[143] Other notes remained convertible—but were themselves convertible into fiduciary paper. Thus, a note from 1928, issued by the Wenshui County Hsinghua Bank, specifically states that it is convertible into Shanxi Provincial Bank banknotes.[144] Similar notes are found in the 1930s.

Image 7. Datong county Chamber of Commerce, 1 yuan note, 1928. Source: JSSLJC, Piaotie, 161.

To generalize, after 1930 the primary support for local notes is no longer market-based public trust or adequate reserves of specie. Rather, their value derives from faith in the local government. Lest this faith

143 JSSLJC, Piaotie, 161.
144 JSSLJC, Piaotie, 168-2.

prove insufficient, notes are also backed by force of law: that is, it is illegal to refuse the notes or to discount them. Thus, the role of the state is almost the diametric opposite of its role under the Qing. Qing law sought to protect market participants from issuers of bad money; Republican-era governments sought to protect their own money from the caprices of the market.

In 1935, Chiang Kai-shek's Central Government in Nanjing seized on an opportunity to unify the currency of the entire nation. The US Silver Purchase Act of 1934 caused a sharp price decline in China, as silver left the country for the United States. Domestic financial markets seized up, and the country seemed poised for a spiral of bank failures, debt-deflation, and ultimately recession.[145] To replenish the money supply and stave off financial panic, the Nationalist government replaced the silver standard with its own, fiduciary currency—the "fabi" (法币), literally, "legal tender." The new currency was money good in the entire country, and was no longer convertible into silver. The government maintained a foreign exchange reserve and sought to stabilize exchange rates, albeit without committing to a formal peg.[146] The reforms were a sweeping success, and *fabi* was accepted in most of the country. After this period, all private notes cease and local currency was either issued as an "extraordinary measure" by local governments, or by cooperatives as a local coupon.

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[145] Milton Friedman, "Franklin D. Roosevelt, Silver, and China," *Journal of Political Economy* 100, no. 1 (1992): 62–83; Tomoko Shiroyama, *China during the Great Depression: Market, State, and the World Economy, 1929-1937*, Harvard East Asian Monographs 294 (Cambridge, Mass: Harvard University Press, 2008). Note that other scholars disagree, positing a less severe impact on the Chinese economy. See Loren Brandt and Thomas Sargent, "Interpreting New Evidence about China and U.S. Silver Purchases," *Journal of Monetary Economics* 23, no. 1 (1989): 31–51 and Thomas G. Rawski, "Milton Friedman, Silver, and China," *Journal of Political Economy* 101, no. 4 (1993): 755–58.

[146] Tomoko Shiroyama, *China during the Great Depression: Market, State, and the World Economy, 1929-1937*, Harvard East Asian Monographs 294 (Cambridge: Harvard University Press, 2008).

But traditional Chinese private money would soon be allowed one final act. In 1937, World War II broke out in the Pacific. A Japanese false-flag operation known as the Marco Polo Bridge Incident served as a pretext for a general invasion of China. In September of 1937, the Imperial Japanese Army (IJA) invaded Shanxi. In October the Battle of Taiyuan was joined. By November 9, the provincial capital and the rest of central Shanxi was in Japanese hands.[147] In December, the IJA captured the capital in Nanjing and perpetuated grizzly war crimes in what is now known as the Rape of Nanking.[148] Japan organized a puppet government based in Nanjing, complete with a central bank that issued its own “Central Reserve Notes.”[149] But the puppet government exercised only tenuous control over the countryside. With state control sporadic at best, and presumably spurred on by the serious inflation of government-issued fiduciary currencies (including Japanese, Nationalist, and Communist currencies), the century-old practice of private issuance of money came roaring back. A Japanese survey of villages in south and central Hebei, found that “currency organization has been insufficient…the new currency of the Eighth Route Army, rustic notes, and others all circulate…there are over twenty kinds of currency in all.” [150] The survey reported, “[S]ince the outbreak of war, money has been insufficient. In all areas, local authorities, village organizations, chambers of commerce, businesses, and Catholic churches are issuing their own paper notes.” The survey noted that this

[147] Long-hsuen Hsu and Mingkai Zhang, *History of the Sino-Japanese War (1937-1945)*, 2d ed (Taipei: Chung Wu Pub. Co, 1971), 195-200.
[148] Edward J. Drea and Hans J. Van de Ven, “An Overview of Major Military Campaigns during the Sino-Japanese War, 1937-1945,” in *The Battle for China: Essays on the Military History of the Sino-Japanese War of 1937-1945*, ed. Mark R. Peattie, Edward J. Drea, and Hans J. Van de Ven (Stanford, Calif: Stanford University Press, 2011), 27–47.
[149] Wang Meng 王萌, “Huazhong Guoce Huishe Jituan Yu Zhanshi Riben Dui Huazhong Tonghuo Zhengce (华中国策会社集团与战时日本对华中通货政策),” *Journal of Japanese Invasion of China and Nanjing Massacre*, no. 01 (2019): 17-29.
[150] Zhongguo lian he zhun bei yin hang, ed., *Kichū Kinan Hiku Keizai Jittai Chōsa* (Pekin: Chūgoku Rengō Junbi Ginkō Komonshitsu Rinji Bukka Chōsashitsu), 5.

practice had been banned, and such notes were "in the process" of being collected. But one doubts the ability of the Japanese or, for that matter, any of the warring armies in the Hebei basin to enforce such a ban. Indeed, the survey goes on to report that the Eighth Route Army had issued its own ban on private notes, though evidently to limited effect.[151]

Conclusion

This chapter demonstrates the widespread use of privately issued paper currency in the mid to late Qing dynasty. Private paper money circulated not only in urban centers, but also in county seats, temple fairs, and villages. In regions with Shanxi merchant institutions, this paper was mostly institutional, issued and backed by corporate entities. The most common issuer was a financial institution, such as *qianzhuang* or a pawnshop, but in rural areas general stores and other kinds of shops also issued their own, circulating scrip. Moreover, paper money and the institutions that issued them helped to integrate rural economies. Rather than hauling heavy copper from one village to another, a merchant or peasant could obtain a copper note at a nearby market town, which was money good in the surrounding environs. Indeed, even urban *qianzhuang* sent peddlers to temple fairs to meet the monetary needs of the rural economy. Most importantly, by following the circuit of paper notes, we can see how commercial finance influenced the agrarian economy. Banks would finance grain dealers, which could in turn issue scrip to make payments to peasants. In this way, credit flowed from dedicated financial institutions, through grain merchants, into the countryside.

Previous histories of Qing-era copper notes have examined the phenomenon from the perspective of monetary history, with particular attention paid to their impact on copper

[151] Zhongguo lian he zhun bei yin hang, ed., *Kichū Kinan Hiku Keizai Jittai Chōsa* (Pekin: Chūgoku Rengō Junbi Ginkō Komonshitsu Rinji Bukka Chōsashitsu), 12-16.

depreciation or as evidence of unmet demand for currency.[152] This chapter is among the first attempts to examine these notes in the context of other Chinese institutions, namely, Chinese legal practices along with merchant associations and chambers of commerce. It argues that Chinese legal protection provided the cornerstone of paper money. Qing courts viewed paper notes as a form of debt and insisted that it be repaid in full using silver or copper specie. In cases when a delinquent was found to have issued far more notes than their capital could support, the courts treated default as a form of fraud. On top of this cornerstone, merchant associations acted as self-regulating, gatekeeping institutions. These associations guaranteed, either implicitly or explicitly, the good fiscal conduct of their members. Neither the courts nor merchant associations were foolproof—bank failures did occur—but they were effective at allowing notes with sufficient public confidence to circulate at par.

This privately run system of paper money has several larger implications for Chinese history. Most directly, it testifies to the dynamism in Qing-era Chinese business. The system of private notes circulating as currency was not designed by the state nor supported by any code of law or imperial writ. It emerged organically to meet the needs of Chinese merchants, peasants, and consumers. Nevertheless, this system was capable of regulating itself such that the public maintained trust in private notes, allowing them to circulate as currency. Second, and more

[152] On depreciation as a result of debasement, see Werner Burger, *Ch'ing Cash: Ch'ing Cash vol. 1* (Hong Kong: University Museum and Art Gallery, The University of Hong Kong, 2016). Von Glahn agrees, but believes that debased coin and paper notes were attempts by the market to meet a very real demand for money. Relatedly, he believes the fall in prices that marked the "Daoguang depression" was a result of, not the cause of, an endogenous slump in domestic demand. Richard von Glahn, "Economic Depression and the Silver Question in Nineteenth-Century China," in *Global History and New Polycentric Approaches: Europe, Asia and the Americas in a World Network System*, ed. Manuel Perez Garcia and Lucio De Sousa, Palgrave Studies in Comparative Global History (Singapore: Springer, 2018), 81–118, https://doi.org/10.1007/978-981-10-4053-5_5.

obliquely, it gestures toward an old debate in the economic history of the Qing: the causes and consequences of copper cash's roughly 60% depreciation relative to silver over the course of the Qing.[153] Traditionally, the depreciation is seen as supply driven, a consequences of copper imports, the opening of Yunnan's copper mines, illicit minting and debasement of copper coins, silver exports, or some combination thereof.[154] But the profusion of both silver and copper monetary notes indicates a demand side to the story. Clearly, demand for currency outpaced what could be profitably supplied using physical stocks of metal. This suggests that changes in the relative volumes of copper and silver were responding to changes in demand for currency, as much as to changes in supply. We should look at illicit copper and the "fracturing" of copper as a market response to what would have been a serious shortage of currency.

Qing-era private money also has implications for the history of finance. There is a long-standing debate on whether money derives from the state's ability to tax, or from the private

[153] Manhong Lin, *China Upside down: Currency, Society, and Ideologies, 1808-1856*, 270 (Cambridge, Mass: Harvard University Asia Center, 2006), 86.

[154] Lin Manhoung provides the most forceful argument for silver outflows leading to copper depreciation. Werner Burger and Xiaoyu Gao put more weight on increases in copper coin. Xiaoyu Gao, "The Monetary Shadow of High Qing: Copper Cash Counterfeiting during the Qianlong Reign (1736-1796)" (University of Chicago East Asia: Transregional Histories Workshop, Chicago, 2022). Also see Dennis Flynn's review of Lin, in which he writes, "What is not entirely clear to me, however, is the extent to which these shifting exchange rates reflected a fall in the market value of copper coins vis-à-vis a rise in value of silver coins within China. The following statement is consistent with a decline in copper prices: '[I]t cost more silver to mint copper coins than the silver for which those cast coins could be exchanged in the marketplace' (p. 10); this is precisely the outcome one would expect with a fall in copper's price." Dennis O. Flynn, review of *Review of China Upside Down: Currency, Society, and Ideologies, 1808—1856. Harvard East Asian Monographs 270*, by Man-houng Lin, *China Review International* 14, no. 2 (2007): 505–9. Von Glahn argues that increased minting and the prevalence of copper notes was the likely cause of copper depreciation. Richard von Glahn, "Economic Depression and the Silver Question in Nineteenth-Century China," in *Global History and New Polycentric Approaches: Europe, Asia and the Americas in a World Network System*, ed. Manuel Perez Garcia and Lucio De Sousa, Palgrave Studies in Comparative Global History (Singapore: Springer, 2018), 81–118, https://doi.org/10.1007/978-981-10-4053-5_5.

market's need to intermediate exchange. The former view is associated with Chartilism and Modern Money Theory.[155] In its strong form, Chartilism posits that money is always defined by that which the state accepts as taxes. But taxes were usually not payable in copper, nor in private notes.[156] The Chinese experience argues forcefully against the strong form of historical Chartilism. Finally, one cannot help but notice the similarities between Chinese silver and copper notes, and western banknotes. Both Chinese notes and western banknotes served as currency, and were accepted as currency because they were liabilities of respected businesses. This example of convergent evolution suggests that banking and banknotes tend to emerge organically in sufficiently complex market economies.

[155] Chartilism comes from Georg Frierdrich Knapp's seminal work, the *State Theory of Money*. The opening sentences summarize the main argument: "Money is a creature of law. A theory of money must therefore deal with legal history." Georg Friedrich Knapp, *The State Theory of Money*, trans. H. M. Lucas and James Bonar (London: Macmillan and Co., limited, 1924). Also see L. Randall Wray, *Understanding Modern Money: The Key to Full Employment and Price Stability* (Edward Elgar Pub., 2006), 39-74. Wray is more modest; he believes the weight of evidence suggests money originated in the state but leaves open the possibility for other or multiple origins and doubts the question will ever be settled decisively.

[156] The fact that the court minted copper coins is less relevant under a Chartilist or MMT framework; for Knapp, it is the tax authority that creates defines money.