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Mark David Miller
University of Nevada, Las Vegas

PRINTING CHINA'S GOLD: THE AMERICAN BANK NOTE COMPANY AND THE CUSTOMS GOLD UNITS OF 1930

by

Mark David Miller

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MARK D. MILLER

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ABSTRACT

Printing China's Gold: The American Bank Note Company and the Customs Gold Units of 1930

by

Mark David Miller

Dr. Sue Fawn Chung, Examination Committee Chair
Associate Professor of History
University of Nevada, Las Vegas

In 1928, T.V. Soong headed the new Central Bank of China to pursue monetary reform, redeem bad debts, negotiate with foreign powers in monetary matters, and increase customs revenue. The new Nanjing government, headed by Jiang Jishi (Chiang Kai-shek), his brother-in-law, realized the importance of close ties between government and banking through the 1930s and 1940s and involved the United States in their banking affairs.

This thesis investigates the activities of the Central Bank of China in the early twentieth century. Within the broad spectrum of banking, this work focuses on the issuance of certain bank notes by the Chinese government and the participation of an American printing company in that process. This study will also explore China's motivations and attempt to collect its customs revenues on a gold basis. Using newly discovered private archival material, it will further examine the issuance of Customs Gold Units in 1930. The result of this study will enrich readers about a unique Sino-

American relationship between a domestic central bank and a foreign bank note printer against the larger economic relationship between the two countries and the world.

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A special thanks to Mr. and Mrs. Arthur Morowitz and Jon Morowitz for the use of their private archival materials from the American Bank Note Company. These materials have been invaluable in my effort to enrich readers about the Customs Gold Unit Story.

Professor Bruce Dalgaard of St. Olaf's College was the most helpful with his experience of the Kemmerer papers, having studied under Donald Kemmerer at the University of Illinois. I thank him for his suggestions and comments.

At Princeton University, the staff at the Seely G. Mudd Manuscript Library was most helpful and I want to mention specifically Mr. Daniel Linke—University Archivist & Curator of Public Policy Papers. Further, the staff at Stanford University's Hoover Institute was very helpful during my research there of the T.V. Soong and Arthur Young papers.

Last but not least, I thank my wife Susan for her support and patience during my studies.

CHAPTER 1

INTRODUCTION

By 1928 China found itself in financial chaos. While the successful Northern Expedition of Jiang Jieshi had routed the communists, the newly established Nanjing government needed financial organization, better tax collection, and a respectful process to begin paying down its external national debts.[1] This debt had grown steadily since the end of the Sino-Japanese War in 1895. Outside help from the United States was solicited and received from Professor Edwin Kemmerer of Princeton University and his group of financial experts. Numerous suggestions were put forth, and many implemented, to help China modernize the financial dealings of its government. A significant step taken was to place China's customs revenues from abroad on a gold exchange standard. These revenues were "linked" to gold via the development of a unit of exchange called Customs Gold Units (CGU). Bank notes in various CGU denominations were utilized to facilitate payments. These notes were designed and printed by the American Bank Note Company (ABNC) in New York, thus continuing a relationship already established between ABNC and various customers in China. This work will review China's debt, the process of the

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[1] In the newer Pinyin nomenclature system, the name for Chiang Kai-shek is Jiang Jieshi. The Pinyin system will be used in this work, with the exceptions of Sun Fo, Sun Yat-Sen, and the Soong clan.

development of the Customs Gold Units, their associated bank notes, and their successful role in China's financial reforms. Using new sources, this paper will also discuss the design and procurement of the notes from America and their subsequent issuance and use by the Central Bank of China.

This work had its roots in the study and collection of paper currency. Over the years, China has issued many bank notes -- with most printed domestically. However, American and other foreign bank note firms had a presence in China since the beginning of the 20th Century and were providing notes of high quality. The value of Chinese notes in today's marketplace remains a broad spectrum of pricing. And, as any collector knows, rarity, quality, and condition of the note are its salient components.

Even a superficial look at the 1930 Customs Gold Unit note shows some uniqueness. Absent is any printing of the words "yuan," "gold yuan," or "dollars" as seen on other national currency notes. The question quickly arises as to what was the intended use of these notes? And perhaps more importantly, what was the source of the Customs Gold Unit concept? What financial policy did the notes support?

Methodology

These questions identify a need for historical knowledge on this subject. Accordingly, of the various methods of qualitative research, this thesis relied most on historiography. Generally, there are four types of historical evidence: primary sources, secondary sources, running records, and recollections. It is the primary sources, and in particular the newly discovered ones, on which this study is based.

The first step was to find out what primary sources were available about these particular bank notes. A query was made to the editors of Bank Note Reporter, the leading publication on currency.[2] They put this writer in touch with their expert on Asian notes. The subject was discussed with this expert and the question was put forth as to what person, company, or organization might own the historical archival materials of the American Bank Note Company (ABNC).

These conversations led to contact with the Arthur Morowitz family in New York City. In the course of conducting his bank note business, Morowitz had procured at auction copious amounts of ABNC archives which were being destroyed as part of an old warehouse demolition project. His intent as a businessman was to search the files for any remaining notes – especially "sample notes," which could support his business endeavors.

Fortunately for this writer, Morowitz has allowed the use of the pertinent China files relative to the specific years in question. Needless to say, these newly discovered (and almost destroyed) records were a treasure trove of information on ABNC and its dealings with China. Further, these primary source materials have not been previously available to any scholars.

The next step in this study was to search for other primary sources. In a sense, this writer was working somewhat backwards on a timeline. Already in hand were the Morowitz archives which will enrich readers about the CGU note's design, production, and shipment to China. Needed was the gathering of additional primary source material

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[2] Bank Note Reporter, monthly publication (Krause Publications)

on the CGU notes prior to design and production--in other words, the various financial steps taken by the Chinese Government which the notes would support.

Critical in filling that need were the Edwin Kemmerer papers archived at Princeton University. Kemmerer, known as the "money doctor" in world financial circles, led the group of experts to China to assist the government there on various matters of debt reduction, finance, and internal controls. It was the Kemmerer group, specifically member Arthur Young, who advised China to collect its customs duties on a gold basis. As this idea became government policy, the GCU notes were printed to support this new monetary unit and its use by China. Accordingly, these records were accessed to show the historical relationship with the ABNC archival materials within the much larger Kemmerer group's scope of work.

Further, in terms of primary sources, it was important to attempt to view the CGU bank note story through a Sino-centric lens. This attempt was made via a search of the T.V. Soong private papers at the Hoover Institute of Stanford University. Regrettably, this archival material focused mainly on the time period of World War II and little relevant information was found to enrich this study. However, Soong, as Minister of Finance for China during this period, was a critical player. It was he who moved the CGU concept forward to reality and was very involved with the subsequent notes that China ordered printed. Also on a positive note, some important CGU correspondence was found in the Arthur Young papers, also archived at the Hoover Institute.

Scholarly Works

Numerous historians, diplomats, and economists have studied both China's feudal and modern fiscal systems. In 1916, Charles Denby, a former United States Consul-General in China, wrote that China's public indebtedness had been incurred "almost entirely during the past twenty-five years" with almost all of it foreign held.[3] Denby was also cognizant of the importance of the maritime customs revenues as China's most dependable source of funds. In 1926, Chinese economist Ching-Wei Shou [4] wrote that the country's fiscal history could be simply divided into three main periods: (a) the Feudal Period (2698-221 B. C.), (b) the Imperial Period (221 B. C. – 1912 A. D.), and (c) the Republican Period. Shou, a beneficiary of both Chinese and American educational systems, contended that China's fiscal systems were in need of modernization within the broader context of social reconstruction. Further, his work pointed out that China should not forget the lessons of its fiscal past, i.e. poor taxation practices and unfair land administration. Shou specifically called for a firmly controlled coinage system to minimize the scourge of inflation seen with many paper notes.

Other scholarship, such as that done separately in 1930 by Julean Arnold[5] and Dickson Leavens,[6] began to appear as the Kemmerer group was finishing up its work in

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[3] Charles Denby, "The National Debt of China – Its Origin and Its Security," Annals of the American Academy of Political and Social Science, 68 (1916): 55-70.

[4] Ching-Wei Shou, Democracy and Finance in China: A Study in the Development of Fiscal Systems and Ideal (New York: Columbia University Press, 1926).

[5] Julean Arnold, "The Commercial Problems of China," Annals of the American Academy of Political and Social Science, 152 (1930): 142-159.

[6] Dickson H. Leavens, "Chinese Money and Banking," Annals of the American Academy of Political and Social Science, 152 (1930): 206-213.

China. Both noted the complexities of various forms of silver being used in China and the perils of trade transactions with silver being a highly fluctuating component. Arnold argued that China had become a dumping ground for the world's surplus silver and was thus suffering from impaired trade. Further, he stated that China "has much to gain by an arrangement whereby trade will not be harassed by the uncertainties of a currency which, while serving as a medium of exchange, is also a commodity subject to the laws of supply and demand, plus manipulations on the part of those dealing in this commodity."[7] He also contended that while reform was possible and badly needed, its success would depend upon a strong national government to effectively exercise control over the country.

Kemmerer's proposed reforms were not without criticism within China. As published in Pacific Affairs in 1931, Chu Ching-Lai[8] contended that changes in China's monetary system were "untimely" and likely unsuccessful as there was no practical way to regulate the country's silver market and likewise the world silver situation. While generally respectful of Kemmerer's thinking and financial experience, he clearly opposed the practical changes suggested and their timetable for implementation.

Throughout the 1930's, reports on Chinese financial matters followed a predictable trend. Silver/silver prices were always the primary topic along with the Manchurian

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[7] Arnold, "Commercial Problems of China," 150.

[8] Ching-Lai Chu, "A Critical Study of the Kemmerer Report," Pacific Affairs, 4 (1931): 210-224, translated and reprinted from Eastern Miscellany, Shanghai, August 25, 1930.

situation. Such reporting is obvious when considering that China went off the silver standard in November 1935 and began operating on a managed paper currency system.[9]

In 1954, economist Frank H. H. King published the first important essay on the Customs Gold Unit (CGU).[10] He mentioned the use of the CGU notes and their issuance by the Central Bank. From an economics standpoint, this study was good because it covered the CGU program from its establishment until its demise with the Communist takeover of China in 1949. He failed to mention the source of the CGU notes or their design and procurement.

More recent scholarship on China's early twentieth-century economy includes data analysis done in 1997 by Loren Brandt[11] and in 1999 by Philip Richardson.[12] These works focus on the various economic sectors which are important in terms of discussing imports/exports through the treaty-port system in China. Further, aside from analysis of productivity and other factors, their works are important for understanding growing international markets as related to China. This writer concurs with Brandt's conclusion that while the opening-up of China to foreign trade was driving economic growth, China needed to develop new technical and administrative skills. As its labor force was still 85 percent agrarian, (versus 75 percent for Japan), it would take longer for the non-agrarian labor sector to grow, in skill levels and numbers.

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[9] Leonard T. K. Wu, "China's Monetary Dilemma," Far Eastern Survey, 4: 24, (935), 190.

[10] Frank H. H. King, "Essays in China's Recent Monetary History, I: The Customs Gold Unit," Far Eastern Economic Review, 16 (1954): 176-178.

[11] Loren Brandt, "Reflections on China's Late 19th and Early 20th Century Economy," China Quarterly, No. 150, Special Issue: Reappraising Republic China. (1997): 282-308.

[12] Philip Richardson, Economic Change in China: 1800-1950 (Cambridge, 1999).

Some exception is taken to Richardson's position on Manchuria and its treaty ports. While Japan was indeed responsible for much of Manchuria's industrialization during its occupation, Richardson mentions the "enormous" military, political, and psychological costs to China. However, he fails to mention certain economic and budgetary costs to China. Specifically, Manchuria's various ports collected some ten to fifteen percent of all customs revenues (see Appendix: Table 1). Needless to say, loss of the Manchurian port revenues after 1931 was significant to China's national budget.

In 2001 William Goetzmann[13] and others took a more global view of China's initial experiences in the global financial markets. Loan negotiations, for example, played a key role not only in establishing protections for foreign investors, but also allowed an opening for some with "colonial designs" on China. Railroads and their finance also played a key role. Goetzmann's position is supported by the records of Sun Fo's visit to America in 1928, initially seeking loans to purchase railroad bonds in an effort to take away Japanese control of a particular rail line (see Appendix: Illustration 1). Sun was not successful in obtaining such loans. Today, China attracts considerable foreign investment. But unburdened by extra-territoriality, sovereignty, and other issues of 100 years ago, the country is in a much better position to control its financial matters. Goetzmann correctly points out that today China is still sensitive on these matters and considers them internal.[14]

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[13] William N. Goetzmann, Andrey Ukhov, and Ning Zhu, "China and the World Financial Markets 1870-1930: Modern Lessons From Historical Globalization," Yale International Center For Finance, Working Paper No. 00-62, October 16, 2001.

[14] Consider the present-day efforts of the U.S. government to push China to change its monetary policy. Such efforts have had little success.

In 2001 Mu Yang Li[15], gave a second global view of the Chinese economy with an analysis of public finance within the context of what he calls "institutional inflexibilities." Systems in place by imperial edict were lacking in flexibility and sophistication to support the needs of modern taxation and finance. While some of his budget figures are admittedly estimates, Li shows the rapid growth of Maritime Customs revenues from the mid-1700's to the early 1890's. Such revenues were almost twenty-five percent of the imperial budget and would grow to become the most stable and reliable for China.

In 2004 Tony Latter examined aspects of three monetary changes in Hong Kong during the early to mid-1930s as China struggled with its debts and finances on a silver-based currency program.[16] While he was correct in pointing out China had made no move toward a gold-based system as recommended by the Kemmerer Commission, it was not accurate to say that the Customs Gold Unit program was "largely inconsequential." This writing will show that the CGU program was successful, and helped China to pay down a large portion of foreign debt in a difficult period of falling silver prices.

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[15] Mu Yang Li, "Public Finance and Political Order: Lessons from China's Economic Development in the Late Nineteenth Century." E-ASPAC, Asian Studies on the Pacific Coast, electronic journal, February 2002. Internet: http://mcel.pacificu.edu/easpac/2002/muyangli.php3.

[16] Tony Latter, "Hong Kong's Exchange Rate Regimes in the Twentieth Century: The Story of Three Regime Changes," Hong Kong Institute For Monetary Research, Working Paper No. 17/2004, September 2004.

Organization

Chapter I will review China's external debt as a result of the Sino-Japanese War (1894-1895), a growing debt after the Boxer Rebellion (1900), and the issues of *Lijin* and poor internal taxation practices (1853-1928). Chapter II will address the political history of the Nationalists under Jiang Jieshi and the important role of Sun Fo in seeking American financial assistance for China. Chapter III will examine the Kemmerer group of financial experts and their scope of work while Chapter IV will discuss their investigations and their role in pushing for the development of the CGU within the Chinese Maritime Customs area. Chapter V will give an historical overview of the American Bank Note Company and will then focus on the company's role in producing the CGU notes for China. Chapter VI will look at the aftermath of the CGU program, its authors, users, and printer. Chapter VII will conclude this study by assessing a time in China's history during which it faced outside aggression as well as internal strife. Indeed, while this period was one of China's darkest financially, it sought out, and, in many respects put to good use, the advice of American experts as it fought its way out of a tremendous foreign debt burden.

CHAPTER 2

THE SINO-JAPANESE WAR DEBT

Prior to 1894 China had little foreign debt. There were some short-term loans made to the Chinese Imperial Government, mostly by the largest foreign bank in China – the Hongkong and Shanghai Banking Corporation.[17] These loans had been paid off as they became due. Such borrowings, "a few tens of millions," as termed by some Chinese officials, had still left China with no dependence on foreign banks or money markets.[18]

Soon China was forced to raise its external debt due to losses in war and rebellion. In April 1895, the terms of the Treaty of Shimonoseki were finalized. China had lost the war with Japan and was forced into agreeing to indemnity payments of 200 million *taels*.[19] The treaty also essentially made Korea a protectorate of Japan, ceded Taiwan and the

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[17] The Hongkong and Shanghai Banking Corporation (HSBC) was the largest and most powerful of the foreign banks operating in China. It was a depositary bank for various Chinese Government funds. It also performed amortization and interest services for many Chinese Government loans. See Frederic E. Lee, Currency, Banking, And Finance In China (Washington, DC: Department of Commerce, Bureau Of Foreign And Domestic Commerce - Finance And Investment Division, 1926), 91-92, 136, Government Printing Office, Trade Promotion Series - No. 27.

[18] Incoming investments continued to grow as foreign powers took advantage of their trade agreements and well as their rights of extraterritoriality. But China's balance sheet would dramatically grow according to C. F. Remer, Foreign Investments In China (New York, 1933), 117-119.

[19] The word "*tael*" is a Portuguese modification of the Malay *tahil*, or "weight." In a monetary sense, it is used in translation of the Chinese word *liang* or "ounce." Usually, in Shanghai the standard unit of account was 524.93 grains of fine silver and accordingly was referred to as the "Shanghai *tael*." Another just slightly different unit was the "Haikwan" or "Customs" *tael*. See Albert Feuerwerker, China's Early Industrialization: Sheng Hsuan-Huai (1844-1916) and Mandarin Enterprise (Cambridge, 1958), 255.

Pescadores "in perpetuity," and opened four more treaty ports.[20] Yet the financial terms soon worsened. Russia, France, and Germany intervened and advised Japan not to take possession of the Liaotung peninsula as had been ceded in the treaty. This intervention and subsequent negotiation resulted in a revised indemnity payment of 231.5 million *taels*.[21] China had no other choice but to borrow the money from abroad to pay Japan.[22] A consortium of Russian, French, and German banks became the lenders. Clearly, their respective governments were protecting their own political and financial interests.

The first "Japanese Indemnity Loan" was the Chinese Four Percent Gold Loan of 1895. This has also been referred to as the Franco-Russian Loan. A syndicate of six French and four Russian banks made the loan issue. The loan beared interest at four percent annually, which was payable in January and July. The loan was amortized over thirty-six years, and was due to be paid by 1931.[23]

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[20] The treaty terms were disastrous for China. Almost powerless, and negotiating from a position of little strength, the Qing court could do little. The court seemed "paralyzed" as described by Jonathan D. Spence, The Search For Modern China (New York, 1999), 220-222.

[21] Accounting for fractional amounts of *taels* was standard practice in China according to Feuerwerker. For example, he quotes E. H. Parker who observed, "fractions are often worked out to the hundred-millionth part of a *tael*." Parker also wrote: "In 1886 I came across the accounts of the 'Grand Almoner of Peking' who calculated his fractions down to the ten-billionth part of a *tael* for each item." Certainly, in calculating foreign debt the payments were not fractionalized to this extent. But internally, it had been a practice for a long time.

[22] As Remer wrote, the Japanese received their payment in full. The treaty stipulated that the funds be paid over in London to the Japanese government. This was done between 31 October 1895 and 8 May 1898. The payment was in British pounds sterling and came to US $185.3 million.

[23] The terms of the loan were very complex. China issued a "general bond" for the loan. But the bondholders could be paid in their choice of five currencies. Further, bondholders were assured: "The service of the bonds will take place, at the option of the holders, at Paris, Brussels, and Geneva, in francs; at Berlin and Frankfurt-on-Main, in reichmarks; at London, in pounds sterling; at Amsterdam, in Netherland florins; at St. Petersburg, in gold rubles..." Thus the bondholders were able to play the currency exchange markets and were able to receive payment in the currency having the highest value at the time. Since the Chinese Customs revenues were used to pay bondholders, this put China at a financial disadvantage. Customs was always forced to provide funding for the bonds twice yearly in the currency that was most expensive for China to pay. See *Project of A Public Credit Rehabilitation Law, Together With A Report on*

A second loan related to the same indemnity needs was the Five Percent Sterling Loan of 1896, or the Five Percent Anglo-German loan. A syndicate of banks led by HSBC and the Deutsch-Asiatische Bank also arranged this loan, totaling 16 million pounds sterling. However, unlike the earlier 1895 loan, this transaction was payable in only one currency – British sterling.[24] There were other restrictions in this loan contract. Funding for repayment stipulated that the loan was to be secured by the Imperial Maritime Customs revenues, but no additional or future loan could take precedent over it once accepted. Essentially, this loan was to be paid – principal and interest - via priority status over any other loan. Further, as noted in Article 7 of the loan documents, "any future loan charge or mortgage charged on the said Customs Revenue shall be made subject to this loan and it shall be so expressed in every agreement for any such future loan charge or mortgage." Other clauses noted if the customs revenues were insufficient to service the loan, China was still obligated to pay using other sources of revenue. A final note in this same article stated that "the administration of the Imperial Maritime Customs of China shall continue as at present constituted, during the currency of this loan."[25] This was in reference to the fact that the Inspector-General of the Customs

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the National Debt of China and the Rehabilitation of China's Credit, by Edwin Kemmerer, Chairman (Shanghai, China: Commission of Financial Experts, 1929), 6-8.

[24] *Project of A Public Credit Rehabilitation Law, Together With A Report on the National Debt of China and the Rehabilitation of China's Credit*, by Edwin Kemmerer, Chairman (Shanghai, China: Commission of Financial Experts, 1929), 11.

[25] The British bank was clearly dealing from a position of strength in writing the loan documents. The maritime customs services were operated by the British and had been since the middle of the century. Accordingly, this tightly structured loan placed itself in the front of the line for payment before all others - and, in a position to always be paid via China's most dependable revenue source. In the Kemmerer Commission's supporting reports, they have relied heavily on other's work. See Stanley F. Wright, <u>The Collection and Disposal of the Maritime and Native Customs Revenue since the Revolution of 1911</u> (Shanghai, 1927).

Service was a British subject as was most of his managerial staff. Clearly the bank did not want this arrangement to change or see the operation under Chinese management.[26]

This same Anglo-German group made a second loan to China. Recorded as the Imperial Chinese 4 ½ Percent Gold Loan of 1898, a specific reference was made to the indemnity owed the Japanese government and that the proceeds of the loan were to be used to pay the indemnity. Totaling 16 million pounds sterling, it was also secured by maritime customs revenues "subject to previously loans already charged on the security thereof and yet redeemed." As additional security, China was to transfer certain *lijin* funds under the control of Inspector-General of the Maritime Customs in the amount of five million *taels* yearly.[27] Moreover, if China decided to revise *lijin* taxes or abolish the system countrywide, the additional security for the loan in an equivalent amount had to be obtained by substituting "a first charge upon the increase of Customs revenue consequent on such revision." *Lijin* was a tax on domestic transit of goods and will be covered in more detail in a later section.

These three international loans to China were all charged against China's most dependable and best financial security – the customs revenue. They were regularly

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[26] Robert Hart served as Inspector-General of the Customs Service from 1863 to 1908. He was largely responsible for the organizational structure, procedures, and staffing for the Service. Hart, a native of Northern Ireland and graduate of Queen's College in Belfast, was by most accounts a demanding taskmaster and extremely autocratic. See Albert Feuerwerker, The Foreign Establishment in China in the Early Twentieth Century, (Ann Arbor, 1976), 116. See also Robert Hart and China's Early Modernization: His Journals, 1863-1866, ed. Richard J. Smith, John K. Fairbank, and Katherine Bruner (Cambridge, 1991) and The I.G. in Peking: Letters of Robert Hart, Chinese Maritime Customs, 1868-1907, ed. John K. Fairbank, Katherine Bruner, and Elizabeth Matheson (Cambridge, 1975).

[27] As Frederic Lee wrote, *lijin* was a tax levied against goods in inland transit. It originated in 1853 to produce funds for the Qing government to fight the Taiping Rebellion. Abolishment of *lijin* came up in discussions often but there was strong opposition from many because it was felt China needed every tax income possible. While Lee referred to *lijin* as "internal barrier taxes", other scholars have used the term "commercial transit tax". For example, the latter was used by Immanuel C. Y. Hsu, The Rise of Modern China (New York: Oxford University Press, 1983), 430.

serviced and paid except for a brief period in 1911-12, when the revolution caused some temporary disruption in China's financial administration. By April 1912, any arrears of these foreign loans had been paid. The customs revenues were sufficient to meet the financial terms of the loans.

As for Japan, the indemnity money began to flow and be put to use (see Appendix: Table 2). As Li Mu Yang wrote, some 360 million *yen* were paid to Japan with some 76 percent of that sum allocated to the Japanese Army and Navy.[28]

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[28] Mu Yang Li, "Essays On Public Finance And Economic Development In A Historical Institutional Perspective: China, 1840-1911" (Ph.D. dissertation, Stanford University, 2003), 130.

CHAPTER 3

THE DEBT RISES—THE BOXER INDEMNITY

China's next financial challenge came in 1901 with the "Final Protocol for the Settlement of the Disturbances of 1900" signed September 7, 1901. The agreement called for China to pay an indemnity of 450 million *Haikwan taels* or $334 million in U.S. funds for the Boxer Uprising of 1900. The protocol terms called for the indemnity to bear interest at an annual rate of four percent, and to amortize over 39 years. Initially, interest was to be paid semi-annually and amortization annually. However, in a revised agreement of 1905, payments were to be made monthly. In return, China received a 4 percent credit per year on "anticipated monthly payments."[29]

Payment for the indemnity followed a track similar to that of earlier financial obligations. Bonds were issued and resources "assigned" as security for the payments to be made. First of all were the "balance of the revenues of the Imperial Maritime Customs, after payment of the interest and amortization of previous loans secured on these revenues."[30] Additional funds would include the "proceeds of the raising to 5

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[29] Edwin Kemmerer, "*Project of a Public Credit Rehabilitation Law, Together With a Report on the National Debt of China and the Rehabilitation of China's Credit*," (Shanghai, 1929), 22.

[30] Ibid., 23-24.

percent effective of the present tariff on maritime imports."[31] Secondary and tertiary assigned funds included native customs revenues and salt revenues, but the maritime customs were sufficient to provide funding for the indemnity bonds. Indemnity payments were made proportionally to the fifteen foreign powers that fought against the Boxers (see Appendix: Table 3).[32] While a sizeable sum initially, the Boxer Indemnity obligations were gradually lessened for China's benefit.

Beginning in 1908, the United States Congress took action to remit back to China over half the payments due to the U.S. The first remitted payments were used to support Chinese students in the United States and to support Tsing-hua University near present-day Beijing. Later in 1925, a foundation was set up to administer the remitted funds, with ten Chinese and five American trustees. It was a successful venture and benefited a variety of cultural and educational programs.[33]

Further transformation of the overall indemnity due to foreign powers took place during and after World War I. In early 1917, China broke off diplomatic relations with Germany and Austria. Their indemnity payments were stopped by China and ultimately cancelled as part of the peace settlement. Payments to the "Allied Powers" and the U.S. were also deferred until 1922. This freed up some funds for domestic loans. Russia later

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[31] Exemptions to the tariff increase were rice, cereals, flour, gold and silver bullion, and coin.

[32] Of the countries owed an indemnity, Russia was entitled to the most with 28.97136 percent of the total. Germany, France, Great Britain, Japan, and the United States rounded out the next five countries in decreasing percentages. The bottom two countries in terms of percentage were Sweden and Norway with a combined percentage of .01396 percent. Other countries receiving payments were Italy, Belgium, Austria-Hungary, The Netherlands, Spain, and Portugal. See Edwin Kemmerer, Project of a Public Credit Rehabilitation Law, Together With a report on the National Debt of China and the Rehabilitation of China's Credit, (Shanghai, 1929), 25.

[33] Arthur N. Young, China's Nation-Building Effort (Stanford: Hoover Institution Press of Stanford University, 1971), 113-115.

renounced all payments due in 1924. Thus, with various portions of the indemnity either cancelled, renounced, or remitted, by 1928 the Boxer Indemnity had been reduced from $334 million to $128 million.[34]

Since obligations to Boxer Indemnity payments were reduced, China wasted little time in borrowing funds and making domestic loans. Such domestic loans were secured by cancelled or remitted portions of the Boxer indemnity and generally ran at a much higher interest rate (six to eight percent) than previous foreign loans. For example, the "13th Year Eight Per Cent special Treasury Notes of the Republic of China" loan was for eight percent. It was issued in 1924 and matured in 1930. This loan was specifically secured against the cancelled portion of obligations to Russia. Another example was the "Public Safety Loan of the 15th Year." Issued in 1926, its terms were an interest rate of 16.8 percent and a maturity date of 1935.[35]

Further, Salt revenue and Native Customs had also been pledged as security to meet various external and growing internal loans. Essentially, after 1915 there was little unencumbered revenue that China could use to secure new foreign loans. Thus its only

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[34] Young, China's Nation-Building Effort, 115.

[35] Seven major domestic loans were drawn against cancelled or remitted indemnity payments. The 6 Percent Internal Loan of the Seventh Year of the Republic of China had its amortization payments drawn against the cancelled Russian portion of the indemnity. However, the interest was still secured by the 5 percent customs surplus revenues. Most of these loans were found by the financial commission to be evidenced by bearer bonds or bearer treasury bonds. Others, rather than having a long term, were essentially a cash advance to the Chinese Government. This was clearly the case with Short Term Currency Bonds drawn against the German indemnity portion (1928). Overall, these various domestic loans totaled some $86,308,134.51 in local Chinese currency. See Kemmerer, Project of a Public Credit Rehabilitation Law, 61.

choice was to borrow domestically at higher interest rates. These added to the growing debt burden.[36]

[36] "Readjustment of National and Provincial Finances," The Bankers Weekly (Shanghai) no. 511 (August 1927).

CHAPTER 4

FURTHER IMPEDIMENTS TO FINANCIAL SOLVENCY:
LIJIN AND OTHER FORMS OF INTERNAL TAXATION

China was making some positive effort to increase government revenues via changes in internal taxation and tariff autonomy. The Washington Conference on Chinese Customs was concluded in 1922. While the United States wanted further study on the issues, China at least had started down the road toward tariff autonomy.

If import and export duties were raised – actually more than doubled in the case of imports, internal transit taxes such as *lijin* would need to be abolished. Importers and foreign traders simply would not subject themselves to higher tariffs without some tax relief in other areas. Existing forms of internal taxation were numerous and all had an impact on trade and government revenues. *Lijin* was the best-known system as it was a tax levied on all goods in transit throughout China.

The *lijin* system was instituted in 1853 to raise revenues for the government in its fight for survival against the Taiping Rebellion (1850-1864). As the rebels conquered more territory, it became almost impossible for the Manchu government to collect land taxes. Raising the rate of similar taxes in other provinces was not workable either as it might have pushed the populace toward supporting the Taipings.[37] While it was originally intended to be an emergency or temporary tax, *lijin* was never abolished.[38]

Lijin was originally collected on an *ad valorem* basis at various collection points termed "barrier stations." Theoretically, the system had been set up so that a shipment would be subject to no more than a five percent *ad valorem* rate. However, Joseph Jacobs, the American Consul in China, investigated the situation and concluded otherwise. He stated that rates could exceed ten to fifteen percent depending upon the distance the shipment traveled. An even higher cost was found in Jiangsu province where the rate could exceed fifteen to twenty percent.[39]

While the Chinese government recognized such taxation impeded the free movement of commodities and injured trade, some officials were loathe to give up the system or its revenues. As Jacobs stated, "It appears to be a favorite device of the Chinese officials to abolish the name of a tax, but reinstate it in some other form and then say that it does not exist."[40] Needless to say, this was a cause of numerous disputes.

Lijin stations numbered in the thousands. Within a single province, a shipment could be stopped numerous times. Attempts were made to simplify the system by a levy called d*ong zhuan*. In some provinces, this was also referred to as d*ong shui*.[41] Ideally, one paid

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[37] Shou, Democracy And Finance In China, 130-132.

[38] Joseph E. Jacobs, Likin [Lijin] And Other Forms Of Internal Taxation In China, (Washington, DC: Department of State, Division of Publications, 1925), 1-4, Government Printing Office, Series D, No. 82 and China, No. 39.

[39] Jacobs, Likin, 2.

[40] Ibid., 4.

[41] "Likin [Lijin] And The Problem Of Its Abolition," Bankers Weekly, No. 560, (August 1928).

all the *lijin* taxes at the first barrier. A shipment would then be exempt from payment at all other barriers within the province as it moved along the countryside.

These intentioned simplifications were less than successful. First, after the initial taxes were paid, the shipment still had to be inspected at each subsequent *lijin* barrier in its path. Second, in addition to the obvious time delay, a fee was usually charged to examine the shipment.

Further problems developed. For example, the Chinese who collected the taxes at *lijin* stations <u>purchased</u> the right to do so. If taxes were paid at an initial entry point under the *dong zhuan* system, they felt cheated out of their right to collect the tax and illegally made shippers pay other fees. One can clearly see that this was not a successful system.

Production taxes (*zhu zhan shui*) and consumption taxes (*xiao zhang shui*) were another attempt to replace the *lijin* system. While they had some limited success in Manchuria, there was little noted elsewhere in the country because these taxes were levied in addition to *lijin* charges – not as a replacement for them.

Foreign shippers especially despised *lodishui* or the destination tax. When a shipment reached its destination, this tax was applied in addition the *lijin* fees. The monies collected on the foreign goods circumvented the Maritime Customs system and stayed in the provinces rather than being remitted back to the central government.

In efforts to raise trade volumes and revenues for the central government, there were other failed attempts to reform or abolish *lijin*. *Ren zhuan* was used when companies pre-paid all *lijin* charges in a single lump sum. Usually, a group of companies formed an association and agreed on payments for a clearly defined time period with the tax authorities. But unless all the *lijin* stations along the route were covered by the agreement, shippers could be taxed again. Further, there were no fixed rates of payment established by the central government. Accordingly, the whole system became one of bargaining between the parties with little official oversight or accountability.[42]

Authorized government officials collected the original *lijin* levies. However, by 1925 collection rights had been sold to private firms or individuals – or simply taken over by the reigning provincial military leader or warlord. The system was justified by the argument that Beijing officials wanted lump sum taxes put into their treasury at the beginning of each year. This was in contrast to handling the collections themselves and having to wait for the revenues until the physical collections had been made.

It is important to understand that by the 1920's, these collections were the largest source of revenues for the provinces. Prior to the establishment of the Republic in 1912, all revenues were remitted to Beijing while the central government paid for the provincial administrative expenses. But under the first Republican government of Yuan Shikai, military governors controlled the provinces. To support their military structures, they appropriated these tax revenues for their own use. This resulted in the tax system deteriorating to the point that instead of remitting any funds to Beijing, the governors began to report, but not forward the amounts they collected. According to Jacobs, few provinces even reported anything after 1921.[43]

Clearly, China's *lijin* system and other types of internal taxation were not a dependable source of revenues for the central government. This system hampered free

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[42] Jacobs, Likin, 15.

[43] Ibid., 17.

commerce, was too complex and corrupt, lacked oversight and accountability, and in the view of diplomatic officials such as Joseph Jacobs, was a chief cause of China's financial position by the mid-1920's. H. B. Morse held a similar view, estimating that for every four *taels* of silver legally collected, some 6.50 *taels* was illegally charged - a sum that was roughly 162 per cent over the amount mandated for collection.[44] In his financial study, Shou asserted that "this system of internal taxation constituted one of the most important causes of China's economic decadence..."[45] There was also the issue of uniformity of measurements, or lack thereof. Measurements of land for example were not consistent throughout the various provinces. Statistician Sidney Klein quoted a Nationalist Government study which found 27 different units of weight, 22 different units of length, and 23 different units of land measurement.[46] Obviously, these myriad internal taxes and lack of uniform measures exemplified the economic challenges facing the Nationalist regime.

China had moved financially from having almost no foreign debt in 1890 to massive debts by 1928-29. Revenues from the dependable maritime customs were being requisitioned to pay numerous foreign obligations with little left over for domestic needs. The system of taxation was corrupt, mismanaged, and a proven obstacle to increased trade and commerce.

Before exploring some of the specific actions taken to remedy the problem, it is important to examine the political context. It is also essential when discussing the need

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[44] Hosea Ballou Morse, The Trade and Administration of China (Shanghai, 1921), 122-124.

[45] Shou, Democracy And Finance In China, 132.

[46] Sidney Klein, "A Note on Statistical Techniques in Communist China," American Statistician, 13: 3, (1959), 18.

for financial solvency, to specify the principals involved and the roles they played in trying to move China forward.

CHAPTER 5

CHINA'S POLITICAL UNIFICATION AND THE EFFORTS OF SUN FO

The National Revolutionary Army (NRA), led by Jiang Jieshi, was "officially" given the order to mobilize and begin its Northern Expedition on 1 July 1926.[47] The troops started out in Canton and moved swiftly northward. By October, they had reached the Yangzi river and the important tricities of Wuhan. By spring of 1927, Jiang began planning the advance and attack on Shanghai – the commercial and financial center of China.

The purpose of this expedition, as sanctioned by the Guomindang (GMD), was to unify the country, to fight imperialism, and to end the warlords control of areas throughout China. This was a combined effort of the GMD and Communists working together to move the country forward.[48]

The success of the Northern expedition armies brought growing strength to the Chinese labor movement. Many thousands of workers were organized in Shanghai, and

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[47] Jonathan D. Spence, The Search For Modern China (New York, 1999), 328.

[48] The philosophical or ideological basis for these efforts were Sun Yat-sen's Three Principles of the People - anti-imperialist nationalism, democracy, and socialism. Spence quoted the Guomindang Central Executive Committee: "The hardships of the workers, peasants, merchants and students, and the suffering of all under the oppressive imperialists and warlords; the peace and unification of China called for by Sun Yat-sen; the gathering of the National Assembly ruined by Duan Qirui - all demand the elimination of Wu Peifu and completion of national unification."

with support from the General Labor Union and the Chinese Communist Party (CCP), a general strike was called in February 1927. Shanghai came to a standstill for two days until forces of a local warlord broke up the strike. Another important unified strike was launched on March 21, 1927. This was done to support the advancing Nationalist troops who entered the city the next day, and to fight against various warlords.

Jiang had other plans. He distrusted the Communists and the General Labor Union. Meetings were held between Jiang and various industrialists, underworld figures, and leaders of Shanghai's Green Gang. On April 12, 1927, armed men attacked the offices and headquarters of various Shanghai labor unions. Many union members were killed or arrested by these paramilitary gang members and soldiers from the NRA. After several weeks, the General Labor Union organizations were declared illegal. The labor movement in Shanghai suffered a huge setback as most of its leaders had been killed or jailed.[49]

The GMD was not united. The city of Wuhan had been a center of an anti-Jiang movement. After early 1926, the Nationalist government was divided into two groups – one in Wuhan and the other in the city of Nanchang. The GMD split into three Central Executive Committees: Shanghai, Wuhan, and Nanchang (later moved to Nanjing).[50]

The Wuhan faction was not without powerful leaders. Wang Jingwei, one of the most powerful individuals, had served Sun Yat-sen in Japan and Canton and was respectful toward the communists and in agreement with some of their goals initially. A second

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[49] Spence, The Search For Modern China,, 330-336.

[50] Jeh-Hang Lai, "A Study of a Faltering Democrat: The Life of Sun Fo, 1891-1949" (Ph.D. dissertation, University of Illinois, Urbana-Champaign, 1976), 71.

person in a leadership role was Sun Fo (1891-1973),[51] the son of Sun Yat-sen by his first wife. The acting foreign minister of the Wuhan regime was Eugene Chen, another confident of the late Sun Yat-sen. The Russian advisor to the communists, Michael Borodin, also played a critical role.

As a supporter of the Wuhan regime, Sun Fo became its powerful friend and close confident of Borodin. Further, Sun was "elected Director of Youth, member of the Presidium of the Political Council of the Guomindang, and member of the Standing Committee of the State Council in the Wuhan Nationalist government."[52] Sun defended the fact that Wuhan, now communist dominated, was now being viewed as "red." His response at the time was that if China were successful in expelling the imperialists, then it was acceptable to be labeled as "reds."[53] The regime's labor movement was working, and Sun felt the workers had the right to form unions and fight for their interests. This stance put him in opposition to Jiang, who in Shanghai began suppressing any type of labor movement designed to raise the economic stature of the average Chinese worker. In an timely interview on this same issue, Borodin stated his own reasons for splitting with Jiang who, he felt, had sold out to moneyed interests:

> Chiang Kai-shek came under the influence of the merchant and comprador class in Shanghai...got a few million dollars out of them and agreed to hold down labor to maintain the status quo so the greedy compradors

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[51] "Sun Fo" is the Cantonese pronunciation. In Mandarin Chinese, the pronunciation would be "Sun Ke." There are some references and websites that use the latter, but the Cantonese version is better known and will be used in this text.

[52] Lai, "A Study of a Faltering Democrat," 73-74.

[53] Ibid., p. 73.

would continue to wax wealthy. Under the shadow of the foreign banks, those temples of finance, Chiang Kai-shek fell, hence so far as the revolution is concerned he is doomed.[54]

Sun Fo's support of the Wuhan regime was short-lived. The labor movement had grown out of control. Factories were closed, landlords deserted their lands, and the communist supported radical union members began to confiscate goods of foreign companies without approval. Sun could no longer tolerate the regime's more radical position. But neither could he totally support Jiang and his government in Nanjing. His advocacy was for a middle-road approach to achieve national unity.[55] Obviously, one can see that Sun Fo's attitude went through a major change. But why so sudden, and over such a short period of time?

Some, including historian Jeh-Hang Lai, have contended that Sun had never fully accepted the communist ideology.[56] Further, nationalism continued to dominate Sun's thinking. For example, he supported the labor movement, but not the type of radical

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[54] Borodin wanted the United States to recognize the regime in Wuhan rather than Jiang and the regime in Nanjing. When pointed out to him that the US already recognizes one government in China and cannot recognize each faction as it springs up, Borodin stated that the US is "becoming as imperialistic as Britain anyway." He went on to tell Misselwitz that China would achieve normalcy and be able to pay its debts. See Henry L. Misselwitz in "Borodin Sounds US on Loan to Hankow," New York Times, May 7 1927, sec. A, p. 1,5.

[55] Sun Fo insisted on a middle road as he could not support Chiang or the communists. As he told reporters: " The only thing for us to do is proceed along the road originally designated. Then we shall break up the plot of the imperialists to suppress China's revolution by force. Thus we can frustrate the attempt of the Fascists to change the direction of the revolution. And finally, we can avert the Bolshevist crisis precipitated by the destructive but non-constructive Communists. Economically we must develop our natural resources and build a sound national economic foundation to enable the people to progress along the path of new industries. The benefits will belong to the people." Sun wrote this as Minister of Communications for the Guomindang. See "Sun Yat-Sen's Son Denounces Sovietism," New York Times, July 26, 1927, sec. A, p. 5.

[56] Lai, "A Study of a Faltering Democrat," 67-68.

labor activity that created diplomatic problems with foreign powers.[57] Sun wanted unification without any interference from abroad. In at least one newspaper report, Sun supported Lai's thesis with the statement that "both Communism and Fascism must be rejected, and that the people must cling to nationalism, constitutionalism, and social reform or be swamped in the rising tide of militarism."[58] Clearly, Sun's mindset was aligned to that of his late father at this time, rather than to either the extreme political right or left.

Since the three GMD executive committees in Wuhan, Shanghai, and Nanjing had all rejected communism, there was some common ground on which to discuss unifying the party and government. Sun Fo was sent from Wuhan as a representative to serve on a reunification committee to reorganize the government. These meetings took place in September 1927.

As a result of these reunification meetings, Sun Fo was appointed Minister of Finance. Since some members of the Nanjing faction disliked the incumbent minister T. V. Soong. During the struggle between factions in Wuhan and Nanjing, Soong had taken actions to restrain Jiang's influence in the coastal cities. For example, he had ordered Shanghai bankers not to subsidize Jiang's army without his permission.[59] Thus, with the approval of the reorganized government, Sun began work in his new position on September 20, 1927.

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[57] Lai, "A Study of a Faltering Democrat," 77-79.

[58] "China's Changing Phases," Los Angeles Times, September 18, 1927, sec. B, p. 4.

[59] This action was taken clearly before Jiang married Soong's sister Mei-ling. Lai also contends that T. V. Soong "would not dare give Sun any trouble." Sun's father, Sun Yat-sen had of course married another Soong sister - Ching-ling. Lai gives another reason that Sun Fo had "strongly favored the separation of the Communist Party from the Guomindang in Wuhan." See Lai, "A Study of a Faltering Democrat," 79-81.

Sun's task was grim. China's treasury was essentially empty. No central bank for the government of China even existed in 1927, although earlier officials had started planning for such an institution. Sun continued this planning because he felt a central bank was important to China and its effort to gain financial strength. Sun also set up a financial inspection bureau designed to control the departments of taxation, currency, trade exchange, and bank inspection and eliminate redundant or overlapping responsibilities. Land values and their taxation were placed under review as well. Relative to tax officials themselves, Sun established laws for reward and punishment . Sun also formed a committee to update very old customs regulations. A fresh set of rules was needed to determine the appropriate amount of import taxes.

Despite his best efforts, Sun accomplished little during his three-month tenure as Minister of Finance.[60] His proposed reforms and projects did not move beyond a written proposal stage. He was also unsuccessful in raising enough money for Jiang's military purposes.

By late 1927, Jiang wanted to appoint T.V. Soong as Finance Minister. Soong was now Jiang's brother-in-law (his sister Mei-ling had married Jiang), and members of the Soong family moved into the center of China's political power structure.[61] While both Sun Fo and T.V. Soong had been educated in America, in fairness, Soong was probably

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[60] "Two Chinese Leaders Quit," Los Angeles Times, December 30, 1927, sec. A, p. 5.

[61] Suffice it to say that entire books have been written about the Soong family. Edgar Snow referred to it as "the Palace Clique" or the "Soong Dynasty". This clique included Jiang Jieshi and his wife Soong Mei-ling, their brother-in-law H.H. Kung who married Madam Jiang's elder sister, Soong Ai-ling; Sun Fo the only son of Sun Yat-sen, who was older than his stepmother Soong Ching-ling. Snow wrote, "As far as publicly known, no member of the Jiang-Kung-Soong family ever filed a personal tax report." As reported by Lois Wheeler Snow in Edgar Snow's China: A Personal Account of the Chinese Revolution Compiled from the Writings of Edgar Snow (New York, 1981), 12-13.

the better qualified and more experienced. Jiang would rely on his brother-in-law for many years in the future.

Sun Fo was appointed to the newly created position of Minister of Reconstruction.[62] However, for several reasons he did not accept this appointment. First, he did not feel the country was unified, and, therefore, could not envision reconstruction amid social and financial upheaval. Second, the ministry was a new department, poorly funded, with the real financial power in China residing with Jiang and T.V. Soong. Third, Jiang was in the midst of calling for a Fourth Plenary Session of the GMD's Central Executive Committee. Sun and others, such as C. C. Wu and Hu Han-min, took great exception to this, as the Party had not yet convened a third session. But Jiang had the power politically to do so even though Sun and others felt he did not have the legal authority.[63]

Frustrated by Jiang's power play, Sun Fo left China along with C.C. Wu and Hu Han-min on a trip to Europe, the Middle East, and the United States. They traveled in the hopes of improving China's diplomatic relations abroad. Leaving Shanghai in late January, the trio arrived in Manila on February 6. Reportedly, while in Manila, an assassin attempted to kill Wu who was attending a welcome party sponsored by a group

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[62] Other appointments announced by Jiang at the same time included Dr. C. C. Wu who was named special envoy to the United States. His task was to negotiate treaties in Washington on behalf of the Nanjing government. T. V. Soong was appointed Finance Minister and Quo Daiji was appointed acting Minister of Foreign Affairs. See "China Outlook Still Gloomy," Los Angeles Times, January 5, 1928, sec. A, p. 4.

[63] Lai contends that committee members could serve for a one-year term plus the extension of one additional year. Since Jiang took office as a member on January 1, 1926, Sun and the Wuhan faction felt his term had legally expired - even considering a one-year extension. Further, the Wuhan Committee had revoked Jiang's party membership. These were the "legal" basis' for protesting Jiang's actions, but in this power struggle, Jiang won.

of Chinese overseas merchants. Wu was able to escape unharmed. Sun and Hu did not attend the event.[64]

Hu Han-min and Sun Fo, despite traveling in the Middle East, had followers who back in China still worked against Jiang and his regime. This group became known as the "Reconstruction Clique" and its goal was to "reconstruct" the GMD. One of their objectives was to literally re-register all party members. This re-registration would allow them to purge the Communists, pro-Communists, corrupt members, or any other undesirables. But since an election standard could not be agreed upon, this goal was never reached. The clique was obviously anti-Marxist and anti-leftist. They insisted that party doctrine would be soundly based on their interpretation of Sun Yat-sen's "Three People's Principles."

The group specifically opposed Jiang's growing power. They felt there should be a separation in power between the militarists and party leaders. It was also felt that Jiang was weak in dealing with Japan. They sought foreign alliances with Great Britain and the U.S. to help restrain Japanese aggression.

Financially, the Reconstruction Clique was very weak. Despite some pro-clique newspapers being published, the group gained no solid support within the Party. Jiang

[64] Lai referred to a Chinese source book in reporting this assassination attempt. However, this writer has been unable through research to corroborate this event in Manila. He also contends that Sun Fo and Hu Han-min did not want to attend this event in Manila because the Merchant Association had not hung out the new flag -- blue sky and white sun. Lai stated it was not the Merchant's Association fault on the flag issue. Rather, the Chinese Consul-General in Singapore had not yet notified overseas Chinese that they should hang the new flag of the Nationalist Government. However, on February 9, The Times (London) reported that an assassination attempt had occurred in Singapore. The report stated that C.C. Wu was fired at while leaving Singapore's Chinese Chamber of Commerce. It was further stated that the unidentified assailant was arrested, but that Dr. Lim Boon-keng, former principal of the University of Amoy, "was wounded, but not dangerously."

was simply too strong and dominated the military and Central Party headquarters. The Clique, as a political entity, gradually died out by early spring of 1928.

In June 1928, the trio was in Paris. They learned that Jiang's army had captured Beijing and essentially unified the country. Wu suggested that a proposal be drafted to the Nationalist government to put in practice Sun Yat-sen's "Five-Power System." In simple terms, Sun Yat-sen had visualized a constitutional system with the separation and independence of five powers – legislative, executive, judicial, examination, and control. Sun Fo wrote the draft entitled "An Outline of the Principles for Controlling Politics during the Period of Political Tutelage and the Methods of Handling Chinese Foreign Policy."[65] After some revision, the Nationalist government in Nanjing accepted their proposal and moved forward on putting it into effect.

In August 1928, the group split up with Hu returning to China. Sun Fo, however, went to the United States (see Appendix: Illustration 1). In New York, Sun made contracts with firms in the architectural/construction and engineering fields.[66] In New Jersey, he visited Professor Edwin Kemmerer at Princeton University. Kemmerer was invited to come to China to help reform China's currency and modernize the country's

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[65] Lai, "A Study of a Faltering Democrat," 90.

[66] Sun Fo awarded contracts to New York architect Henry Murphy to advise the Nanjing Government on the construction of its capital, handle city planning, and erect government buildings. Murphy was involved in prior years with planning and construction of missionary colleges in China. Ernest Goodrich, New York engineer, was contracted to deepen the Pearl River in China so ocean-going vessels can sail directly to Canton instead of having to off-load and trans-ship from Hong Kong. Another unnamed American concern was contracted for flood control work. See "American Help Hope Of China," Los Angeles Times, October 15, 1928, sec. A, p. 10.

economic infrastructure.[67] Kemmerer accepted the invitation and Sun arranged for a Commission of Financial Experts, headed by Kemmerer, to come to China.[68]

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[67] While the exact sequence of meetings and contacts is unclear, it is known that Sun Fo met with J.P. Morgan & Co. in New York prior to any meetings with Kemmerer. He was seeking funds to purchase Russian bonds held against the China Eastern Railway. He was unsuccessful as the New York firm was already aligned with Japanese railroad interests. See Roberta Dayer, Bankers & Diplomats in China 1917-1925: The Anglo-American Relationship (London, 1981), 238.

[68] After initial contacts, the formal invitation to Kemmerer was made on October 4, 1928. See Bruce R. Dalgaard, "Conditionality and Financial Reform in China: The Kemmerer Mission of 1929," Waseda Journal of Asian Studies 20 (1998): 43.

CHAPTER 6

THE AMERICAN FINANCIAL EXPERTS

China needed a top financial team – professional, worldly, and dedicated. Further, the team had to be respected in international financial circles. Much was at stake in China's effort to re-align itself economically. The team that traveled to China was well equipped with the expertise to get the job done.

Why the Americans? And why Kemmerer? First, America's presence in China was financially at a much lower level in terms of investment and trade when compared to the European powers (see Appendix: Table 4). Further, in the 1920's, America was clearly the world's strongest economic power in the post-war period. World War I had ended with America intact and not under reconstruction like much of Europe. The United States had sufficient capital to invest. Economist Bruce Dalgaard wrote that if China could get a "seal of approval" from American financial experts that it was putting its financial house in order, these experts could help get access to funds from large American banks.[69] Third, if the American bankers became favorably impressed relative to helping fund China, then more private capital would flow there for private enterprise. Increased capital inflows would enrich trade and help modernize China.

[69]Dalgaard, "Conditionality and Financial Reform in China," 44.

While Kemmerer did not advertise his experience and previous foreign assignments, it is probable that his name was mentioned by banking establishments that Sun Fo chose to call on. The firm of Dillon Read in particular had a special relationship with the American economist. Kemmerer, the "money doctor," was clearly chosen because of his impressive credentials and past experience in working abroad, and his network of relationships in academia and American financial circles (see Appendix: Illustration 2 and 5) . Kemmerer's doctoral dissertation was done at Cornell University and was published as "Money and Credit Investment in Their Relationship to General Prices." This was an important contribution to the quantity theory of money. After some six years teaching economics and finance at Cornell, Kemmerer moved to Princeton. In 1918, he published the first edition of The ABC of the Federal Reserve System. This work became a standard college text in America and was followed by later editions.[70]

Kemmerer's international experience began with an appointment as financial advisor to the U.S.-colonial government in the Philippines. His teacher, Professor Jeremiah Jenks, had recommended him. In Manila, Kemmerer helped develop a gold-exchange standard monetary system. In later years in China, Kemmerer would use aspects of his Philippine program. Economist Paul Trescott stated the system was intended to permit a small open economy to gain the benefits of stable exchange rates and currency convertibility. This could be done without the need to coin gold or maintain a significant gold reserve. Kemmerer's consultancy visit to Mexico in 1917 led to a future series of assignments in various Latin American countries. These included Guatemala (1919,

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[70] Paul B. Trescott, "The Money Doctor in China: Edwin Kemmerer's Commission of Financial Experts, 1929," Research in the History of Economic Thought and Methodology 13 (1995): 126.

1924), Colombia (1923), Chile (1925), Ecuador (1926-1927), and Bolivia (1927).[71] He also served as co-chair of the Kemmerer-Vissering commission to South Africa (1924-1925), as well as a member of the Dawes Commission on European reparations (1924).[72] Obviously, Sun Fo felt Kemmerer was uniquely qualified to solve financial problems.

Sun Fo and Kemmerer had begun their discussions in early August 1928 in New York City. The initial meeting was followed by cables and other communications with Frank Lee, China's representative in New York. Kemmerer's agreement to be financial advisor to China was outlined in a detailed memorandum to Sun Fo on October 20, 1928.[73]

With Kemmerer as chairman, the commission of experts were to serve the Chinese government for one year (including travel time). All work was to be done in China and Kemmerer was to give China his full time and efforts during this period. His team was to include five experts in various fields of finance, two secretaries who were to be trained and experienced economists and two assistant secretaries who were "younger men with good economic training."[74] Kemmerer was to be directly responsible to the Chinese government, while all other commission members and support staff were responsible to him.

In addition to duties in heading up the commission, Kemmerer was to devote his time primarily to currency and banking problems. The team of other experts were to include:

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[71] Paul B. Trescott, "The Money Doctor in China: Edwin Kemmerer's Commission of Financial Experts, 1929," Research in the History of Economic Thought and Methodology 13 (1995): 126.

[72] Dalgaard, "Conditionality and Financial Reform in China," 44.

[73] Edwin Kemmerer, Princeton, to Sun Fo, October 20, 1928, Box 83, Edwin Kemmerer Papers, Seeley G. Mudd Manuscript Library, Princeton University, Princeton, NJ.

[74] Kemmerer to Sun Fo, October 20, 1928, Box 83, Kemmerer Papers.

(1) an expert in issues/problems of taxation who would focus particularly on the questions of public revenue and public expenditure; (2) an expert in the field of public credit who would devote his attention particularly to issues/questions of government loans, and of government loan policy; (3) an expert in accounting and budgetary procedure, who would concentrate chiefly on problems of the budget, accounting and fiscal control; (4) an expert in practical banking problems and technique, who would be attentive to questions of banking organization and operations; and (5) an expert in customs administration who would devote his attention chiefly to problems of customs house organization.[75]

As for compensation to Kemmerer and his team to serve in China, the memo to Sun Fo also detailed amounts and schedules:

> The Government of China will pay to the President of the Commission as full compensation for his services and for the services of the five experts associated with him and the four secretaries for a period of one year beginning the date of leaving New York and ending the date of arriving back in New York (the sum of four hundred thousand dollars ($400,000) United States Currency. One hundred thousand dollars ($100,000) of this sum will be paid to the President of the Commission ten days or more before the Commission leaves New York, and the balance of three hundred thousand dollars each ($100,000), one four months after the Commission arrives in Shanghai, one eight months after the said date and the final one not later than the date on which the Commission sails from

[75] Kemmerer to Sun Fo, October 20, 1928, Box 83, Kemmerer Papers.

China on its trip home. These payments will be made to the President of the Commission in United States currency.[76]

Kemmerer assembled a strong team to serve on the commission. He had "experts" as well as "assistant experts," secretaries, assistant secretaries, and assistants. After the commission had formally finished its work in China, all of Kemmerer's experts stayed on in China as well as some other team members. While the focus of this writing is not an intensive review of the commission members, it is appropriate to mention those who joined the group in 1929 and later stayed as employees of the Chinese government.

The "experts" included Arthur N. Young, age 38. Young was born in Los Angeles, California, in 1890. He received his Bachelor of Arts degree in 1910 from Occidental College. He continued graduate work at Princeton University from 1911 until 1914, receiving his MA in 1911 and earning a Ph.D. in 1914. Later, he studied law at George Washington University and received his LL.B. degree there.

Young worked as instructor in economics at Princeton University from 1915 to 1917 and as a research associate of the University of California in 1917. He then began an extensive career serving both the American and foreign governments. He was an adviser on taxation to the Mexican government in 1918; trade expert of War Trade Board of the United States Government in 1918; trade commissioner to investigate financial conditions in Spain for the U.S. Department of Commerce in 1919; economist in the office of foreign trade advisor, U.S. Department of State, 1919-20; financial advisor to the government of Honduras, 1920-21; financial expert, U.S. Department of State, 1921-22; economic advisor, U.S. Department of State, 1922; associate of American Observer

[76] Kemmerer to Sun Fo, October 20, 1928, Box 83, Kemmerer Papers.

with Reparation Commission during the preparation of the Dawes Plan in 1924; chairman of the Interdepartmental Committee on Oil Pollution in Washington in 1926. Young served as an expert during the foreign debt negotiations of the United States Government, 1924-27, and as a delegate to the World Economic Conference in Geneva in 1927.[77] Young published extensively on foreign finance and trade issues after leaving Princeton.[78]

Frederick A. Cleveland, age 63, was an attorney. An Illinois native, he received his doctorate degree from DePauw University in 1890. After two years of law study, he practiced from 1891 to 1896. From 1898 to 1902, Cleveland was a member of the Committee of the National Municipal League on Standardization of Accounting and Budgets. The years 1900-06 he spent in academia where he served as Professor of Finance at the University of Pennsylvania and at New York University. From 1902-07, Cleveland returned to the private sector where he served with the firm Haskins and Sells, CPA's. There he was in charge of various railroad company and insurance company audits. Also during this time, he was hired by the governor of Kansas to set up a system of modern accounts for that state. From 1905-10, Cleveland served in the mayor's office of New York City. He headed various commissions on finance and administration with an emphasis on municipal accounting systems. Cleveland spent the years 1910-13 in United States Government service under President Robert Taft. He chaired the President's Commission on Economy and Efficiency during this time. The later years of

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[77] Edwin Kemmerer Papers, File: Commission Members, Box 84/85, Seeley G. Mudd Manuscript Library, Princeton University, Princeton, NJ.

[78] Trescott, "The Money Doctor in China," 127.

WWI brought a move for him back to the New York area where for example he served as Chief of Staff for an Inquiry into Methods of the New York Customs Service. After the war, and since 1919, Cleveland worked as Professor of United States Citizenship under the Maxwell Foundation at Boston University. Prior to accepting the assignment with Kemmerer's group, he had also authored or co-authored several books on civics and financial administration.[79]

Oliver Lockhart, age 48, graduated from Cornell University in 1908. He then served on the faculty at Ohio State University until 1918. He later worked as an economist with the National Bank of Commerce in New York City 1918-1924, and then returned to academia as Chair of the Economics Department at the University of Buffalo. He had been a member of Kemmerer's missions to Ecuador and Bolivia in 1926-1927.

Benjamin Wallace, age 46, had graduated from the University of Wisconsin in 1912 receiving his doctorate in political science. In 1918, he joined the U.S. Tariff Commission, becoming in 1921 Chief of the Division of Preferential Tariffs and Commercial Treaties.[80]

William Poland had recently served in Persia as Director General of Railways. He had graduated from the Massachusetts Institute of Technology and served during World

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[79] Cleveland was the author of: "Growth of Democracy in the United States" (1898), "Funds and Their Uses" (1902), "First Lessons in Finance" (1903, 1923), "The Bank and the Treasury" (1905), Railroad Promotion and Capitalization" (1912), "Railroad Finance" (with F.W. Powell, 1913), "Chapters in Municipal Administration and Accounting" (1913), "Organized Democracy" (1913), "Democracy and Reconstruction" (with Joseph Schafer, 1919), "The Budget and Responsible Government" (with A.E. Buck, 1920), and "American Citizenship" (1927).

[80] Trescott, "The Money Doctor in China," 128.

War I as Director of Relief in France and Belgium. During the 1920's he worked on a study to consolidate the U.S. railroads into seven major systems.[81]

William Watson was an Assistant Expert on Kemmerer's team. Watson, age 47, had been associated with the National Institute of Public Administration and the New York Bureau of Municipal Research since 1917. His specialization was the financial administration of units in state and local governments.

These men and the others on the commission constituted the largest team that Kemmerer had ever put together for international work. As a whole, the group, counting Kemmerer, was strong in economics. As Paul Trescott noted, six members held Ph.D. degrees in economics and finance and four others had similar training.[82] As commissioners, the scope of their task ahead was unsurpassed. Even with their respective international experiences, China, by virtue of its huge land mass and teeming population, would constitute the largest professional challenge for each of them. This chapter is important as some members of the team stayed on in China and worked for

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[81] Poland made a similar study of the rail system in China. Accordingly, as a commission member and expert, he recommended the Chinese combine their railways into six operating systems...essentially more centralization instead of a huge matrix of short fragments of rail service. See Arthur N. Young, China's Nation-Building Effort, 1927-1937 (Stanford: Hoover Institution Press of Stanford University, 1971), 319.

[82] Other members included John Parke Young, brother of Arthur Young. He held a Ph.D. from Princeton and had served as staff director for the foreign currency and exchange investigation of the U. S. Senate in 1923-1925. Since 1926, he had been serving as professor and chair of the economics department at Occidental College. Fenimore Lynch, age 37, had worked in China with the International Banking Corporation. Richard Bonnevalle, age 34, had served in Russia with the American Relief administration during the Herbert Hoover administration. He later worked for the U.S. Department of Commerce until 1926, when he went to Persia on the same mission as William Poland. Frank Fetter, a Ph.D. graduate under Kemmerer, was on the China team. He had previously accompanied Kemmerer on his missions to Guatemala, Chile, Poland, Ecuador, and Bolivia. Kemmerer's own son Donald was on the team. He had assisted his father on numerous foreign projects. He was a Princeton graduate. Harry Price, age 23, had been born in China to missionary parents and had lived there from birth to age 15. He was a graduate student in economics at Princeton. The final members of the team included Edward Feely, John McGregor Gibb, Wetmore Dawes and George M. Thompson. See Paul B. Trescott, "The Money Doctor in China: Edwin Kemmerer's Commission of Financial Experts, 1929," Research in the History of Economic Thought and Methodology 13 (1995), 129.

years after their original work was done. Those specific members and contributions made in helping China will be explained in later chapters.

CHAPTER 7

INVESTIGATION AND IMPLEMENTATION OF FINANCIAL REFORMS

On February 9, 1929, the Commission of Financial Experts arrived in China. A few days later, Kemmerer met with Sun Fo and T.V. Soong. The goals agreed upon included: 1) centralize federal control of China's finances; 2) establish a uniform currency; 3) abolish the *tael* system; and 4) create a budget and reorganize China's finances so that foreign obligations could be repaid in the shortest possible time.[83]

The commission members worked out of offices in the Central Bank building in Shanghai. Kemmerer formed six sub-committees among his group: currency and banking, public credit, railroad finance, taxation, tariff and budget, and accounting and fiscal control. The task for each was to prepare a report that all commission members would endorse.[84] Further, each report was to include "definite projects of law."

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[83] Dalgaard, "Conditionality and Financial Reform in China," 46.

[84] As work of the Commission progressed Soong put controls in place so that all information relating the the Commission's work went through his office: "1) In the cases where the Ministry of Finance itself, or other organization thru the Ministry of Finance, request the Commission to render opinions or advice, in writing, such opinion or advice, when prepared by the several member's the Commission concerned, and approved by the President of the Commission, will be sent to the Minister of Finance for such further action as is necessary. 2) Whenever an organization requests that one or several members of the commission participate in discussions relating to the concerned organization's work or problems, the request should be approved by the Ministry of Finance before it is complied with by the members of the Commission. After such approval has been given, the members of the Commission shall be at liberty to participate in such discussions. 3) Anything in the nature of proposals relating to new projects of law, whether in tentative or final form, shall be submitted to the National government thru the Minister of Finance." As cited in a letter

This report was in a format that one would find similar to a legislative bill working its way through the U.S. Congress or state level body.[85] Members found China's financial situation in need of immediate action. Total foreign and domestic debt had reached almost US $1.5 billion. Of that amount, about half was debt that was in arrears with approximately one third of the arreared amount constituting unpaid interest. China needed to maximize and efficiently control current streams of revenue. This was not a time to creatively promote new kinds of taxes. This was evidenced by a report on revenue policy issued by the commission members:

> In developing the revenue side of financial rehabilitation, the Chinese Government cannot now afford to experiment with untried sources of revenue, but should devote careful attention to improvement of the sources it is now using. One of the principal reasons for this conclusion is the state of development of financial administration in China. Outside the customs and salt revenue services, there is little tradition in China of administrative efficiency and control in tax matters, no generally recognized body of technical rules of procedure, and no satisfactory standards of performance. Furthermore, there is little or no comprehension on the part of taxpayers that taxes are a contribution to the expense of maintaining essential public services, and all too little evidence of the recognition of this truth in

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from T. V. Soong, Shanghai, to Edwin Kemmerer, August 5, 1929, Folder: Soong, Box 86, The Edwin Kemmerer Papers, Seeley G. Mudd Manuscript Library, Princeton University, Princeton, NJ.

[85] Kemmerer liked to use the tactic of writing his reports in legislative format. They could then be voted on immediately by the Legislative Yuan in China. If drafting legislation was left to the "native politicians", the reforms would lack substance and not accomplish what needed to be done. Dalgaard wrote that when the commission gave the government such "ready-made" legislation, the legislature would either pass or defeat the proposal rather than pick it apart in some committee.

practical ways by public servants themselves. This is an historical situation, the statement of which implies neither praise nor blame.[86]

Clearly the commission was trying to be realistic. The members realized that the financial traditions of China could not be changed overnight. The concept of contributions for the common good ran counter to forced taxation, which historically had often personally enriched officials.

The commission members looked to the Maritime Customs revenues as a baseline source of funds to enable China to keep its commitments and repay debt. In the fiscal year ending June 30, 1929, customs revenues equaled 53.5 percent of total government expenditures and 73.4 percent of non-borrowed revenue.[87] Import and export duties were 91 percent of all customs revenue that year. Obviously, the customs revenues and tariff structure were being given a thorough review by the commission, but a major financial burden remained. China collected its revenues in silver but was required to pay its foreign debts in gold. At the time of the commission's work, annual payments in terms of gold currencies were equivalent to about US $40 million.[88] Silver was fluctuating wildly worldwide in 1929 versus a much less volatile price of gold. To put China on a pure gold standard would have required at least some gold coinage and also certain reserves would have to be kept in gold bullion. China was operating on a silver standard, or as economist Trescott wrote, a "combination of silver standards." There were silver coins,

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[86] Edwin Kemmerer, "Report on Revenue Policy," (Shanghai: Chairman - Commission of Financial Experts, 1929), 1.

[87] Dalgaard, "Conditionality and Financial Reform in China," 48.

[88] Edwin Kemmerer, "Project of Law for Placing Customs Duties on Imports From Abroad Upon a Gold Basis," (Shanghai: Chairman - Commission of Financial Experts, 1929), 2.

silver "dollars," the Shanghai *taels*, the Haikwan *taels*, and numerous other denominations or bars relative to silver. Needless to say, this was a complex situation for matters of currency and payments.

The solution was not to move China to a gold basis, but to place the country on a gold-exchange or gold-equivalent basis. The proposal put forth was to create a new currency called the "Sun" (after Sun Yat-sen). This new "Sun" would have a gold value of approximately US $.40. Its value would be maintained by its convertibility into gold bars or gold-denominated foreign exchange. This proposal would also somewhat stabilize the foreign exchange rate with countries on a gold standard.

Due to the falling price of silver, the cost to China to service foreign debt began rising monthly in 1929. Annual payments government debt payments were some US $20,000,000 for foreign loans, US $18,000,000 for Boxer Indemnity payments, and the Crisp Loan, secured on the Salt revenue, of about $1,500,000 yearly. Monthly, this averaged some $3,300,000.[89] On average, the cost to China monthly in 1928 was $7,070,000 (local currency) versus a cost of $7,930,000 (local currency) by May 25, 1929 (see appendix: Tables 5-8). Thus, urgent action was needed to provide relief on the revenue side. Accordingly, this troublesome financial issue was one of the first Kemmerer conveyed to T. V. Soong.[90]

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[89] Edwin Kemmerer and Arthur Young, "Injury To Government Finances By Reason Of The Depreciation of Silver," (Shanghai: The Commission of Financial Experts, 1929, typewritten), Box 31, The Arthur Young Papers, The Hoover Institution of War, Revolution, and Peace, Stanford University, Stanford, CA.

[90] Edwin Kemmerer to T. V. Soong, May 27, 1929, Box 31, Young Papers.

Discussions continued back and forth on this matter as the archival record clearly shows. On issue in particular needed to be addressed - to convince Soong that the plans were workable. While Soong understood in economic terms the need for action, could the plans functionally be handled by the Maritime Customs Administration? While any problems would be mitigated by the fact such changes would affect import duties only, there remained a need for consensus to make sure the system was practicable.

Kemmerer and Young took the initiative and sought assurances from the Customs Administration that their ideas were workably sound. In consultations with Mr. F. Chang of the *Guan Wu Shu* (National Tariff Commission), the Customs position on this was outlined.[91] Customs duties were being calculated in Haikwan *taels*. As Chang stated, while this was a fictitious money of account, it carried a fixed ratio to the Shanghai t*ael*, which was the standard silver currency used in the trade of Shanghai. If the Kemmerer/Young plan was implemented, the Haikwan t*ael* would no longer be used. It would be replaced by the new gold money of account – the "sun" (or later the CGU). The "sun" would bear a fixed ratio to the American gold dollar or the British pound sterling, but would have a fluctuating exchange rate with silver. The main difference would be that the former conversion rate from Haikwan t*ael* to Shanghai t*ael* was constant; the new plan would call for the conversion rate to become variable as the price of gold dollars and other currencies floated on the world financial market.

Further, Chang stated that relative to articles subject to specific duties, it would be a rather easy process to adopt a gold money of account for the purpose of duty calculation.

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[91] F. Chang – National Tariff Commission, Shanghai to Edwin Kemmerer, Shanghai, September 24, 1929, Box 31, The Arthur Young Papers.

Articles subject to *ad valorem* duties were a bit of a challenge and more complex. The Customs practice had been to base the duty paying value of articles on which an *ad valorem* duty "is levied upon the wholesale market value of the goods in local currency at the port of importation."[92] But in citing data from his internal staff in Shanghai, Chang reported that most purchase contracts for imported goods were already quoted in terms of gold – the pound sterling or American dollar. Such contracts and their associated invoices were seldom expressed in terms of "local currency." Thus in terms of workability, Chan's view was that the suggested plans of Kemmerer and Young were positive. The only changes needed were to revise certain Import Tariff Provisional Rules to delete the phrase "in local currency" from transactional procedures.[93]

Commission member Arthur Young continued to call for prompt action to place import customs duties on a gold basis. He reiterated his sense of urgency in a memo to T. V. Soong dated January 6, 1930 declaring: "Government finances should be divorced from dependence upon silver exchange. This will give sound foundation, in place of the present unsound situation."[94] This was done even though the move to standardize all of China's currency to a gold basis was still being discussed. While formally proposed in

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[92] F. Chang – National Tariff Commission, Shanghai to Edwin Kemmerer, Shanghai, September 24, 1929, Box 31, The Arthur Young Papers.

[93] Kemmerer actually wrote a draft for changes in Import Tariff Provisions Rule I to read as follows: "the duty-paying value of any import liable to an ad valorem rate of duty shall be determined on the basis of the wholesale market value of the goods at the port of importation. This value shall be converted from other currencies into gold suns at official rates fixed for this purpose. The value in suns shall be considered to be higher than the duty paying value by – (a) The amount of the duty on the goods, and (b) 7 per cent of the duty paying value of the goods." See memo - Kemmerer to T. V. Soong – Minister of Finance, October 7, 1929, titled "Memorandum supplementing the Memorandum of May 25, 1929 entitled 'Injury to Government Finances by reason of the Depreciation of Silver.'" Box 31, Arthur Young Papers.

[94] Young to Soong, January 6, 1930, Box 30, Young Papers.

May of 1929 by Kemmerer and Young, final adoption by the Chinese government took place on January 15, 1930.[95] China would move forward in improving customs revenues and initiate the use of the customs gold unit. The Project of Law as adopted was simple, of short length, and composed of three articles.

Article 1 assessed all duties on imports in terms of the new "Sun" which was equivalent to 60.1866 centigrams of gold US $.40. The law also established a value in British pounds sterling and Japanese *yen* (see Appendix: Table 9). Article 2 stated that duties on imports then assessed in Haikwan *taels* would be converted at a value of one and seventy-five hundredths suns (Haikwan T1.00 = S1.75). This helped make the shift from duties assessed in silver to a value linked to gold.[96] The final article recognized that such duties were not paid in a gold-standard currency. Accordingly, until such time that payments were required in gold, customs houses were still required to accept payments in silver dollars, silver *taels*, or other currencies that were in circulation. The "other currencies" varied depending on the locality. But all monies were received at the new "sun" rate which was an official rate set by the government. The official rate was "based upon and shall conform as nearly as practicable to market rates of exchange between the

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[95] In the period 1921-1928, the price of silver did not vary greatly with a Chinese silver dollar valued at about US $.50-.48 However, in 1929 silver prices began to fall which reached a low of about US $.20 in 1931. While China had gained some tariff autonomy, the gains were being wiped out by the tariff rates set in sums of silver Haikwan *taels* per unit of goods imported. Young outlined the remedy in his own later work. See China's Nation-Building Effort, 1927-1937 (Stanford: Hoover Institution Press of Stanford University, 1971), 45-46.

[96] Edwin Kemmerer, "Project of Law for Placing Customs Duties on Imports from Abroad Upon a Gold Basis," (Shanghai: Commission of Financial Experts, 1929).

respective currencies and gold-standard currencies."[97] Lastly, at least three days public notice had to be given for any change in official rates.

This project for converting payments in *taels* to the new suns was independent of any change in import duty rates themselves. The aim of the project was positive - to stabilize the payments of import duties in terms of gold. At the time of implementation and on the basis of a depreciated silver value, this meant an increase in payment amounts for importers of about fourteen per cent.

At the plan's implementation, Soong made some public comments via the official government news agency: "This measure is necessary in order to safeguard the Government finances. The gold payments made by the government are over nine million pounds sterling yearly. The cost of meeting these payments in national currency at current rates of exchange is sixty per cent greater than the average rate of 1925, and over twenty per cent greater than at the rates of a year ago...the new order should have no appreciable effect upon trade."[98] He went on to say that the plan would restore import tariff duties to the same proportion of dutiable rate at the time of their origin. Accordingly, the Commissioner of Customs, W. R. Meyers, began to formally make notifications in the press relative to the new law and its implementation (see Appendix: Documents 1-7)

Public response to the new law varied over the next several weeks, but was mostly positive. The New China Daily News was generally informational but reported the law

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[97] Ibid., 1.

[98] "Customs Import duties to Be On Gold Basis", Kuo Min News Agency, January 15, 1930, Box 31, Arthur Young Papers.

as a "scheme" originally invented by Sir Robert Hart, the former Inspector-General of the Maritime Customs. While taking a cautious stance on the new law pending it full application throughout China, the paper acknowledged the country's foreign debt obligations which had to be paid in gold currencies.[99] Another periodical, The China Critic, was more positive if not glowing, calling the government action "a most important measure of financial reform."[100] While unclear if this newspaper was government-backed, its articles support a pro-business, pro-modernization stance.

In the United States, the American Asiatic Association responded to China's move stating that "to place foreign import tariffs on a gold basis was serious blow directed at silver as a medium of exchange."[101] However, the short article went on to acquiesce a bit on the issue and state that China's move would prove to be sound, help build up their gold reserves, and help pay off the Chinese national debt. Another financial writer in New York essentially concurred with the other opinions previously noted. With silver reaching a new low record of 43 cents per ounce, China, it was stated, was "intelligently meeting a difficult emergency." Moreover, the financial situation in China was impacting the entire Far East and would ultimately be felt in the United States.[102]

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[99] "The New Import Duty Scale and New Customs Explained," 12, New China Daily News (Shanghai), January 18, 1930, Box 31, Arthur Young Papers.

[100] The article went on to say..."When all other nations use gold, China cannot possibly prevent the steady fall in silver. The only thing she can do is to make the fall gradual by removing as far as possible causes for violent fluctuations –in other words, by stabilizing exchange...this measure is beneficial to both the government and the people and we congratulate the authorities for taking this momentous step." See The China Critic (Shanghai), January 23, 1930.

[101] United Press International, New York, January 17, 1930.

[102] George E. Anderson, "China's New Gold Unit," Barron's Financial Weekly, February, 17, 1930.

Japanese government officials initially had issues. The Ministry of Finance office wished to study matters further and worried about the effect of trade between China and Japan. Further, should Japan file a formal protest with the Nationalist Government or not? The belief was that Japan would have to pay more import duties as a result of the new law, but that speculation would diminish as it had been caused by the fluctuations of silver. As for China's basis for calculating the new gold unit exchange rate, Japan felt it was "unreasonable" and much preferred a rate adopted from a full year of financial data rather than the three month time period China was using for exchange rates. While a final "attitude" on these issues had not yet been decided, Japan's Ministry of Finance spokesman also acknowledged that customs import duties were held to secure China's foreign debt. If silver continued to slump, the article stated, such payment of debts may be unlikely, thus forcing foreign countries to accept China's new system.[103]

In order to facilitate the new law and provide tangible support, China arranged for the design and production of Customs Gold Unit (CGU) paper notes. Bank accounts were arranged in the CGU system by China's Central Bank for firms doing international trade. Further, the central bank developed correspondent banking relationships overseas. This helped maintain the CGU effectively "at its gold parity."[104] China turned to an American printer as this process moved forward.

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[103] Japan's position was quoted from the Osaka Mainichi of January 29, 1930 and reprinted by the New China Daily News, February 7, 1930.

[104] Trescott, "The Money Doctor in China,"134.

CHAPTER 8

THE AMERICAN BANK NOTE COMPANY

The American Bank Note Company (ABNC) was contacted to produce the new CGU notes. ABNC already had a long history in China. As early as 1913, ABNC was printing bank notes for the Bank of Communications.[105] This chapter will review ABNC's long history and its important involvement in the CGU program. Specifically, readers will be informed of the specifics of the CGU notes and the challenges for ABNC to not only provide the product, but also do so in competition with other printers. Much of this story has not been told before, as the archival material was not known to exist, or was not available to scholars.

ABNC was a company that traced its roots back to 1795 and a Philadelphia printer named Robert Scot.[106] In this year, America was at the midpoint of the first decade of its constitution. The economy was expanding in this time of more orderly political conditions which resulted in the need for circulating bank notes. This need led to the development of the bank note printing industry.

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[105] Brian Matravers and Ward D. Smith, Chinese Banknotes (Menlo Park: Shirjieh Publishers, 1970), 21-23.

[106] William H. Griffiths, The Story of American Bank Note Company (New York: American Bank Note Company, 1959), 15.

Prior to the adoption of the U.S. Constitution, engraved notes were in circulation, but not via a government agency. A specific example were notes issued by Philadelphia's Bank of North America. The provincial Congress gave this bank its charter under the Articles of Confederation. After the U.S. Constitution was ratified and superceded the articles in 1789, this bank was given a Pennslyvania charter.[107]

Some two years later in 1791, the Federal government chartered the Bank of the United States. It was headquartered in Philadelphia, with branches in other cities as well. A mint was established soon afterward and Robert Scot (1744-1823) was appointed its first engraver.[108] In later years, Scot also began an association with Jacob Perkins (1766-1849). Perkins greatly advanced the art of engraving and platemaking by using steel instead of copper for the engraved surfaces. Further, he developed methods to reproduce additional steel plates from an original. With Perkins' expertise, Scot formed a small talented group of engravers with innovative printing methods. This formed the "nucleus" of what later became the American Bank Note Company. In 1810, these associates of Scot formed the company Murray, Draper, Fairman & Co (see Appendix: Table 10-11).[109] This firm has been remembered for two significant contributions to the engraved printing industry: (1) it established the value of combining arts and techniques as a safety

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[107] Griffiths, The Story of American Bank Note Company, 19.

[108] *American Bank Note Company.* (n.d.). Internet, Retrieved June 10, 2006 from www.scripophily.net/amerbanknote.html.

[109] Patrick Harris, Editor. "Financial History" (1995). Internet, Retrieved May 10, 2006, from http://www.financialhistory.org/fh/1995/53-1.htm.

(anti-counterfeiting) measure; and (2) it established world supremacy of American methods.[110]

Eighteen twenty-three was another significant year as more innovations enriched the metal engraving profession. This was an important period which culminated thirty-five years later in the formation of the American Bank Note Company.[111] Much recognition has been given to two brothers, Cyrus and Asher Durand, for their creativity and inventiveness.

Cyrus Durand (1787-1868) is credited with improving or inventing the tools of the trade for producing engraved printing plates. Extremely talented, he focused on the work of bank note engraving as a profession some time in 1815. He invented a machine for drawing straight and wave lines for bank notes. He is also credited with inventing a machine for drawing waterlines and various geometric lathes for drawing ovals and other shapes on banknotes. Cyrus Durand practiced his craft over a long career and worked for American Bank Note for many years after it formation in 1858.[112] Asher Brown Durand (1796-1886) was much more of a creative artist. He was the first to popularize Greek gods and goddesses in small vignettes on bank notes and documents. The importance is that such vignettes are very hard to copy and timeless to the point that they could be used for decades on bank notes, bonds, and stock certificates.[113]

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[110] Griffiths, The Story of American Bank Note Company, 26.

[111] Ibid., 27.

[112] Internet, Retrieved May 10, 2006 from http://www.famousamericans.net/cyrusdurand/

[113] While Cyrus Durand was a mechanical genius, Asher was a true artist. Some of his most famous engravings included the "Declaration of Independence" from a painting by John Trumbull. His engravings of "Musidora" and "General Jackson" are also well known. In addition to numerous portrait engravings, Asher also became a talented landscape artist and was a founder of the National Academy of Design.

An ABNC predecessor company also started the production of U.S. postage stamps during this period. Another predecessor company worked with numerous colors and established the color green as the "money color."

The formal creation of the American Bank Note Company took place in 1858 and was well received by banks and predecessor companies' clients. A larger and stronger company (internally referred to as "The Association"), meant stability for users of high value documents. Seven firms constituted the "Association" with varying numbers of shares of ownership (see Appendix: Table 11).

ABNC thrived during the years of the American Civil War. The National Bank Act was passed in 1863, which required that locally issued bank notes were "superceded by notes made under federal control and direction."[114] Accordingly, ABNC produced millions of bank notes each year. Company business levels were further enriched by America's industrial expansion in the post-war years. With that expansion came a rise in the use of engraved certificates for securities.[115] Postage stamps remained in production as well.

Internationally, ABNC expanded too. The company had built a good reputation and it began to receive orders from various foreign governments. These included Argentina,

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[114] Internet, Retrieved June 14, 2006 from http://www.financialhistory.org/fh/1995/53-1.

[115] ABNC was particularly fortunate relative to the production of stock and bond certificates. In a policy which was adopted December 23, 1874, the New York Stock Exchange Committee on Securities made the following recommendation: "The numerous frauds practiced upon the community, in the Counterfeiting of Certificates of Stocks and Bonds, and the altering of Certificates from smaller to larger denominations, have compelled the Stock Exchange to use all precautions in their power against them, and to require in all future applications to place Securities on the List, that they shall be carefully engraved by some responsible Bank Note Engraving Company." Clearly, ABNC was in a strong position to help companies comply with this new policy as cited in William H. Griffiths, The Story of American Bank Note Company (New York: American Bank Note Company, 1959), 46.

Brazil, Colombia, Ecuador, Greece, Italy, Peru, Uruguay, and some British territories. Orders were placed for currencies and, on occasion, stamps and bonds.[116]

A further consolidation of the company occurred in 1879. ABNC became larger with the assets of the National Bank Note Company, Continental Bank Note Company, and several other firms. Also joining was the British firm Bradbury, Wilkinson & Company, Ltd.[117] The latter was a wise purchase for ABNC as it complemented their efforts for worldwide expansion.[118]

The year 1891 is very significant for the company as it marked the beginning of the use of ABNC's "planchette paper." This special paper was developed for bank notes and specifically to thwart counterfeiting. The primary supplier of specialty papers to the company was Crane & Company of Massachusetts. Crane had developed a technique for incorporating silk fibers into paper. Domestically, Crane's biggest customer was the Untied States Bureau of Engraving and Printing which used the silk fiber paper for currency.

Since ABNC was not allowed by law to use the same paper the government used for printing currency, an innovation was needed that was unique and also served to deter counterfeiting. The solution was to design and implement the use of planchettes. These

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[116] William H. Griffiths, The Story of American Bank Note Company (New York: American Bank Note Company, 1959), 44.

[117] Other firms as part of the consolidation included the Western Bank Note Company, the International Bank Note Company, and the Franklin Lee Bank Note Company. Franklin Lee was a result of another merger between the Franklin Bank Note Company and the Homer Lee Bank Note Company as cited in William H. Griffiths, The Story of American Bank Note Company (New York: American Bank Note Company, 1959), 31.

[118] Henry Bradbury came from a printing family. He studied engraving in Austria and wrote books on the subject. Sadly, he took his own life on September 2, 1860. He was 29 years old and already judged by many to be an artistic genius.

were small paper discs, with a diameter just smaller than a match head, that were embedded into the paper used to print money. The planchettes were made of various colors and types in an ABNC facility and then shipped to Crane & Co. to be embedded in the final production paper.[119]

While not part of a direct ABNC effort in China, it is important to note the work of other Americans there who either had worked directly for the company or another corporate entity that was taken over during the consolidation period.

In 1908, a representative from China, Chen Jindao, was sent to visit the United States, Great Britain, France and Germany. His job was to investigate and determine which style of postage stamp production was best suited for China. He also tried to determine what styles and methods were least susceptible to counterfeiting. Based on Chen's work, the Chinese Imperial government decided that the American methods for manufacturing would work best for their needs.[120]

The Imperial government asked two Americans, Lorenzo J. Hatch and William A. Grant, to come to China and establish a Chinese Bureau of Engraving and Printing. Lorenzo James Hatch (1857-1914), a Vermont native, had established himself as a talented artist and engraver. His experience included more than fifteen years work at the United States Bureau of Engraving and Printing. He also worked at both the Western

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[119] Griffiths, The Story of American Bank Note Company, 53.

[120] Sanghmitra Kundu, "Chinese Die Proofs," *EnRoute*, 7: 1 (January-March 1998). The Smithsonian National Postal Museum.

Banknote Company of Chicago and the International Bank Note Company.[121] Hatch signed a six-year employee agreement with the Chinese government.

William A. Grant (1868-1954) was born in the Bronx, New York City. He studied art and engraving and by the time China sought his talents, he was head of the engraving room at ABNC. Grant was an expert in creating lettering, script, vignettes, scrolls, and twirls that filled the backgrounds of bank notes.[122] He supervised similar work in China.

Back in Shanghai, a primary company representative for ABNC was H. F. Payne. In an initial 1930 correspondence to the New York office, he outlined the CGU project as conveyed to him by T. V. Soong's office:

> We are enclosing with this, material for the preparation of models for some "Custom's Unit" notes – to all intents and purposes a Gold currency note, and while this can take its regular course, we would, at the request of the Minister of Finance, like to have this kept as confidential as you possibly can. These notes are to be used as the entering wedge in putting China on a gold basis and there is at present a difference of opinion as to how fast the general public will take to using them for purposes other than paying Custom's duties. Some of the Chinese officials and all the members of the Kammerer [sic] Commission remaining here predict their

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[121] Askart - The American Artists Bluebook, "Lorenzo James Hatch," http://www.askart.com/askart/h/lorenzo_james_hatch/lorenzo_james_hatch.aspx/ Internet, Retrieved May 10, 2006.

[122] University Of New Hampshire Library - Milne Special Collections and Archives, "Grant Stereoscopic Slides of China: 1908-1915," http://www.izaak.unh.edu/specoll/mancoll/grantsld.htm. Internet, Retrieved May 1, 2006.

general use in large quantities but the Minister of Finance is not quite so optimistic and has vetoed the placing of a very large initial order.[123]

Soong was cautious about an initial order for the notes. He was being careful not to over-order a print run which could be costly.[124] As for a design, a vignette of Sun Yat-sen and one also of the Shanghai Customs House was requested. The size of the notes, colors, and other aspects of the design were noted. For example, the design was to include the year "1930" printed in English, while the Chinese language would be used for "*Minguo* (republic) the 19th year" on the note (1911 + 19 = 1930). One may wonder how ABNC insured accuracy in printing Chinese language on bank notes. In this situation, the company submitted a request to the Chinese Consul for assistance in producing the correct Chinese writing. This was received from the Consul and handed over to the ANBC engravers to proceed with their work.[125] The engraving department had also received a photograph of the Customs House in Shanghai to work from – courtesy of the China agent, H.F. Payne.[126] Accordingly, work began on the model notes for approval by T.V. Soong.[127]

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[123] H. F. Payne, Shanghai, China, to G. W. Combs, February 20, 1930, Morowitz Archives of American Bank Note Company, New York, NY.

[124] The Payne memorandum outlined the initial order as: 10 million notes (10 cent note denom.), 5 million notes (20 cent note denom.), 5 million (1 GCU), 1million (5 GCU), and 200,000 (10 CGU).

[125] D. E. Woodhull, New York, to H. F. Payne, March 6, 1930, Morowitz Archives.

[126] G. W. Combs, New York, to H.R. Treadwell, March 7, 1930, Morowitz Archives.

[127] ANBC initiated "Schedule No. 17424" for the CGU model notes. This two-page schedule was used by the company for all of its model notes. It was highly detailed, denoting precisely what was to be printed on the front and back of the note. Revisions were common and the archival record has copious amounts of "change orders."

The process also began in New York to determine pricing of the CGU notes. What would be the cost of printing to the Central Bank of China? And, would Soong and his assistant Jian Chen competitively bid the job out to other printers? The record suggests that ANBC's Far Eastern Department Manager, G. W. Combs, was prepared to lower prices in order to secure the business. For example, on his bid sheet he quoted a price of $9.00 per thousand notes for printing of the 10 million (10 cent) CGU notes. But he also added the notation "or as low as $8.25." This secondary pricing was also done for some of the other denominations.[128] Clearly, Combs did not take anything for granted.

The ANBC engraving department soon finished its work on the CGU model notes. The notes were forwarded to the shipper and left the United States for Shanghai via the S.S. President Pierce.[129] Payne was happy to receive this news. He knew ANBC was faced with stiff competition for the Central Bank's business. But he also felt that his company had an advantage, which he expressed in his response:

> They are most anxious to see the models for the C. G. U. notes and the fact that we have the jump on our competitors in the way of having the vignette of the Custom's House on the way, is perhaps about all that will get the order for us, for naturally our rivals are out strong for the Central Bank's business, particularly since the report of the Kammerer [sic] Commission was published advocating only one bank of issue for China.

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[128] ANBC, Far Eastern Department, Request For Estimate dated March 31, 1930. Subject: Custom Gold Unit Notes. Morowitz Archives of American Bank Note Company. The Far Eastern Department Manager, G. W. Combs, was particularly worried about competition from the big British printer, Waterloo & Co.

[129] All telegraph communications were coded. In this example, Payne in Shanghai was informed that the model notes would leave the U.S. on 11 April via the S.S. President Pierce. The actual coded message read: EVFYVehloh AMDUDalrup EVHAFerbak. As cited in the decoded telegram of D. E. Woodhull, New York, to Payne, H. F, April 4, 1930, Morowitz Archives.

> T. V. says he is going to use the C. G. U. notes in other places than in Shanghai and will order a lot of them.[130]

Another ANBC agent in Shanghai, G. H. Lynott, remained concerned about the pricing for the notes and suggested via cable that the company modify one of the technical printing specifications. This would lower the cost and give the company a bit more leverage in negotiating a final price. Lynott realized the potential for future orders from the Central Bank and expressed a sense of urgency similar to H. F. Payne:

> This order is the first step in plan recommended by Kemmerer commission. If plan works and according to the general opinion it will, then these notes will be only authorized issue in China and will be ordered in large quantities. Therefore imperative we should get business...[131]

However, despite its agents in Shanghai clamoring for better pricing, G. W. Combs felt that until very large orders were received, ABNC would hold firm on its price bid. Essentially, regardless of order size, the company had to meet a certain profit margin. Combs further informed the agents that if the Central Bank of China became the sole bank of issue, prices for printing would be revised to retain the business.[132]

The Central Bank of China accepted the CGU note design (see Appendix: Illustrations 6-14) and pricing. This was confirmed in writing in a letter from Jian Chen,

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[130] Memo sent to ANBC head office regarding a counterfeiting problem with a $5 Chinese note that was then in circulation in China. Payne was getting pressure from Soong's assistant, Jian Chen. The CGU model note situation was outlined on page two of the memo as written by H. F. Payne, Shanghai, to Combs, G. W, April 11, 1930, Morowitz Archives.

[131] Telegram from G.H. Lynott in Shanghai to ABNC head office in New York, May 5, 1930, Morowitz Archives.

[132] G. W. Combs, New York, to Lynott, G. H, May 8, 1930, Morowitz Archives.

Deputy Governor, to G.H. Lynott at his Shanghai office. This initial order covered the production of CGU notes in five different denominations. The face value of this order (in CGU's) totaled 10,000,000 with a total number of printed pieces at 12,780,000.[133]

Upon the approval of the design of the note, ABNC also sent proof notes to the Central Bank showing the position of secret marks. These marks were done by the engravers and given to the customers as an anti-counterfeiting measure. While this writer has made queries with note dealers regarding secret marks, none had knowledge of their location on the note itself.[134]

G.W. Combs pricing strategy obviously worked. Lynott sent the order with final quantities and price specifications to New York a few days later.[135] While he too hoped for larger quantities ordered, Lynott at least passed on some of the optimism for the CGU notes:

> We have taken this matter up with the Minister of Finance and the bank officials, but owing to the present political situation and also to the fact that they have not had a chance to try these notes out, they do not feel that they are in a position to increase their order at the present time. However, the officials feel very confident that these notes will go over at a later date after they have been put into circulation, for with the low rate of exchange

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[133] Jian Chen, Shanghai, to Lynott, George H, May 12, 1930, Morowitz Archives.

[134] G.H. Lynott, Shanghai, to Central Bank of China, September 12, 1930, Morowitz Archives.

[135] The agreed upon prices (per thousand notes printed) were as follows: Ones $17.00, Fives $22.00, Tens $26.00, 20 cents - $12.50, 10 cents - $8.50 Lynott's order also advised that he be contacted before the printing was complete as "Bank may wish to increase quantities." This was not just a drive for more business volume but also a matter of practicality. It did save time and expense for the printers to keep the presses going while they were tooled up to produce a particular product. To set up the engraved printing plates, test runs, etc., all took time and expense.

for silver nearly all important articles are now being quoted by stores and importers in gold dollars. For this reason the officials feel that the gold notes will be much more readily accepted now than would have been the case had not importers and merchants already started quoting in gold.[136]

The first shipment of CGU notes left San Francisco on September 19, 1930. They were shipped by a steamer of the Dollar Ship Lines – the S.S. President Fillmore. The gross weight of the shipment was 1,650 lbs. The amount billed to China's Central Bank totaled $9,107.28 (see Appendix: Document 8).

This first shipment and subsequent ones followed the same pattern according to the archival record. First, a letter advised the Central Bank that a shipment was forthcoming. The letter stated the contents of each case in the shipment. This included the number of bank notes in a specific case, and the series of serial numbers printed on those notes. The actual bill for the shipment was enclosed in the letter. The bill stated that a sight draft for payment would be presented in Shanghai. In the case of all the GCU deliveries in 1930-31, the sight draft was handled through the American Express Co. office in Shanghai.[137]

This American company had opened its first office in Hong Kong in 1916. A year later, three additional offices were opened in Shanghai, Beijing, and Tianjin. Called "*Meiguo Yuntong Yinhang*" in Chinese, its Shanghai office did some banking business in

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[136] G.H Lynott, Shanghai, to G. W. Combs, July 3, 1930, Morowitz Archives.

[137] G.W. Combs, New York, to The Central Bank of China, September 10, 1930, Morowitz Archives.

addition to its freight agent duties. For example, it purchased and sold foreign exchange and also issued travelers checks.[138]

The American Express Company (AMEX) was the preferred shipping agent for ABNC.[139] A second letter was drafted to advise AMEX that the cases of freight had been delivered to the Railway Express agency office. This letter also confirmed that the shipment was to be forwarded to its final destination – Shanghai, and delivered to the final address of the Central Bank. AMEX was to take care of the "bill of lading" and any other necessary shipping documents. ANBC attached a sight draft to the letter, which would accompany the bill of lading and would be presented to the AMEX office for payment. A final but standard note in the letter would request that ANBC be contacted via telegraph when the ship left port (usually San Francisco).

AMEX confirmed first in writing that its office had received the shipment from the Railway Express Agency denoting that company's receipt numbers for the cases received. Second, AMEX confirmed in writing to ABNC that it was handling the shipping as agent, enclosed a copy of the bill of lading its office generated, and enclosed its bill for its services. Third, the AMEX export agent in San Francisco sent a form letter to ANBC stating that the ship had left port for Shanghai. But this was only done after a short telegraph was sent to ANBC first by the same agent confirming that the ship had indeed cleared the docks and had sailed.

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[138]Ji Zhaojin, A History of Modern Shanghai Banking: The Rise and Decline of China's Finance Capitalism," (New York, 2003), 156.

[139] ANBC already had a long working relationship with AMEX outside the scope of freight-forwarding and shipping matters. The now-famous AMEX "travelers checks" had been printed by ANBC beginning in 1891. This information was derived from the financial website www.fundinguniverse.com/company-histories/American-Banknote-Corporation-Company-History.

All bank note shipments by ANBC were insured. And in the case of the CGU shipments of 1930-31, the insurer was the Federal Insurance Company.[140] The coverage on the policy noted the value of the shipment and stated the origination point (New York) of the shipping route to its final destination (Shanghai). ANBC set the value of the cargo for insurance purposes and usually set the amount just slightly higher than the total amount that was being billed to the Central Bank in Shanghai.[141]

This raises a question of how did a company insure the transport of money? While all the shipping documents have the cargo listed as "printed matter," obviously ABNC was in the business of printing primarily currency and stock certificates. The insurers were clearly aware of this. Once onboard ship, ABNC currency shipments were often placed in "specie tank" storage or special lock-up for added security.[142] Typically, these storage areas were not full on the westbound voyage to China. But on shipments back to North America, most shippers, especially Canadian Pacific Lines, used specie tank lock-up for silk cargo or other freight of high value.[143]

[140] On each "Certificate of Insurance" issued, the managers of the firm were listed as "Chubb & Son." Incorporated in New Jersey, Federal Insurance Co. listed offices in Jersey City and also New York City. Today, Chubb Insurance is still a very large player in the insurance field.

[141] For example, on the shipment of 9/19/30, the Central Bank was billed $9,107.28 for the total shipment. The certificate of insurance was written for $9,500.00. This was noted on certificate number F860649 issued September 9, 1930 in the Morowitz Archives of the American Bank Note Company.

[142] The certificate of insurance often specified in writing that the "printed matter" be held during transit in specie tank storage - but not always. Further, in the ABNC records, it does not appear that the company had to pay a higher insurance rate if specie tank storage was not specified.

[143] Vessels transporting bullion or high value cargo had a large iron compartment that was sealed by padlocks or combination lock. This onboard "tank" was generally in one of the shelter decks. Access was under the jurisdiction of the Chief Officer and the Purser. This information was cited by researchers at the National Maritime Museum Library in San Francisco as provided by John Muir and Bill Kooiman, Re: Specie Storage, e-mail message to author, September 12, 2006.

Freight and insurance charges were all pre-paid by ANBC and added on to the invoice submitted to the Central Bank. AMEX billed transportation from New York to San Francisco at $12.85 per 100lbs., plus ten cents per each $100 of value. The rate by sea from San Francisco to Shanghai was based on a 3 percent ad *valorem* of the value ANBC placed on the shipment. For example, the initial shipment of GCU notes was valued at $8,600. The freight charge added was $258.00 (8,600. x .03). Accordingly in this example, the bill presented to the bank officials in Shanghai totaled $9,107.28.

Needless to say, in 1930 businesses did not have the modern technology of commerce that we take for granted today -- computers, fax, and wire transfers. Accordingly, one sees a voluminous "paper trail" with each and every sale and transport of a product. Telegraph correspondence was used extensively across the pacific between China and the United States as well as with London – the world center of financial exchange.

ANBC continued its shipment of CGU notes throughout 1930. Most of the shipments left the U.S. from the port of San Francisco. However, in the latter half of 1930, T.V. Soong and his management team expressed dissatisfaction with the level of service provided by AMEX and the Dollar Ship Lines. They requested that ANBC use Canadian Pacific Lines as shipping agent and transport their cargo from Vancouver, British Columbia in Canada. Their reasons for the change were varied. First of all, Soong and his associates were dealing from a position of strength because ultimately they were "the customer" and were paying all the bills for printing and shipping. Secondly, there were payment issues involving the sight drafts with AMEX. A third reason was the docking position of Canadian Pacific ships in Shanghai was much better than that of the Dollar Ship Line. This saved the Central Bank in costs of temporary warehousing, customs approval, and final trucking of cargo to the bank's address on Shanghai's Bund.[144] As the ANBC agent H. F. Payne wrote after the first Canadian Pacific shipment arrived, the Central Bank was pleased:

> Everything went like clockwork and the bank is much pleased. The steamer reached here Sunday and that afternoon the 17 cases were in the strong room of the Canadian Pacific at their office on the Bund, only a stone's throw away from the bank. The Canadian Pacific people had arranged with the Customs to be allowed to take delivery, so all there was to do was to endorse the bill of lading, get the Canadian Pacific's delivery order "chopped" by the Customs and turn it over to the bank – a matter of half an hour.[145]

By January 1931, the initial order for CGU notes was substantially complete and had been received by China's Central Bank (see Appendix: Illustrations 6-14).[146] But not all banking officials in Shanghai were pleased about the rising power and stature of a Central Bank. According to the ABNC records, there was resentment because some of the larger private banks could no longer privately order the printing of bank notes and then issue the notes themselves. The very purpose of having a central bank for a country was the ability

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[144] In a highly detailed four-page memorandum, Payne expanded on the problems that Soong, Chen, et al, had with using American Express and the Dollar Line. AMEX really was not the problem. Rather it was mishandling of freight by the Dollar Line. He also made the point that if this was the way Dollar Line treated a government institution like the Central Bank, imagine the frustration other banks must be having. This was a significant problem as cited in a letter from H. F. Payne, Shanghai, to G. W. Combs, October 23, 1930, Morowitz Archives.

[145] H.F Payne, Shanghai, to G. W. Combs, November 18, 1930, Morowitz Archives.

[146] All shipments of the CGU notes included partial shipments of each denomination ordered. The Central Bank liked it this way as they could begin distributing the notes earlier in the preparation of their release. As the first shipment sailed for Shanghai, this was cited in a letter from H.F Payne, Shanghai, to G. W. Combs, September 24, 1930, Morowitz Archives of American Bank Note Company.

to control the issuance of currency, and stabilize national finance. Obviously, T.V. Soong could not move the Central Bank forward in its role if other banks were still issuing bank notes. In a memo to his New York office, H. F. Payne wrote: "It is the natural desire of the government to cut down on the banks of issue and later have the Central Bank do it all, but that day will not come this year nor next."[147] Clearly, the other large banks in China still had influence with the political officials to continue their current practices.

T.V. Soong was ready to begin using the CGU notes, but some issues slowed down the process. The Central Bank was managed well, but still had to build up its reputation with the populace. Further, as Minister of Finance Soong still had to work with the Legislative Yuan, their reservations about the notes, along with concerns about the price of silver, also affected the process.[148]

It is important to remember that while the CGU notes had not yet been issued, the CGU process in terms of collecting import duties was well underway. Tariff values of dutiable goods had increased since March 1930 due partly to China's new autonomy in this area. Chinese dollars, *taels*, or other local currencies were converted to CGU values in a system that set rates daily based on market conditions. Beginning in 1931, these rates were stated in terms of CGU.

On May 1, 1931, the Central Bank began to issue the CGU notes to help facilitate payments of import duties.[149] The notes held by the bank were secured at least 60 per

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[147] H. F. Payne, Shanghai, to G. W. Combs, January 27, 1931, Morowitz Archives.

[148] Ibid., 1.

[149] Arthur Young, China's Nation-Building Effort, 46-48.

cent in gold or deposits payable in gold, with the remaining 40 per cent in other obligations payable in gold. Many businesses or other entities set up CGU accounts at the Central Bank where they could obtain cashier's checks to make payments. This made sense if you were a major importer and had to pay tariff duties in CGU. It was also smart to do because all tariff revenues were collected and centralized in the national treasury. Finally, it diminished the need for direct payment in silver to the bank. Growth in use of the new notes was slow. However, overall growth in payments in CGU by accounts grew steadily. It was reported that in 1930, only 12 per cent of total import duty was received directly in CGU. This rose to 63 per cent in 1931, 75 per cent in 1932, and 88 percent in 1933.

While the CGU notes began being used in May, the work of ANBC was not yet done. Printing duties notwithstanding, the company was asked by the Central Bank for additional support:

> The Gold Customs Unit notes are out, but are not used at all so far outside of Customs transactions. The bank asked us to take care of the what you might call propaganda connected therewith, and we have inspired a couple of newspapers and magazine articles which pleased them. We have to handle this with care, for the other banks are not so keen on the CGU notes and we have their good will to consider as well as that of the Central Bank.[150]

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[150] H. F. Payne, Shanghai, to G. W. Combs, June 2, 1931, Morowitz Archives.

Clearly, the company was still doing business throughout China with many different banks. ANBC did not want to antagonize any of its customers and sought to keep everyone content.

The CGU notes were used in China until 1949. A greater variety of denominations were ordered and used with the largest being the 250,000 CGU note issued in 1948. Throughout the years from 1930-1946, almost all the CGU notes were printed by ANBC. But other firms – both foreign and domestic, handled many subsequent orders beginning in 1947.[151]

While many in the numismatic field recognize the CGU note as traded around the world today, few people are aware of the process of its design, production, and delivery. This chapter has recounted that story within the much bigger picture of China's financial/economic history. With long experience and determination, ANBC produced a fine quality note for the CGU program.

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[151] Ward D. Smith and Brian Matravers, Chinese Banknotes, 80-82.

CHAPTER 9

AFTERMATH

After Edwin Kemmerer had completed his job in China and returned to Princeton, several members of his China team stayed behind having accepted positions in various branches of the Nationalist government. Arthur Young and F.B. Lynch were two of these team members. Reports on CGU matters and other programs were sent to Kemmerer regularly by them, at least on a personal basis. Further, on occasion in 1930-31, T.V. Soong used these Americans (now working for him directly) to query Kemmerer on various monetary questions. Thus while Kemmerer's obligations were contractually complete, his advice was still sought in the context of his global experience. Kemmerer remained an economic conservative and clearly felt his ideas and programs were best for China. The country was not on a gold standard as he would have liked, but linking the import customs to gold currencies was a positive first step.

It is also interesting to note that Kemmerer kept the U. S. State Department informed of his assignment before he began his work in China. Specifically, he met with Stanley Hornbeck, Washington's chief diplomat on China and East Asian matters.[152] Moreover, the record suggests that upon returning from China, Kemmerer provided Hornbeck copies of the various reports and projects of law that he had produced for China. This

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[152] Kemmerer personal diary entry, October 26, 1928, Box 483, Kemmerer Papers.

can be substantiated as this writer found a confidential memo in the archival material from Hornbeck to Kemmerer. The memo noted that Hornbeck was returning a copy of one of the China reports to Kemmerer since an extra one had been sent by mistake.[153] This raises a possible ethics question. Was Kemmerer bound by Soong to strict confidentiality or conversely, was he told by Soong for example to "show the Americans what we are trying to reform – inform them of our progress?" Did Kemmerer breach any matter of confidentiality involving Soong? This is of course hypothetical, but perhaps a more exhaustive study of Kemmerer's diaries and Soong's private papers might possibly shed light on this issue.

By September 1930, the CGU program was moving along well. The problem of the depreciation of silver had been practically offset. While trade levels were down, the customs revenues were adequate now to cover foreign loan service and also produce some surplus to the government. Lynch, now working at the Central Bank of China had set up a division which sold CGU against dollars, pounds sterling, and other foreign currencies.[154] In his view, Lynch felt the program thus far had "saved the bacon for the government" and should be made permanent.[155] He went on to report that most of the CGU sales were transacted against dollars or sterling, thus giving China gold funds

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[153] Memorandum, Stanley Hornbeck to Edwin Kemmerer, Box 67, The Stanley Hornbeck Papers, Hoover Institution on War, Revolution, and Peace. Stanford University, Stanford, CA.

[154] Arthur Young, Ministry of Finance, Shanghai, to Edwin Kemmerer, September 6, 1930, File: Young, Box 89, Kemmerer Papers.

[155] F.B. Lynch, Central Bank of China, Shanghai, to Edwin Kemmerer, September 14, 1930, File: Lynch, Box 88, Kemmerer Papers.

abroad in various accounts for payment of loans and indemnities. Some 60 percent of China's foreign custom-secured obligations were being paid in this manner.[156]

As previously mentioned, by years end, shipments of CGU notes from the first orders were substantially complete and in possession of the Central Bank. Discussion was underway as to what value to be given to the notes if they were put into circulation for the primary benefit of importers. They were denominated only in terms of CGU, but thus far there had been no statement of value relative to a CGU. But for customs duties collections, a value of $.40 per CGU was accepted by banks, import houses, and traders – in other words, widely known. Young expanded on this in a memo to Kemmerer, but in the context of Soong considering a whole new national currency program which might include new coinage:

> The 40 cent unit has become widely known as the basis for collection of Customs duties. The collection of import duties in terms of this unit has been highly successful. The Central Bank has added to its prestige, through the operations of the office in the bank Lynch has organized for sale of gold units. This office sells them against any currencies, both ready and forward, and opens accounts in terms of gold units. Practically all the important import houses have accounts in gold units at the Central Bank and some of the Chinese banks are now beginning to sell gold units on a small scale. The gold unit therefore, has acquired a certain prestige, and has been associated with the successful reform. There is no doubt that

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[156] Lynch to Kemmerer, September 14, 1930, File: Lynch, Box 88, Kemmerer Papers.

> prejudice would be aroused and criticism, both sincere and insincere, by any change in the unit.[157]

Therefore, that is exactly the decision that was made. The CGU would be maintained at its level for the foreseeable future.

The CGU notes themselves, controlled by the Central Bank, were covered by a 100 percent reserve in gold or gold exchange currencies. Importers began using the notes in May 1931 to pay duties or simply used their CGU accounts, whichever was more convenient for them. This was a positive step as the various port cities of China did not always have a local branch of the Central Bank to facilitate their payments.

Young made two other recommendations to Soong relative to the CGU program: 1) that the Central Bank be allowed to keep gold bullion bars as part of the CGU reserve and, 2) that China's Central Bank should not take any speculative position in silver within the CGU Division. If any speculation were done, it must be done separately from the CGU account structure.[158] The data suggests that both specifics were followed in the beginning, but the latter became questionable in the context of the worldwide silver markets of 1933-35.

For the Central Bank itself, public announcements were made to show the efficacy of the program, its public commencement, and also to show transparency to the public. For example, one official press release noted that "the amount of notes in circulation and the

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[157] Arthur Young, Ministry of Finance, Shanghai, to Edwin Kemmerer, January 9, 1931, File: Young, Box 88, Kemmerer Papers.

[158] Arthur Young to T.V. Soong, Minister of Finance, April 1, 1931. Memorandum for the Minister of Finance, The Arthur Young Papers, Box 31.

reserves held against them will be published every ten days, as is done in the case of Central Bank notes now outstanding, and will be subject to the audit of the Supervisory Committee of the Bank."[159] The Customs Department made similar public announcements via their official notifications (see Appendix: Document 1).

As May of 1931 brought news of progress from Customs and the Central Bank, there was also negative press on internal matters in China. Political dissent arose against Jiang in Canton which resulted in violence. Sun Fo, who had initially made contacts with the Americans seeking their help, was a principle player in the revolt. He publicly accused Jiang of "harboring desires to establish and autocracy in China."[160] Young's take on the situation was that Sun Fo was not at all a loss to the government. While Sun carried the prestige of being his father's son, he was not judged to be a strong competent administrator of the Railroad Ministry. Obviously, this was an area of infrastructure and commerce vital to China's success. Did Sun actually profit from the revolt in Canton? While this writer has been unable to arrive at a definitive answer, Young reported back to Kemmerer a firm yes. He learned that Sun Fo and H.L.Huang (his former student at Princeton and Vice-Minister of Railroads, as well as manager of the Ho Hang Bank), sold short all the Chinese Government bonds they could finance and made nice profits on the

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159 Kuo Min News Agency, news release, April 23, 1931. See also The Shanghai Evening Post and Mercury, April, 23, 1931 ,Section II, 1, and The China Press, April 24, 1931, 1.

160 "New Revolt by Canton; 200 Killed, " Boston Evening Transcript, Monday, May 18, 1931. Sourced from the Stanley Hornbeck Papers, File: 1931, Box 67, The Hoover Institution on War, Revolution, And Peace, Stanford University, Stanford, California.

announcement of the problems in Canton![161] Lai also wrote that there was a strong faction of GMD members that felt Sun Fo profited as well.[162]

The American Bank Note Company continued to produce the CGU notes and other bank notes for China until 1947. However, CGU notes were also produced by other foreign printers as well. Competition was strong and the American printer did not have a monopoly. For the Central Bank, competitive bidding for bank note printing was the norm. Further, it should be noted that while this writer's search was not exhaustive, no connection could be found between Kemmerer and ANBC or any of his China Commission members. No correspondence of any kind was discovered, only a few sample CGU notes in the personal papers of Arthur Young (see Appendix: Illustrations 6-14).

As the world's financial markets underwent computerization in later years, the fortunes of ABNC began to wane. The company was purchased in 1969 by the B.T.B. Corporation and operated as a subsidiary. The name was changed to International Banknote Company and by the mid-1980's still produced a broad spectrum of security paper products, currency, food stamps, airline tickets, and various paper licenses. In the late 1980's, the company moved into the field of holography as an anti-counterfeiting technology. The need to diversify was clear. Security paper such as stocks and bonds were held in accounts digitally, greatly reducing the need for printing. As for currency, ANBC was still a provider, but had no involvement in US dollars, pounds, marks, yen, or

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161 Arthur Young, Shanghai, to Edwin Kemmerer, July 13, 1931, handwritten notes pages 4-5. File: Young, Box 89, The Edwin Kemmerer Papers, The Seeley Mudd Transcript Library, Princeton University, Princeton, New Jersey.

162 Lai, "A Study of a Fallen Democrat," 128-129.

any other major currency. Due to these business trends and a diminished demand for paper printing, the company suffered through several re-organizations, proxy battles, and eventually declared bankruptcy in 1999 and again in 2005. Today a smaller, re-organized American Banknote Corporation operates as a holding company with American Bank Note Company (ABNC) as one of its principal subsidiaries.

CHAPTER 10

CONCLUSIONS

By 1929 the government finances of China were in desperate need of reform and modernization. The external debts of the country had steadily risen since 1895. China had little control over the foreign-run treaty ports and the collection of customs or other taxes. Extraterritoriality was a privilege to the foreign powers among other practices that were clearly in their favor.

The foreign powers and their financial institutions recognized that China had only one dependable revenue stream from which to pay its indemnities and debts – the import customs collected from abroad. This revenue continued to be pledged to pay external debt, and that left little for China's domestic needs.

The Nanjing Government obviously needed help and invited a team of American financial experts to help organize China's finances, create a budget, and begin to pay down the burgeoning external debt – of which much was in arrears. An early recommendation was to place the Customs revenues on a gold exchange basis and initiate the use of the customs gold unit or CGU.

The CGU program was a success for China. In a 1926 internal government report reviewed by Arthur Young, the country had less than $2 million (Chinese) left over in a single three-month period after debt payments. Compare this with the report noted by

Young that, ten years later, annual revenue available after debt payments was nearly $700 million (Chinese).[163] Several developments made this possible.

When the customs revenues were shifted to a gold basis, it helped preserve the value of this revenue against the problems of volatile silver prices. The CGU program allowed the government to draw in foreign currencies as well as silver. Relationships and accounts were established by the Central Bank with leading foreign banks. The Customs Service could withdraw funds from the CGU system at the Central bank to service the foreign loans collateralized by customs revenues. For China this was a strong move toward currency reform. True, the Kemmerer Commission's report also wanted to call the CGU the *sun*, but this change was not made. The *tael* system was also slowly abolished, as payments were converted to the CGU system.

As Paul Trescott noted, adoption of the CGU system helped raise customs revenues from $244 million in 1929 to $388 million (Chinese) by 1931.[164] Obviously, this additional revenue helped strengthen China's credit abroad. Interest on loans that was in arrears could be brought current, making China attractive for foreign investment in economic development.

The CGU system also demonstrated for its administrators the important value of experience. The Customs staff became increasingly Chinese, with advancement opportunities. Central Bank employees learned to work with procedures administratively not unlike those of other foreign banks. Experience was gained in foreign exchange and financial management. This was good for both the individual and the overall success of

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[163] Arthur Young, China's Nation-Building Effort, 142.

[164] Trescott, "The Money Doctor in China," 134.

the organization. As Andrea McElderry wrote, employees needed the western technical experience required for the job, and in the larger framework of helping the organization and the nation.[165]

As for the CGU notes themselves, while they did not circulate initially, they provided something tangible and accountable in support of the CGU system. While the CGU system, in accounting terms, could have operated without the CGU notes, their use made transactions easier. They remained in use until 1949. China needed quality notes from a reliable source. The American Bank Note Company was experienced worldwide in the production of notes. Further, the company had the physical capacity to pursue the orders for the CGU notes while at the same time continuing to supply other customers in China. The company certainly had competition for the business – especially from large British firms such as Waterloo & Co., but they also had to compete with smaller domestic printers. ANBC worked diligently on its relationship with T.V. Soong and his staff at the Central Bank. Soong was not a passive customer and expressed little tolerance for mistakes. ANBC learned to react quickly to such situations and maintain a successful relationship. As noted earlier, the company was even asked to help "market" the notes in the press to the banking/financial public.

The system utilizing the customs gold units and notes served China well. Until the Japanese attack in Manchuria in September 1931, the process for managing and reducing China's debt was positive. The subsequent war against the Japanese was a devastating drain on the finances of China. The loss of revenues from the various ports of Manchuria alone constituted almost 15 percent of the government's budget. An interesting "what if"

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[165] Andrea McElderry, "Confucian Capitalism?: Corporate values in Republican Banking," Modern China 12: 3 (July 1986): 406-410.

question comes to mind had the war not occurred. Since more than $200 million had already been reduced from the national foreign debt before the WWII years, this writer firmly believes the process of debt reduction would have continued. Accordingly, this would have raised China's credit stature internationally, allowing for more foreign investment for modernization.

APPENDIX

Table 1: Share of Manchuria and North China's Customs Revenue (amounts in Chinese Dollars). Quoting Chinese Sources.... *includes seven ports: Aigun, Harbin, Hanchun, Lungchingtsun, Antung, Dairen, and Newchwang; **includes six ports: Chinwangtao, Tientsin, Lungknow, Chefoo, Weihaiwei, and Kiaochow. Source: Frank Kai-Ming Su and Alvin Barber, "China's Tariff Autonomy, Fact or Myth, " *Far Eastern Survey* 5, no. 12 (3 June 1936): 119.

Year	Total Customs Revenue	Manchuria* Customs Revenue	% of Total	North China** Customs Revenue	% of Total Imports
1929	238,109,285	34,900,237	14.66%	37,111,429	15.59%
1930	281,405,583	38,254,072	13.59%	37,964,664	13.49%
1931	385,002,673	40,803,328	10.60%	59,763,728	15.52%
1932	311,976,210			67,769,336	21.72%
1933	339,524,490			70,009,399	20.62%
1934	334,645,408			68,477,102	20.46%

Table 2: Allocation of the Sino-Japanese War Indemnity. Source: Li, Mu Yang, "Essays on Public Finance and Economic Development in a Historical Institutional Perspective: China 1840-1911," PhD diss., Stanford University, Stanford, California, 2003, 130.

Category	Amount (million yen)
"Extraordinary military special account"	79.0
Army Expansion Fund	56.8
Navy Expansion Fund	139.3
Yawata Iron and Steel Mill Startup Fund	0.6
Railroads, etc. Expansion Fund	3.2
Taiwan Operations Fund	12.0
Royal Expenses	70.0

Table 3: Boxer Indemnity Owed by China. Source: The Edwin Kemmerer Papers, box 58, Seeley G. Mudd Manuscript Library, Princeton University, Princeton, New Jersey.

Country	Percentage of Total Indemnity
Russia	28.97136
Germany	20.01567
France	15.75072
Great Britain	11.24901
Japan	7.7318
United States	7.31979
Italy	5.91489
Belgium	1.88541
Austria-Hungary	0.88976
The Netherlands	0.1738
International Claims	0.03326
Spain	0.03007
Portugal	0.0205
Sweden and Norway	0.01396
Total	100.00

Table 4: Foreign Enterprises in China—1924. Source: Memorandum by Edwin Kemmerer dated 23 September 1929 where he quotes Bankers Weekly #443 of 1926. The Edwin Kemmerer Papers, item 19, file 1-7, box 58, Seeley G. Mudd Manuscript Library, Princeton University, Princeton, New Jersey.

Nationality	Number of Enterprises
United States	470
Austria	6
Belgium	26
Great Britain	726
Chili	2
Czechoslovakia	4
Denmark	39
Holland	38
France	255
Germany	253
Italy	49
Japan	4,278
Norway	19
Poland	1
Portugal	131
Russia	934
Spain	14
Sweden	12
Switzerland	29
Total	7286

Table 5: The Amount of Unfavorable Trade Balance as Shown in the Customs Report and the Actual Amount of Unfavorable Trade Balance. Source: Memorandum by Edwin Kemmerer dated 23 September 1929 where he quotes Bankers Weekly #443 of 1926. The Edwin Kemmerer Papers, item 19, file 1-7, box 58, Seeley G. Mudd Manuscript Library, Princeton University, Princeton, New Jersey.

Year	Amount of Unfavorable Balance in Haikwan taels
1912	102,576,628
1913	166,857,011
1914	213,014,753
1915	35,614,555
1916	33,248,038
1917	86,587,144
1918	69,010,051
1919	16,188,270
1920	220,618,930
1921	304,866,902
1922	290,157,719
1923	170,485,471
1924	267,317,688

Table 6: Combined Maritime and Native Customs Revenues And Amounts Thereof Paid on Foreign Loans and Indemnities (in pound sterling). China's Tariff Autonomy, Fact or Myth by Frank Kai-Ming Su and Alvin Barber, Far Eastern Survey 5, no. 12 (June 3, 1936), 119. Quoting Chinese Sources...

Year	Total	Amounts Paid on Foreign Loans, Etc.
1927	7,737,726	7,665,381
1928	10,012,913	7,562,151
1929	18,191,695	7,774,180
1930	15,529,200	7,762,280
1931	16,062,730	8,262,460
1932	15,457,668	6,144,797
1933	16,264,877	5,291,919
1934	17,666,997	5,066,901

Table 7: Rates of Exchange, 1926 to Date. Source: Memorandum from Edwin Kemmerer to T.V. Soong dated 25 May 1929. Arthur Young Papers, box 31, The Hoover Institution on War, Revolution, and Peace. Stanford University, Stanford, California.

Date	Shanghai Taels per $100 Local Currency	U.S. dollars per 100 Shanghai Taels	Pence per Shanghai Taels
1926 (average)		68.041	33.540
1927 (average)	72.7	61.401	30.302
1928 (average)	72.3	63.706	31.420
1926-28 (average)		64.383	31.754
January 1929 (average)	71.8	62.685	31.000
February 1929 (average)	71.8	61.681	30.487
March 1929 (average)	71.9	61.766	30.510
April 1929 (average)	71.7	60.490	29.930
May 25, 1929	71.7	56.000	28.750

Table 8: Average Rates of Exchange, 1926 to Date. Source: Memorandum from Edwin Kemmerer to T.V. Soong dated 8 October 1929. Arthur Young Papers, box 31, The Hoover Institution on War, Revolution, and Peace. Stanford University, Stanford, California.

Period	Rate in U.S.$/100 Shanghai Taels	Rate of Shanghai Taels to Local Dollars	Approx. Cost of Remitting $3,300,000 in U.S. Currency*** *** local dollars
1926-28, average	64.383	72.5	7,070,000
1928, average	63.706	72.3	7,160,000
Jan., 1929, average	62.685	71.8	7,330,000
Feb., 1929, average	61.681	71.8	7,460,000
March, 1929, average	61.766	71.9	7,450,000
April, 1929, average	60.490	71.7	7,620,000
May 25, 1929, average	58.000	71.7	7,930,000

Table 9: Gold Currencies Conversion Rates For Customs Gold Units (CGU). Chinese Economic Bulletin, 26 April 1930. Arthur Young Papers, box 31, The Hoover Institution on War, Revolution, and Peace, Stanford University, Stanford, California.

Country	**Currency**	**Value in CGU's**
Great Britain	Sterling/Pence	19.727
United States	Gold Dollar	0.400
France	Franc	10.184
Japan	Gold Yen	0.803
Singapore	Dollar	0.705
India	Rupee	1.096
Germany	Reichmarks	1.679
Netherlands	Guilder	0.995
Italy	Lires	7.600
Switzerland	Franc	2.073
Belgium	Belga	2.877
Norway	Kroner	1.492
Sweden	Kroner	1.492
Denmark	Kroner	1.492
Austria	Shilling	2.843

Table 10: ABNC 1858 Association. Source: William Griffiths, The Story of American Bank Note Company (New York: American Bank Note Company, 1959).

Firm	City Locations	Shares	% Ownership
Rawdon, Wright, Hatch & Edison	New York Montreal New Orleans Cincinnati Boston	5,951	23.90%
Toppan, Carpenter & Co.	New York Philadelphia Boston Cincinnati	5,577	22.40%
Danforth, Perkins & Co.	New York Philadelphia Boston Cincinnati	5,428	21.80%
Bald, Cousland & Co.	New York Philadelphia	3,312	13.30%
Jocelyn, Draper, Welsh & Co.	New York Philadelphia	2,092	8.40%
Wellstood, Hay & Whiting	New York Chicago	2,042	8.20%
John E. Gavit	Albany	498	2.00%

Table 11: Historical Evolution of American Bank Note Company. Source: William H Griffiths. The Story of American Bank Note Company (New York: American Bank Note Company), 1959.

Historical Evolution of American Bank Note Company

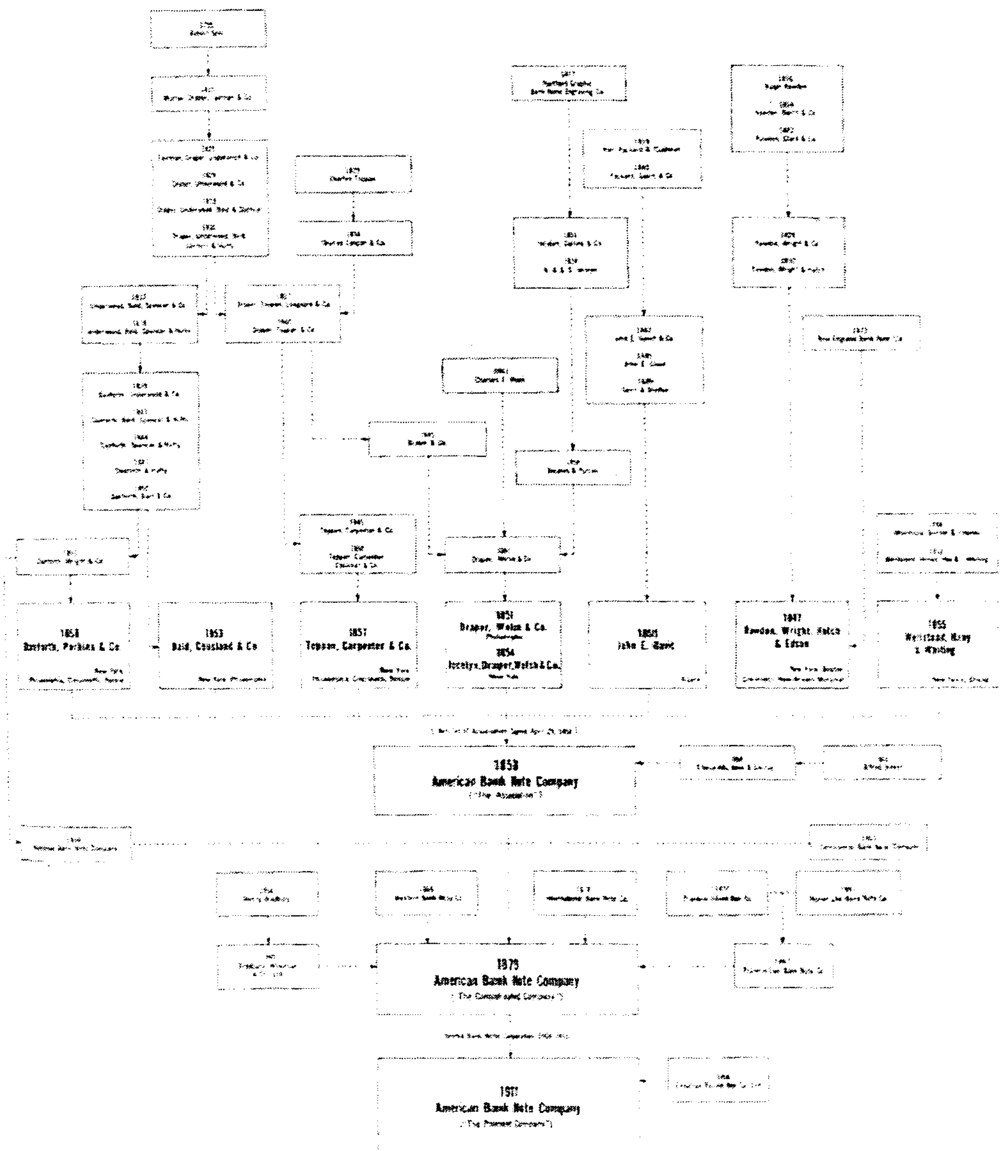

Table 12: ANBC Shipment of Custom Gold Units. Source: Morowitz Archives of American Bank Note Co.

DATE	PORT	SHIP	CASE #	AMOUNT	DENOM.	SERIAL NUMBERS
9/19/1930	SFO	S.S. PRESIDENT FILLMORE	2198	100,000	TEN CENT	000001-100000
				4,000	TEN CENT	SPECIMEN NOTES
			2199	100,000	TEN CENT	100001-200000
GROSS WEIGHT OF SHIPMENT: 1,650 LBS.			2200	100,000	20 CENT	000001-100000
				4,000	20 CENT	SPECIMEN NOTES
			2201	50,000	1 CGU	000001-050000
TOTAL AMOUNT BILLED TO CENTRAL BANK OF CHINA:				4,000	1 CGU	SPECIMEN NOTES
			2202	50,000	5 CGU	000001-050000
$9,107.28				4,000	5 CGU	SPECIMEN NOTES
			2203	50,000	5 CGU	050001-100000
			2204	50,000	10 CGU	000001-050000
				4,000	10 CGU	SPECIMEN NOTES
			2205	50,000	10 CGU	050001-100000
9/26/1930	SFO	S.S. PRESIDENT LINCOLN	2206	100,000	TEN CENT	200001-300000
			2207	100,000	TEN CENT	300001-400000
			2208	100,000	20 CENT	100001-200000
GROSS WEIGHT OF SHIPMENT: 1,865 LBS.			2209	100,000	20 CENT	200001-300000
			2210	50,000	1 CGU	050001-100000
			2211	50,000	1 CGU	100001-150000
TOTAL AMOUNT BILLED TO CENTRAL BANK OF CHINA:			2212	50,000	5 CGU	150001-200000
			2213	50,000	10 CGU	100001-150000
$10,427.63			2214	50,000	10 CGU	150001-200000

DATE	PORT	SHIP	CASE #	AMOUNT	DENOM.	SERIAL NUMBERS
10/3/1930	SFO	<u>S.S. PRESIDENT WILSON</u>	2215	100,000	TEN CENT	400001-500000
			2216	100,000	TEN CENT	500001-600000
			2217	100,000	TEN CENT	600001-700000
GROSS WEIGHT OF SHIPMENT: 2,783 LBS.			2218	100,000	TEN CENT	700001-800000
			2219	100,000	TEN CENT	800001-900000
			2220	100,000	20 CENT	300001-400000
TOTAL AMOUNT BILLED TO CENTRAL BANK OF CHINA:			2221	100,000	20 CENT	400001-500000
			2222	100,000	20 CENT	500001-600000
$15,355.42			2223	50,000	1 CGU	100001-150000
			2224	50,000	1 CGU	150001-200000
			2225	50,000	5 CGU	200001-250000
			2226	50,000	5 CGU	250001-300000
			2227	50,000	10 CGU	200001-250000
			2228	50,000	10 CGU	250001-300000
10/10/1930	SFO	<u>S.S. PRESIDENT MADISON</u>	2229	100,000	TEN CENT	900001-1000000
			2230	100,000	TEN CENT	A000001-A100000
			2231	100,000	TEN CENT	A100001-A200000
GROSS WEIGHT OF SHIPMENT: 5,462 LBS.			2232	100,000	TEN CENT	A200001-A300000
			2233	100,000	TEN CENT	A300001-A400000
			2234	100,000	TEN CENT	A400001-A500000
TOTAL AMOUNT BILLED TO CENTRAL BANK OF CHINA:			2235	100,000	TEN CENT	A500001-A600000
			2236	100,000	TEN CENT	A600001-A700000
$30,903.88			2237	100,000	20 CENT	600001-700000
			2238	100,000	20 CENT	700001-800000
			2239	100,000	20 CENT	800001-900000
			2240	100,000	20 CENT	900001-1000000

DATE	PORT	SHIP	CASE #	AMOUNT	DENOM.	SERIAL NUMBERS
			2241	50,000	1 CGU	200001-250000
			2242	50,000	1 CGU	250001-300000
			2243	50,000	1 CGU	300001-350000
			2244	50,000	1 CGU	350001-400000
			2245	50,000	5 CGU	300001-350000
			2246	50,000	5 CGU	350001-400000
			2247	50,000	5 CGU	400001-450000
			2248	50,000	5 CGU	450001-500000
			2249	50,000	5 CGU	500001-550000
			2250	50,000	5 CGU	550001-600000
			2251	50,000	5 CGU	600001-650000
			2252	50,000	5 CGU	650001-700000
			2253	50,000	10 CGU	300001-350000
			2254	50,000	10 CGU	350001-400000
			2255	50,000	10 CGU	400001-450000
			2256	50,000	10 CGU	450001-500000
10,17,1930	SFO	<u>S.S. PRESIDENT VAN BUREN</u>	2257	100,000	TEN CENT	A700001-A800000
			2258	100,000	TEN CENT	A800001-A900000
GROSS WEIGHT OF SHIPMENT: 4,767 LBS.			2259	100,000	TEN CENT	A900001-A1000000
			2260	100,000	TEN CENT	B000001-B100000
			2261	100,000	TEN CENT	B100001-B200000
TOTAL AMOUNT BILLED TO CENTRAL BANK OF CHINA:			2262	100,000	TEN CENT	B200001-B300000
			2263	100,000	TEN CENT	B300001-B400000
$26,346.40			2264	100,000	TEN CENT	B400001-B500000
			2265	50,000	1 CGU	400001-450000
						450001-500000
			2266	50,000	1 CGU	

DATE	PORT	SHIP	CASE #	AMOUNT	DENOM.	SERIAL NUMBERS
			2267	50,000	1 CGU	500001-550000
			2268	50,000	1 CGU	550001-600000
			2269	50,000	1 CGU	600001-650000
			2270	50,000	1 CGU	650001-700000
			2271	50,000	1 CGU	700001-750000
			2272	50,000	1 CGU	750001-800000
			2273	50,000	5 CGU	700001-750000
			2274	50,000	5 CGU	750001-800000
			2275	50,000	5 CGU	800001-850000
			2276	50,000	5 CGU	850001-900000
			2277	50,000	5 CGU	900001-950000
			2278	50,000	5 CGU	950001-1000000
			2279	50,000	10 CGU	500001-550000
			2280	50,000	10 CGU	550001-600000
			2281	40,000	10 CGU	600001-640000
			2282	40,000	10 CGU	640001-680000
10/24/1930	SFO	S.S. PRESIDENT JACKSON	2283	100,000	10 CENT	B500001-B600000
			2284	100,000	10 CENT	B600001-B700000
			2285	100,000	10 CENT	B700001-B800000
GROSS WEIGHT OF SHIPMENT: 3,128 LBS.			2286	100,000	10 CENT	B800001-B900000
			2287	100,000	10 CENT	B900001-B1000000
			2288	100,000	10 CENT	C000001-C100000
TOTAL AMOUNT BILLED TO CENTRAL BANK OF CHINA:			2289	100,000	10 CENT	C100001-C200000
			2290	50,000	1 CGU	800001-850000
$17,002.82			2291	50,000	1 CGU	850001-900000
			2292	50,000	1 CGU	900001-950000

DATE	PORT	SHIP	CASE #	AMOUNT	DENOM.	SERIAL NUMBERS
			2293	50,000	1 CGU	950001-1000000
			2294	50,000	1 CGU	A000001-A050000
			2295	50,000	1 CGU	A050001-A100000
			2296	50,000	1 CGU	A100001-A150000
			2297	50,000	1 CGU	A150001-A200000
			2298	50,000	5 CGU	A000001-A050000
			2299	50,000	5 CGU	A050001-A100000
			2300	50,000	5 CGU	A100001-A150000
10/30/1930	VAN	<u>S.S. EMPRESS OF JAPAN</u>	2301	100,000	10 CENTS	C200001-C300000
			2302	100,000	10 CENTS	C300001-C400000
GROSS WEIGHT OF SHIPMENT: 2,976 LBS.			2303	100,000	10 CENTS	C400001-C500000
			2304	100,000	10 CENTS	C500001-C600000
			2305	100,000	10 CENTS	C600001-C700000
TOTAL AMOUNT BILLED TO CENTRAL BANK OF CHINA:			2306	100,000	10 CENTS	C700001-C800000
			2307	50,000	1 CGU	A200001-A250000
$16,109.61			2308	50,000	1 CGU	A250001-A300000
			2309	50,000	1 CGU	A300001-A350000
			2310	50,000	1 CGU	A350001-A400000
			2311	50,000	1 CGU	A400001-A450000
			2312	50,000	1 CGU	A450001-A500000
			2313	50,000	1 CGU	A500001-A550000
			2314	50,000	1 CGU	A550001-A600000
			2315	50,000	5 CGU	A150001-A200000
			2316	50,000	5 CGU	A200001-A250000
						A250001-A300000
			2317	50,000	5 CGU	

DATE	PORT	SHIP	CASE #	AMOUNT	DENOM.	SERIAL NUMBERS
11/13/1930	VAN	S.S. EMPRESS OF ASIA	2318	100,000	10 CENT	C800001-C900000
			2319	100,000	10 CENT	C900001-C1000000
			2320	100,000	10 CENT	D000001-D100000
GROSS WEIGHT OF SHIPMENT: 7,542 LBS.			2321	100,000	10 CENT	D100001-D200000
			2322	100,000	10 CENT	D200001-D300000
			2323	100,000	10 CENT	D300001-D400000
TOTAL AMOUNT BILLED TO CENTRAL BANK OF CHINA:			2324	100,000	10 CENT	D400001-D500000
			2325	100,000	10 CENT	D500001-D600000
$41,217.91			2326	50,000	1 CGU	A600001-A650000
			2327	50,000	1 CGU	A650001-A700000
			2328	50,000	1 CGU	A700001-A750000
			2329	50,000	1 CGU	A750001-A800000
			2330	50,000	1 CGU	A800001-A850000
			2331	50,000	1 CGU	A850001-A900000
			2332	50,000	1 CGU	A900001-A950000
			2333	50,000	1 CGU	A950001-A1000000
			2334	50,000	1 CGU	B000001-B050000
			2335	50,000	1 CGU	B050001-B100000
			2336	50,000	1 CGU	B100001-B150000
			2337	50,000	1 CGU	B150001-B200000
			2338	50,000	1 CGU	B200001-B250000
			2339	50,000	1 CGU	B250001-B300000
			2340	50,000	1 CGU	B300001-B350000
			2341	50,000	1 CGU	B350001-B400000
			2342	50,000	1 CGU	B400001-B450000
			2343	50,000	1 CGU	B450001-B500000

DATE	PORT	SHIP	CASE #	AMOUNT	DENOM.	SERIAL NUMBERS
			2344	50,000	1 CGU	B500001-B550000
			2345	50,000	1 CGU	B550001-B600000
			2346	50,000	1 CGU	B600001-B650000
			2347	50,000	1 CGU	B650001-B700000
			2348	50,000	1 CGU	B700001-B750000
			2349	50,000	1 CGU	B750001-B800000
			2350	50,000	1 CGU	B800001-B850000
			2351	50,000	1 CGU	B850001-B900000
			2352	50,000	1 CGU	B900001-B950000
			2353	50,000	1 CGU	B950001-B1000000
			2354	50,000	1 CGU	C000001-C050000
			2355	50,000	1 CGU	C050001-C100000
			2356	50,000	5 CGU	A300001-A350000
			2357	50,000	5 CGU	A350001-A400000
			2358	50,000	5 CGU	A400001-A450000
			2359	50,000	5 CGU	A450001-A500000
			2360	50,000	5 CGU	A500001-A550000
			2361	50,000	5 CGU	A550001-A600000
11/27/1930	VAN	S.S. EMPRESS OF CANADA	2362	100,000	10 CENTS	D600001-D700000
			2363	100,000	10 CENTS	D700001-D800000
			2364	100,000	10 CENTS	D800001-D900000
GROSS WEIGHT OF SHIPMENT: 5,280 LBS.			2365	100,000	10 CENTS	D900001-D1000000
			2366	50,000	1 CGU	C100001-C150000
			2367	50,000	1 CGU	C150001-C200000
TOTAL AMOUNT BILLED TO			2368	50,000	1 CGU	C200001-C250000
CENTRAL BANK OF CHINA: $28, 762.73			2369	50,000	1 CGU	C250001-C300000

DATE	PORT	SHIP	CASE #	AMOUNT	DENOM.	SERIAL NUMBERS
			2370	50,000	1 CGU	C300001-C350000
			2371	50,000	1 CGU	C350001-C400000
			2372	50,000	1 CGU	C400001-C450000
			2373	50,000	1 CGU	C450001-C500000
			2374	50,000	1 CGU	C500001-C550000
			2375	50,000	1 CGU	C550001-C600000
			2376	50,000	1 CGU	C600001-C650000
			2377	50,000	1 CGU	C650001-C700000
			2378	50,000	1 CGU	C700001-C750000
			2379	50,000	1 CGU	C750001-C800000
			2380	50,000	1 CGU	C800001-C850000
			2381	50,000	1 CGU	C8500001-C900000
			2382	50,000	1 CGU	C900001-C950000
			2383	50,000	1 CGU	C950001-C1000000
			2384	50,000	1 CGU	D000001-D050000
			2385	50,000	1 CGU	D050001-D100000
			2386	50,000	1 CGU	D100001-D150000
			2387	50,000	1 CGU	D150001-D200000
			2388	50,000	1 CGU	D200001-D250000
			2389	50,000	1 CGU	D250001-D300000
			2390	50,000	1 CGU	D300001-D350000
			2391	50,000	1 CGU	D350001-D400000
			2392	50,000	1 CGU	D400001-D450000
			2393	50,000	1 CGU	D450001-D500000

Table 13: Rates of Foreign Exchange Average Bank's Telegraphic/Transfer Selling Rates. Source: Memorandum from Edwin Kemmerer to T.V. Soong dated October 8, 1929. Arthur Young Papers, box 31, Hoover Institution on War, Revolution, and Peace, Stanford University, Stanford, California.

Date	**U.S. Dollars/100 Shanghai Taels**
1928	
October	63.509
November	63.625
December	62.916
1929	
January	62.685
February	61.681
March	61.766
April	60.490
May	58.962
June	56.636
July	57.035
August	57.009
September	55.456
12 Month Average Ending 9/30/1929	60.148
8 Month Average 2/1/29--9/30/29	58.630
3 Month Average July-Aug.-Sept.1929	56.501

Document 1: Customs Notification. Source: Arthur Young Papers, file 1931, box 31, Hoover Institution on War, Revolution, and Peace, Stanford, California.

The Central Bank of China

The Central Bank of China notifies the public that beginning from May 1st, 1931 it will be prepared to issue its notes in Customs Gold Units at rates which may be uncertained open application. Customs Gold Unit notes will be available in denominations of CGU, 10.00, C.G.U 5.00, C.G.U. 1.00, 20 Cents and C.G.U. 10 Cents.

Shanghai, April 24, 1931

CUSTOMS NOTIFICATION
No. 1209

In accordance with instructions received from the Ministry of Finance through the Inspector General of Customs the Public is hereby notified that beginning from the 1st May 1931, the Central Bank of China will be prepared to sell Customs Gold Unit notes, in denominations of C.G.U10.00, C.G.U 5.00, C.G.U. 1.00, 20 Cents and C.G.U. 10 Cent, at rates ascertainable from Central Bank of China upon application.

Such bank-notes, the issuance of which is by Government order confined to the Central Bank of China, will be accepted in unlimited amounts in payment of import duty and other charges payable in Customs Gold Units.

W.R. MEYERS,
Commissioner of Customs

CUSTOM HOUSE
Shanghai, 24th April 1931

Document 2: New China Daily News, Customs Notification, no. 1170. Source: Arthur Young Papers, box 31.

CUSTOMS NOTIFICATION
No. 1170

In contribution of the Notification stating that on and after February, 1930, the Haikuan Tael will be discontinued as the unit of calculation of duties on imports from abroad and that a new Gold Unit will be used, the public is hereby notified that the Ministry of Finance has now instructed that all payments in respect of Gold Unit duties are to be tendered only in the silver currencies now accepted.

W.R. MEYERS
Commissioner of Customs

CUSTOM HOUSE,
Shanghai, 25th January, 1930

Document 3: New China Daily News, Customs Notification, no. 1171. Source: Arthur Young Papers, box 31.

CUSTOMS NOTIFICATION
No. 1171

With reference to the Notification stating that on and after 1st February, 1930, the Haikuan Tael will be discontinued as the unit of calculation of duties on importation abroad and that a new Gold Unit will be used: and in continuation of Customs Notification No. 1170, the public is hereby notified that from February 1st 1930, until further notice, the official rate to be used for converting Custom Gold Units into Shanghai Taels.
Gold Unit 1.000=Sh. Tls 0.8033

W.R. MYERS
Commissioner of Customs

CUSTOMS HOUSE,
Shanghai, 25th January 1930

Document 4: New China Daily News, Customs Notification, no. 1173. Source: Arthur Young Papers, box 31.

CUSTOMS NOTIFICATION
No. 1173

With reference to the Notification stating that on and after 1st February, 1930, the Haikuan Tael will be discontinued as the unit of calculation of duties on importation abroad and that a new Gold Unit will be used: and in continuation of Customs Notification No. 1170, the public is hereby notified that the official rate given in Notification 1171 is cancelled and that from February 1st 1930, until further notice, the official rate to be used for converting Customs Gold Units into Shanghai Taels is:

Gold Units 1.000=Sh. Tis. 0.822

W.R. MYERS
Commissioner of Customs

CUSTOM HOUSE,
Shanghai, January 28 1930.

1820

Document 5: New China Daily News, Customs Notification, no. 1176. Source: Arthur Young Papers, box 31.

CUSTOMS NOTIFICATION
No. 1176

With reference to Customs Notification of 20th January 1930 stating that on and after 1st February 1930 the Haikuan Tael would be discontinued as the unit of calculation of duties on imports from abroad and that a new Gold Unit will be used, the public is hereby notified that drawbacks on imports which have paid duty on the Gold Unit will be issued in Customs Gold Units in the form of Gold Unit Cheques drawn on the Central Bank of China. Gold Unit Cheques for drawbacks may be used for the payment of Gold Unit duties and dues, or, at the option of the holder, will be cashed in silver by the Central Bank of China at a rate based upon that bank's buying rate for gold currencies at the time of encashment.

W.R. MYERS
Commissioner of Customs,

CUSTOM HOUSE
Shanghai, 12th February 1930

Document 6: New China Daily News, Customs Notification, no. 1177.

CUSTOMS NOTIFICATION
No. 1177

The public is hereby notified that as from February 17th, 1930, until further notice, the official rate to be used for converting Customs Gold Units into Shanghai Taels will be: Gold Units 1.000=Sh. Tls. 0.8394

W.R. MYERS
Commissioner of Customs.

CUSTOM HOUSE
Shanghai, 12th February, 1930. 2727

Document 7: New China Daily News, Customs Notification, no. 1178.

CUSTOMS NOTIFICATION
No. 1178

With reference to the Customs Joint Notification of January 20, 1930, informing the public that from February 1, 1930, Customs Duties on Imports from abroad will be collected on a Gold basis and be collected on a Gold basis and with special reference to the paragraph stating that the rates at which currencies would be accepted in payment of duties expressed in the new Gold Unit would be officially announced from time to time, at least three days public notice being given in the event of change in rates; the public is hereby notified that the Ministry of Finance has decided that from March 1, 1930, the rate to be used will be the official rate published daily by the Exchange Banks at the opening of the market at 9:30 o'clock.

W.R. MYERS
Commissioner of Customs.

CUSTOM HOUSE,
Shanghai, February 22, 1930. 3427

Document 8: 15-page record of first CGU shipment from ABNC. Source: Source: Morowitz Archives of American Bank Note Co.

C. P. R.
-4 1930

Shanghai

THE CENTRAL BANK OF CHINA - Customs Gold Unit Notes.

September 4,1930.

In answer to your cabled inquiry of August 28th, as to when we expected to begin shipment of this order, we replied in our cable of September 2nd that we hoped to begin with some of each denomination on September 10th.

This date is within the contract time, and while it is going to be a tight squeeze to get them out by then ,we fully expect to do so.

Manager Far Eastern Department.

CHINA OFFICE COUNTERPART
CHINA OFFICE COUNTERPART

JWB/IW

Form 1878

DUPLICATE **CERTIFICATE OF INSURANCE.** Central Bk of China

$9,500.- No. F860649

FEDERAL INSURANCE COMPANY

INCORPORATED UNDER THE LAWS OF NEW JERSEY

CHUBB & SON, Managers

No. 1 NEWARK AVENUE JERSEY CITY, N. J. AND 5 & 7 SOUTH WILLIAM STREET NEW YORK CITY, N. Y.

C. P. SEP 12 1930

NEW YORK September 10th, 1930

This is to Certify, *That on* September 8th, 1930

this Company insured under Policy No. 0-15000

for American Bank Note Company

the sum of Nine thousand five hundred-- *Dollars in Gold*

on 8 Cases printed matter

valued at sum insured

at and from New York via American Railway Express to San Francisco thence per S/S "Pres. Fillmore" &/or other following steamer and/or steamers and conveyances to Shanghai, direct or otherwise.

and it is hereby understood and agreed, that in the case of loss, such loss is payable to the Order of American Bank Note Company *on surrender of this Certificate.*

This Certificate represents and takes the place of the Policy, is subject to all the terms thereof, and conveys all the rights of the Original Policy-holder (for the purpose of collecting any loss or claims), as fully as if the property were covered by a Special Policy direct to the holder of this Certificate, and free from any liability for unpaid premiums.

[redacted]

It is hereby understood and agreed that in all cases of Loss or Damage happening to the interest insured under this Certificate, the same shall be reported promptly to the Agents of the Company, Exchange Buildings, Liverpool, or to the nearest Agency of the Company, (see list printed on back of Certificate).

It is hereby agreed, that any loss or claim under this Certificate, shall be paid in sterling at the current rate of exchange at the offices of the Agents of the Company, 8, 4, Exchange Buildings, Liverpool; or at the office of the Company in New York, or at the Agency of the Company at port or place of destination, or if the Company is not represented at port or place of destination, at the nearest agency amongst those specified in the list on back hereof.

Claims to be adjusted according to the usages of Lloyds, but subject to the conditions of the Policy and Contract of Insurance.

Notice —To conform with the Revenue Laws of Great Britain, in order to collect a claim under this Certificate, it must be stamped within ten days after its receipt in the United Kingdom.

Countersigned, C. C. Seibert — Chubb & Son *Managers.*

CONDITIONS

Covering against all risks of loss or damage to the merchandise insured howsoever occurring irrespective of percentage.
Including risk of craft to and from the vessel. Each lighter or craft to be considered as if separately insured.

C.C.

Marks and Numbers

CENTRAL BK. OF CHINA
F9197 SS
F9198 SS
F9199 SS
F9200 SS
F9201 SS

(MOK) Warren S. Banks

C. P. R.
SEP 13 1930

September 10,1930

The Central Bank of China,
15 The Bund,
Shanghai,China.

Dear Sirs:-

We beg to advise delivering to the American Express Company eight (8) cases, Nos.2198/2205, for shipment per S.S."PRESIDENT FILLMORE" scheduled to sail from San Francisco September 19th,containing:-

Nos.2198 -	100,000 - 10 Cents Customs Gold Unit Notes,Nos.000001-100000	
	2,000 Specimens 10 Cents Customs Gold Unit Notes,face	
	2,000 " 10 " " " " " back	
2199 -	100,000 - 10 Cents Customs Gold Unit Notes,Nos.100001-200000	
Nos.2200 -	100,000 - 20 Cents Customs Gold Unit Notes,Nos.000001-100000	
	2,000 Specimens 20 Cents Customs Gold Unit Notes,face	
	2,000 " 20 " " " " " back	
Nos.2201 -	50,000 - 1 Customs Gold Unit Notes,Nos.000001-050000	
	2,000 Specimens 1 Customs Gold Unit Notes,face	
	2,000 " 1 " " " " back	
Nos.2202 -	50,000 - 5 Customs Gold Unit Notes,Nos.000001-050000	
	2,000 Specimens 5 Customs Gold Unit Notes,face	
	2,000 " 5 " " " " back	
2203 -	50,000 -,5 Customs Gold Unit Notes,Nos.050001-100000	
Nos.2204 -	50,000 - 10 Customs Gold Unit Notes,Nos.000001-050000	
	2,000 Specimens 10 Customs Gold Unit Notes,face	
	2,000 " 10 " " " " back	
2205 -	50,000 - 10 Customs Gold Unit Notes,Nos.050001-100000	

On account of your order of May last.

We enclose herewith our bill, in duplicate, covering this shipment, amounting to............................$9,107.28,U.S.Gold, for which we have drawn a sight draft on your goodselves,through the American Express Company,Shanghai .

We also enclose our shipping invoice in duplicate.

Yours very truly,

Manager Far Eastern Department.

IW

CHINA OFFICE C... DESTROYED

C.P.(R) SEP 13

American Bank Note Company
70 Broad Street

New York, SEPT. [illegible]

SEXTUPLICATE

THE CENTRAL BANK OF CHINA,
15 THE BUND,
SHANGHAI, CHINA.

Dr.

OUR ORDER	YOUR ORDER	DATE ORIGINAL SHIPMENT
F9197-F9198 F9199-F9200 F9201 [illegible]		

100,000 - 10¢ CUSTOMS GOLD UNIT NOTES NOS. 000,001 TO [illegible] — [illegible]

100,000 - 20¢ CUSTOMS GOLD UNIT NOTES NOS. 000,001 TO [illegible] — [illegible]

50,000 - ONE CUSTOMS GOLD UNIT NOTES NOS. 000,001 TO 0[illegible] — [illegible]

100,000 - FIVE CUSTOMS GOLD UNIT NOTES NOS. 000,001 TO 100,000 — [illegible]

100,000 - TEN CUSTOMS GOLD UNIT NOTES NOS. 000,001 TO 100,000 — [illegible]

[illegible]

INSURANCE $ 28.[illegible]
WAR RISK .[illegible]
EXPRESS 477.[illegible] — [illegible]

$[illegible]

U.S. GOLD

CHINA OFFICE COUNTERPART DESTROYED

Shanghai

THE CENTRAL BANK OF CHINA - Customs Gold Unit Notes

SEP 13 1930

September 10,1930.

We enclose copy of our letter of this date, addressed to the above Bank, advising partial shipment of their order of May last, per S.S."PRESIDENT FILLMORE" on September 19th, together with copy of our bill and shipping invoice.

We also enclose duplicate advice, shipping invoice and bill for the Bank.

We have drawn a sight draft on the Bank, through the American Express Company, Shanghai, for an amount of $ 9,207.88, covering this shipment.

Manager Far Eastern Department.

IW

CHINA OFFICE COUNTERPART DESTROYED

C. P. R.
SEP 11 1930

September 11, 1930.

Attention Mr. W.T.McDermott
Special Traffic Agent.

American Express Company,
65 Broadway,
New York.

Dear Sirs:-

We beg to advise delivering today to the Railway Express Agency's uptown office eight (8) cases printed matter, which we would ask you to kindly forward to destination on the S.S. PRESIDENT FILLMORE", scheduled to sail from San Francisco September 19th.

8 Cases - The Central Bank of China
15 The Bund,
Shanghai, China.
#2198/2205
(c/o American Express Co., San Francisco)

No. 2198 -	measurement:	28 x 21 x 14"
2199 -	"	26 x 21 x 14"
2200 -	"	29 x 23 x 15"
2201 -	"	29 x 17 x 14"
2202 -	"	28 x 19 x 15"
2203 -	"	27 x 18 x 15"
2204 -	"	29 x 20 x 17"
2205 -	"	27 x 20 x 17"

Total value $8,600.00
Total gross weight - 1850 lbs.

We enclose our sight draft No.377, for the sum of $ 9,107.28 - which kindly attach to the bill of lading for this bank and forward it to your Shanghai Office.

We also enclose shipper's export declaration, in duplicate, covering these cases, which are going forward collect; however, we wish to prepay all charges through to Shanghai.

Kindly have your agent telegraph us the date this steamer actually sails.

Yours very truly,

IS

Manager Far Eastern Department.

September 12,1930.

Attention Mr, W.T.McDermott
Special Traffic Agent.

American Express Company,

65 Broadway,

New York.

Dear Sirs:

We enclose herewith Railway Express Agency's receipt No. 528-477 covering 8 boxes - The Central Bank of China,Shanghai, as per our letter of yesterday's date.

Yours very truly,

Manager Far Eastern Department.

IW

AMERICAN EXPRESS COMPANY

AMERICAN EXPRESS SYSTEM
FOREIGN OFFICES

AMSTERDAM
ANTWERP
ATHENS
BASLE
BERLIN
BIARRITZ
BOMBAY
BREMEN
BRUSSELS
BUENOS AIRES
CAIRO
CALCUTTA
CANNES
COLOMBO
CONSTANTINOPLE
COPENHAGEN
EDINBURGH
FLORENCE
GENEVA
GENOA
GLASGOW
HAMBURG
HAVRE
HONG KONG
INTERLAKEN
JERUSALEM
LIVERPOOL

INTERNATIONAL SERVICE
FINANCIAL - TRAVEL - SHIPPING

FOREIGN FREIGHT CONTRACTORS

CUSTOMS BROKERS
MARINE INSURANCE

GENERAL FOREIGN AGENTS NEW YORK CENTRAL LINES

MEMBER STEAMSHIP FREIGHT BROKERS ASSOCIATION

65 BROADWAY, NEW YORK

AMERICAN EXPRESS SYSTEM
FOREIGN OFFICES

LONDON
LUCERNE
LUGANO
MANILA
MARSEILLES
MILAN
MONTE CARLO
MONTREUX
MONTREAL
MUNICH
NAPLES
NICE
PALERMO
PARIS
PEKING
PENANG
PIRAEUS
ROME
ROTTERDAM
SHANGHAI
SINGAPORE
SOUTHAMPTON
TIENTSIN
TORONTO
VENICE
YOKOHAMA
ZURICH

FOREIGN TRAFFIC DEPARTMENT

CABLE ADDRESS: TRAFAMEX

File
Brds

Sept. 12, 1930.

REFER TO FILE ________

American Bank Note Co.,
70 Broad Street,
New York, N. Y.

Gentlemen:

Attention Mr. G.W.T. Combs,
Manager, Far Eastern Dept.

8 Cases, Nos. 2198/2205, The Central Bank of China, Shanghai, China, to connect with the s/s PRESIDENT FILLMORE, from San Francisco, Sept. 19, 1930.

Referring to your letters of the 11th and 12th, covering the above shipment.

In exchange for the express receipt, we enclose office copy of our B/L 5351, and bill for $477.83 for which we shall be glad to have your prompt remittance.

As in the past, in compliance with your wishes, we are sending three signed copies of our B/L 5351 to our Mr. R.A. Foulks, with your draft, requesting that he arrange collection in accordance with instructions he is to receive from your Vice-President, Mr. Harry G. Payne, at Peiping, or your representative, Mr. George H. Lynott, at Homgkong, either of whom, as your previous letter instructs, have authority to request delivery of goods for an amount less than that stated in the draft. We are also informing Mr. Foulks

The Central Bk. of China

FOREIGN TRAFFIC DEPARTMENT — CABLE ADDRESS: NYSAMEX.

FOREIGN FREIGHT CONTRACTORS — CUSTOMS BROKERS, MARINE INSURANCE

AMERICAN EXPRESS

719 WASHINGTON ST.
NEW YORK

R. R. SEP 12 1930

EUROPE: LONDON, LIVERPOOL, SOUTHAMPTON, GLASGOW, EDINBURGH, ROTTERDAM, AMSTERDAM, COPENHAGEN, BERLIN, HAMBURG, BREMEN, ROME, GENOA, NAPLES, FLORENCE, LUCERNE, ZURICH

EUROPE: PARIS, HAVRE, MARSEILLES, NICE, ATHENS, PIRAEUS, CONSTANTINOPLE

AFRICA & ASIA MINOR: CAIRO, JERUSALEM

ASIA: COLOMBO, MANILA, HONG KONG, SHANGHAI, TIENTSIN, PEKING, YOKOHAMA, CALCUTTA, BOMBAY

SOUTH AMERICA: BUENOS AIRES

Sept. 12th, 19 30

M American Bank Note Co.
70 Broad St., New York City

To AMERICAN EXPRESS COMPANY, Dr.

INTERNATIONAL BANKING, SHIPPING AND TRAVEL
GENERAL FOREIGN AGENTS FOR NEW YORK CENTRAL LINES

Lot No. B/L 5351

S/L or N. B. No.

RATES QUOTED ON IMPORT AND EXPORT SHIPMENTS BY EXPRESS OR FREIGHT. MARINE AND INLAND INSURANCE ON GOODS IN TRANSIT EFFECTED AT CURRENT RATES. CUSTOM HOUSE CLEARANCES ATTENDED TO BY A STAFF OF EXPERIENCED EMPLOYES. SPECIAL COMMISSIONS EXECUTED. COLLECTIONS MADE.

E. B. No.

Credit No.

THE AMOUNT OF THIS BILL IN WHOLE OR IN PART REPRESENTS CASH DISBURSEMENTS BY THIS COMPANY. TEMPORARY CREDIT IS GRANTED ONLY FOR YOUR CONVENIENCE AND TO PREVENT DELAY TO GOODS IN TRANSIT. WE RESPECTFULLY REQUEST IMMEDIATE PAYMENT.
AMERICAN EXPRESS COMPANY.

To charges on 8 cases, Nos. 2198/2205, Value $8600, gross 1650#, total measurement 38/7, consigned: ORDER American Bank Note Co., Shanghai, notify same care of American Express Co. Inc., Shanghai, cases Marked The Central Bank of China, Shanghai, China.				
Transportation New York to San Francisco at $12.85 per 100 lbs., plus 10¢ per each $100 or fraction thereof, on value $7775 ---	$ 219	83		
Transportation and the charge of the Company for arranging same, San Francisco to f.o.b. steamer at Shanghai, at 3% ad valorem ---	258	00	$ 477	83

NOTE
The above charges refer to American Express Company bill of lading #5351, and are subject to all terms and conditions of such bill of lading.

(825A-4-28)
(Printed in U.S.A.)

AMERICAN EXPRESS COMPANY

INTERNATIONAL

BANKING - SHIPPING - TRAVEL

FOREIGN FREIGHT CONTRACTORS. CUSTOMS BROKERS MARINE INSURANCE

GENERAL FOREIGN AGENTS NEW YORK CENTRAL LINES

FOREIGN TRAFFIC DEPARTMENT
SHIPPING AND CUSTOMS DIVISIONS

AMERICAN EXPRESS SYSTEM
FOREIGN OFFICES
EUROPE

LONDON	6 HAYMARKET
	15 BURY STREET
LIVERPOOL	31 JAMES STREET
SOUTHAMPTON	25 OXFORD STREET
GLASGOW	115 HOPE STREET
EDINBURGH	45 PRINCES STREET
ANTWERP	87 PLACE DE MEIR
BRUSSELS	39 RUE ROYALE
	(2) BOULEVARD ADOLPHE MAX
ROTTERDAM	28 A ZUIDBLAAK
AMSTERDAM	ROKIN 88-90
COPENHAGEN	8 HOLMENS KANAL
BERLIN	55 CHARLOTTENSTRASSE
HAMBURG	9 ALSTERDAMM
BREMEN	32 BAHNHOFSTRASSE
ROME	38 PIAZZA DI SPAGNA
GENOA	17 PIAZZA NUNZIATA
NAPLES	58 PIAZZA DEI MARTIRI
FLORENCE	2 VIA TORNABUONI
LUCERNE	GRAND HOTEL NATIONAL
ZURICH	79 BAHNHOFSTRASSE
	31 STADIUM STREET
PIR.	44 PHILONOS STREET
CONSTANTINOPLE	15 VOIVODA, GALATA

AMERICAN EXPRESS SYSTEM
FOREIGN OFFICES
EUROPE

PARIS	11 RUE SCRIBE
	34 RUE DES PETITES ECURIES
HAVRE	2 PLACE JULES FERRY
MARSEILLES	24 RUE CANNEBIÈRE
NICE	2 RUE DU CONGRES

ASIA

COLOMBO	1 QUEENS STREET
MANILA	11 PLAZA MORAGA
HONG KONG	4A DES VOEUX ROAD CENTRAL
SHANGHAI	64 KIUKIANG ROAD
TIENTSIN	173 VICTORIA ROAD
PEKING	WAGON LITS HOTEL
YOKOHAMA	187 YAMASHITA-CHO
CALCUTTA	4 BANKSHALL STREET
BOMBAY	240 HORNBY ROAD
SINGAPORE	COLLYER QUAY

AFRICA AND ASIA MINOR

CAIRO	OPERA SQUARE
JERUSALEM	JAFFA ROAD

SOUTH AMERICA

BUENOS AIRES	BARTOLOMÉ MITRE 582

San Francisco California

September 19, 1930

REFER TO FILE 17708

M American Bank Note Company, Central Bk of China
70 Broad Street,
~~New York, N. Y.~~ Att'n. Mr. G.W.T.Combs

We beg to advise that your shipment covered by

B/L 5351, your reference letter September 11, 1930

consisting of Eight (8),

consigned to Order

Shanghai, China.,

was forwarded from SAN FRANCISCO CALIFORNIA,

per S/S PRESIDENT FILLMORE, sailed September 19, 1930

If consignee should find it necessary to make any inquiries regarding this shipment, they should communicate with American Express Co. Inc.,

Shanghai, China.

Yours truly,

AMERICAN EXPRESS COMPANY,
Foreign Traffic Dept.,
Export Division.

By F. D. LEIGHTON, F. F. A.

The Central Bk. of China

AMERICAN EXPRESS COMPANY

SHIPPING AGENTS

TO AND FROM ALL PARTS OF THE COMMERCIAL WORLD

OFFICES OF COMPANIES CONSTITUTING THE AMERICAN EXPRESS SYSTEM

(Subject to change without notice)

UNITED STATES AND CANADA			EUROPE		EUROPE		ASIA	
AMERICAN EXPRESS COMPANY			THE AMERICAN EXPRESS CO., INC.		AMERICAN EXPRESS CO., S. A. I.		THE AMERICAN EXPRESS CO., INC.	
NEW YORK	BUFFALO	PORTLAND, ORE.	LONDON	PARIS	GENOA	NAPLES	MANILA	PEKING
BOSTON	DETROIT	LOS ANGELES	LIVERPOOL	HAVRE	ROME	FLORENCE	HONG KONG	CALCUTTA
CHICAGO	CLEVELAND	KANSAS CITY	SOUTHAMPTON	MARSEILLES	AMERICAN EXPRESS CO., M. B. H.		SHANGHAI	TIENTSIN
ST. LOUIS	CINCINNATI	SALT LAKE CITY	GLASGOW	NICE	HAMBURG	BERLIN	BOMBAY	YOKOHAMA
SAN FRANCISCO	PITTSBURGH	NEW ORLEANS	EDINBURGH	LYONS	BREMEN		AFRICA & ASIA MINOR	
SEATTLE	MILWAUKEE	ATLANTA	ANTWERP	LUCERNE	AMERICAN EXPRESS CO., A/S		THE AMERICAN EXPRESS CO., INC.	
TORONTO	INDIANAPOLIS	BIRMINGHAM	BRUSSELS	ZURICH	COPENHAGEN		CAIRO	JERUSALEM
MONTREAL	DENVER	DALLAS	ROTTERDAM	ATHENS			SOUTH AMERICA	
PHILADELPHIA	MINNEAPOLIS	WASHINGTON, D. C.	AMSTERDAM				THE AMERICAN EXPRESS CO., INC.	
BALTIMORE	NEWARK		CONSTANTINOPLE				BUENOS AIRES	

12 1930

(B/L No. 8861 Booking No. ________)

RECEIVED from American Bank Note Co. (hereinafter referred to as the shipper)

at New York bill of lading or receipt of affiliated company, steamship company or other carrier and/or other documents said to control the following described property, for the purposes hereinafter set forth and subject to the terms and provisions written, printed or stamped on the face and back hereof, said property being in apparent good order and condition except as noted, the weight, contents and condition of contents of packages being unknown to the Company, to be forwarded via port of San Francisco and thence by PRES. WILLIAMS (special [illegible] steamer) Sept. 19, 1930 or by the next or other available steamer or time to the port of Shanghai or as near thereto as the steamer may safely go, with liberty to call at any port or ports in or out of the customary route, arrangements to be made by the Company for delivery of said property as hereinafter provided.

CONSIGNEE ORDER American Bank Note Co.

DESTINATION Shanghai, China

NOTIFY Same, c/o American Express Co. Inc.,

AT Shanghai, China

(When the form of consignment is "to order" the full name and address of party to be notified of arrival of goods at foreign port should be entered.)

THIS BILL OF LADING IS SUBJECT TO WAR CLAUSES OF STEAMSHIP LINE OR LINES IN WHICH GOODS ARE SHIPPED.

MARKS AND NUMBERS (as declared by shipper)	ARTICLES (as declared by shipper)	SUBJECT TO CORRECTION WEIGHT (as declared by shipper)	CUBIC MEASUREMENT
The Central Bank of China, Shanghai, China. Nos. 2198/2206	EIGHT (8) Cases said to contain PRINTED MATTER Value declared by shipper $8,600 (Eight thousand six hundred dollars)	1550#	88/7

The Company not liable for confiscation, loss or enforced detention by any Government, whether de jure or de facto, or by any other person or persons.

COPY FOR OFFICE USE

IT IS UNDERSTOOD AND AGREED THAT NO LIABILITY ATTACHES TO THIS CARRIERS OR AMERICAN EXPRESS COMPANY FOR DELAYS RESULTING FROM INTERRUPTION OF STEAMSHIP OR FOREIGN RAILROAD SERVICES OR INTERNATIONAL CHANGES RESULTING THEREFROM

Apply for delivery to: American Express Co. Inc., Shanghai, China

THE AMERICAN EXPRESS COMPANY (herein referred to as the Company) agrees, subject to the terms and conditions on the face and back of this document, to act as shipping agent for the Shipper, and as such to make arrangements for the transportation of the property above described by service of railroad, ship, lighter, truck or any Carrier or medium of transportation (herein referred to as the "Carrier" or "Carriers") to be designated by the shipper or in default of such designation to be selected by the Company for and on behalf of the shipper, owner, consignee or holder of this document. Such arrangements may be in accordance with and subject to rules, regulations and customs limiting the liability of the "Carriers" and subject to the terms and conditions of said "Carriers" several receipts and bills of lading including any special clauses stamped, printed or written thereon or of contracts which may be issued by or entered into with the "Carriers", and with respect to transportation by railroad or other "Carrier" within the United States and/or Canada subject to the classifications and tariffs on file with the Interstate Commerce Commission and/or the Canadian Railway Commission and the rules and regulations of said bodies respectively; and the Company is authorized by the shipper to accept from "Carriers" bills of lading, receipts, or contracts in which the value is declared or containing clauses limiting the liability of the "Carriers." The Company may receive bills of lading or receipts for, or arrange for the transportation of, the property above described, either in the name of the shipper or in the name of the Company, and such bills of lading, receipts, and/or arrangements may cover other property belonging to other parties. The Company may at its option enclose the property above described in a case with other packages. The shipper agrees to waive any prior inspection of bills of lading or receipts issued by any "Carrier" and hereby ratifies and confirms the terms and conditions of any arrangement for transportation or bill of lading or receipt now or hereafter entered into or received by the Company in connection herewith.

If the word "order" is written herein immediately before or after the name of the party to whom the property is consigned, without any condition or limitation other than the name of a party to be notified of the arrival of the property, the surrender of this document properly endorsed shall be required before the delivery of the property at destination. The Company is hereby authorized by the shipper, owner, consignee and holder of this document to effect delivery of said property to any person presenting this document duly endorsed and the effecting of such delivery to any person presenting this document duly endorsed shall be a full performance of the duty of the Company hereunder. If any other than the aforesaid form of consignment be used herein, the said property may be delivered without requiring the production or surrender of this document.

TRANSPORTATION AND CHARGE OF THE COMPANY FOR ARRANGING SAME: Prepaid

FROM	TO	AT	PER	AMOUNT
New York	f.o.b. steamer	Shanghai		
	Such goods at and/or from Shanghai and all arrangements			
	with respect to them to be solely at shipper's risk.			

INSURANCE AND SERVICE CHARGES

MARINE INSURANCE See * below.

AMOUNT

CONDITIONS OF INSURANCE

NO INSURANCE DESIRED BY SHIPPERS FOR THEIR ACCOUNT.

SUBJECT TO DETENTION, FIRE, INSURANCE AND/OR STORAGE CHARGES AT PORT OF EXIT AS PROVIDED IN OFFICIAL EXPRESS CLASSIFICATION AND TARIFFS OR OTHERWISE

Transportation charges do not include charges for duties, customs or revenue taxes, service for customs clearance, port or terminal charges or expenses, or cartage to consignee's local address. The shipper, consignee and/or owner of the goods or the holder of this document shall pay the charges of the aforesaid "carriers", the expenses of customs entry, taxes and other charges incidental to transportation, including any and all charges or expenses for storage, wharfage, labour, cartage, lighterage, hoisting, handling or transshipment, or resulting from any interruption of service, or delay, and charges for special services.

* The Company shall be under no obligation to arrange for any insurance on the property above described on behalf of the shipper, owner, consignee or holder of this document, unless the shipper at time of shipment expressly so instructs in writing and the amount of insurance to be arranged is noted on face hereof. Such insurance is to be arranged with one or more Insurance Companies or other Underwriters to be selected by the Company on behalf of shipper, owner, consignee or holder of this document, and such insurance will be governed by the certificate or policy issued, and will only be effective when the risk has been accepted by such Insurance Companies or other Underwriters. In the absence of such instructions, the shipper, owner, consignee or holder of this document assumes all insurable risks, whether due to perils of the sea, theft, pilferage, or otherwise. Any charge made for valuation is an additional charge relating to transportation and not to insurance.

The Company does not represent that this is a "shipped" or "on board" bill of lading or that the property above described is on board any steamship or other vessel at the time of issuance hereof.

In accepting this document the shipper, owner and consignee of said property and the holder of this document agree to be bound by all its terms and provisions whether written, printed or stamped hereon and whether on the face or back hereof as fully as if they were all signed by such shipper, owner, consignee or holder.

IN WITNESS WHEREOF the AMERICAN EXPRESS COMPANY hath affirmed to Three (3) bills of lading all of this tenor and date, one of which being accomplished, the others to stand null and void.

AMERICAN EXPRESS COMPANY

Dated at New York, N.Y. Sept. 12th 19 30 By ________

PATRONS ARE REQUESTED TO FAVOR THE COMPANY BY CRITICISM AND SUGGESTION CONCERNING ITS SERVICE

WESTERN UNION

NEWCOMB CARLTON, PRESIDENT

SEP 19

AX43

Received at 40 Broad Street, (Central Cable Office), New York, N. Y. ALWAYS OPEN SEP 19 12 56

FV167 10 COLLECT=QB SANFRANCISCO CALIF 19 920A

G W T COMBS ,AMERICAN BANK NOTE COMPANY=

70 BROAD ST NEWYORK NY;= 113 1.20

EIGHT AND ELEVEN ORDER SHANGHAI CLEARING PRESIDENT FILLMORE TODAY=

LEIGHTON.

Central Bk. of China

WESTERN UNION MESSENGERS ARE AVAILABLE FOR THE DELIVERY OF NOTES AND PACKAGES

COMMERCIAL CABLES

POSTAL TELEGRAPH (LAND LINE SYSTEM THROUGHOUT THE UNITED STATES)

TO.
TIME
DATE
VIA
NO.
SVC. INSTN.
CHECK

CLARENCE H. MACKAY PRESIDENT

TEL.: HANOVER 1140
ALL OFFICES

CABLEGRAM

FULL RATE MESSAGE UNLESS MARKED DEFERRED

SEND THE FOLLOWING MESSAGE SUBJECT TO THE TERMS AND CONDITIONS AT BACK WHICH ARE HEREBY AGREED TO

BANKIOTE September 22,1930.

SHANGHAI(China)

ZXROXEBTOM PRFILLMORZ EXRATEHLOH PUWFOZHFEG

FYJIMECFBX AMDUDDADGU EHCOBCYGGU EHCUTEUTDI

EHFAHCYGGU EHFEGCYGGU EHFIHFZDIM EPXIM

September 22,1930

File
JWB

BANKNOTE(H.F.Payne) Central Bk. of China

SHANGHAI(China)

EXROXebtom	September 22nd Are making shipment as follows:
PRFILLMORE	President Fillmore
EXRATehloh	September 19th The Central Bank of China
PUWfoehfeg	560,000 Five Dollar Notes
FYJimECFEX	11 boxes Stop.
AMDUDdadgu	Gold Notes 200,000
EHGOScyggu	Ten Cents notes 100,000
EHCUTnutdi	Twenty Cents notes 50,000
EHFAHcyggu	One Dollar notes 100,000
EHFEGcyggu	Five Dollar Notes 100,000
EHFIHfedim	Ten Dollar notes 8 boxes

JWB.

EPXIZ - D.E.Woodhull

CHINA OFFICE COUNTERPART
DESTROYED

Illustration 1: Sun Fo, son of Dr. Sun Yat-Sen, arriving in New York aboard the S.S. Majestic on 31 July 1928. Sun would be meeting with members of the financial community in hope of obtaining loans for China. Photo courtesy of Bettman/CORBIS images.

Illustration 2: Kemmerer China Group Picture. The Edwin Kemmerer Papers, box 100, Seeley G. Mudd Manuscript Library, Princeton University, Princeton, New Jersey.

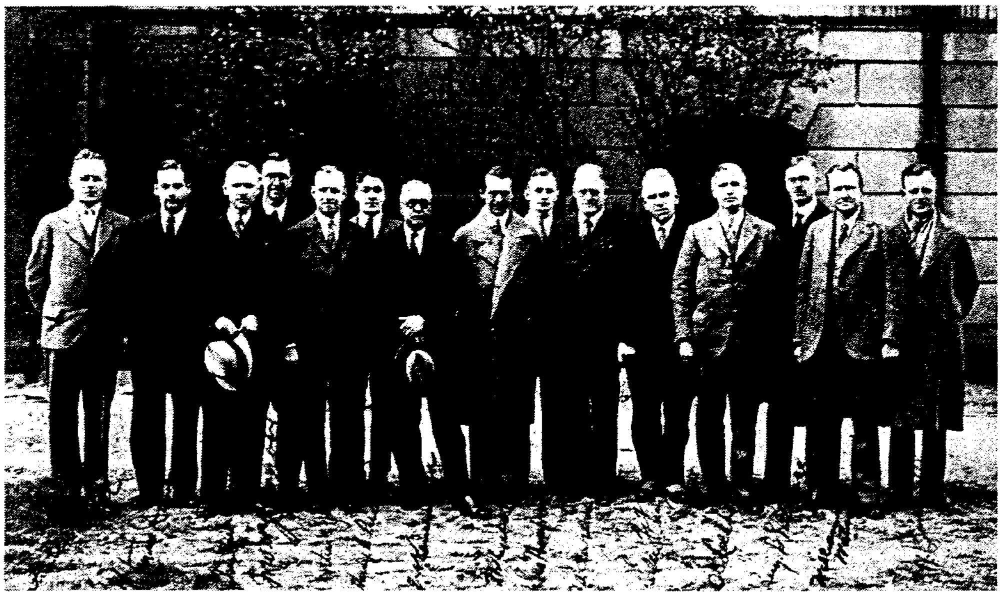

Illustration 3: S.S. Madison...enroute to China with Kemmerer and party. The Edwin Kemmerer Papers, box 100, Seeley G. Mudd Manuscript Library, Princeton University, Princeton, New Jersey.

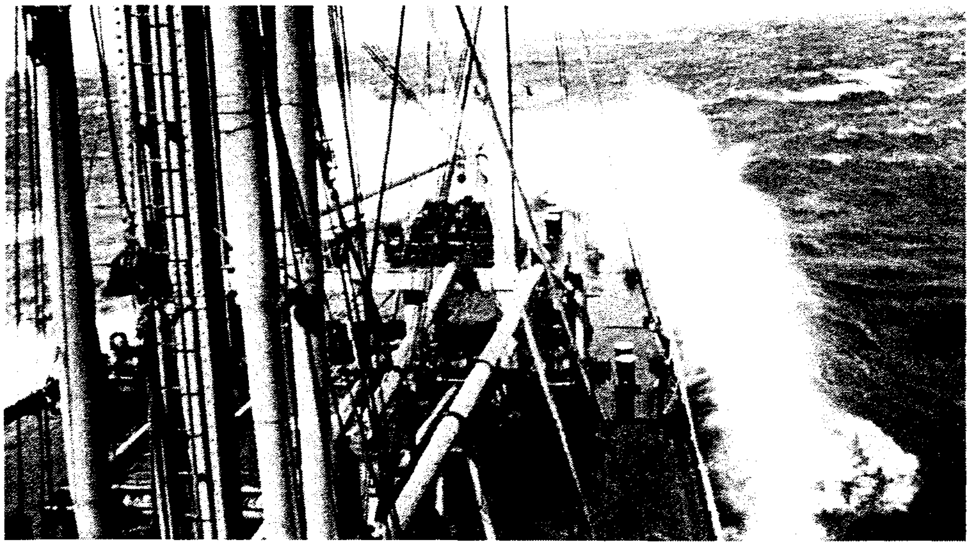

Illustration 4: Dockside photo of Shanghai showing Customs Building and Clock Tower. The Edwin Kemmerer Papers, box 100, Seeley G. Mudd Manuscript Library, Princeton University, Princeton, New Jersey.

Illustration 5: Portrait Photo of Kemmerer. The Edwin Kemmerer Papers, box 505, Seeley G. Mudd Manuscript Library, Princeton University, Princeton, New Jersey.

Illustration 6: Central Bank of China 10-Cent CGU Note—1930. Source: The Arthur Young Papers.

Illustration 7: Central Bank of China 20-Cent CGU Note—1930. Source: The Arthur Young Papers.

Illustration 8: Central Bank of China 1 CGU Note—1930. Source: The Arthur Young Papers.

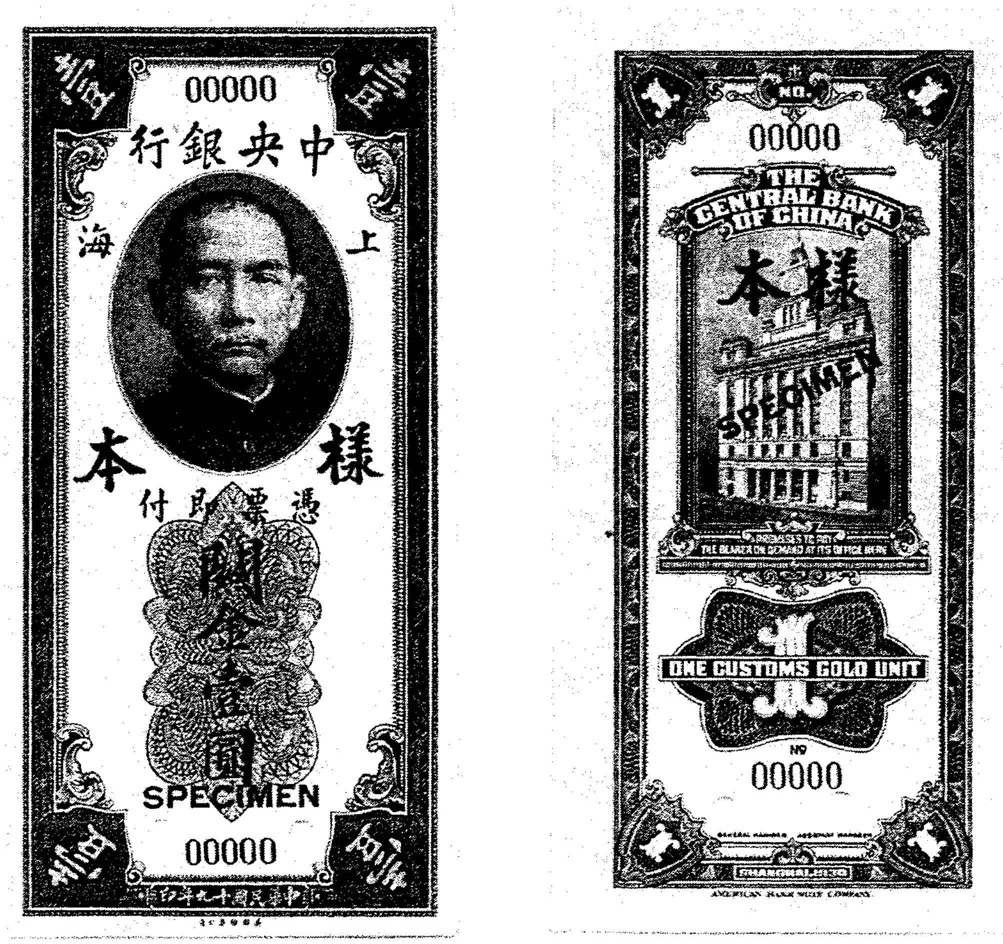

Illustration 9: Central Bank of China 5 CGU Note—1930. Source: Author's personal collection.

Illustration 10: Central Bank of China 20 CGU Note—1930. Source: Author's personal collection.

Illustration 11: Central Bank of China 50 CGU Note—1930. Source: Author's personal collection.

Illustration 12: Central Bank of China 100 CGU Note—1930. Source: Author's personal collection.

Illustration 13: Central Bank of China 500 CGU Note—1947. Source: Author's personal collection.

Illustration 14: Central Bank of China 2000 CGU Note—1947. Source: Author's personal collection.

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www.scripophily.net

VITA

Graduate College
University of Nevada, Las Vegas

Mark David Miller

Home Address:
9179 Bush Poppy Avenue
Las Vegas, Nevada 89147

Degrees:
Bachelor of Science, Agriculture, 1978
University of Missouri, Columbia

Thesis Title: Printing China's Gold: The American Bank Note Company and the Customs Gold Units of 1930

Thesis Examination Committee:
Chairperson, Dr. Sue Fawn Chung, Ph.D.
Committee Member, Dr. Joseph Fry, Ph.D.
Committee Member, Dr. Andrew Kirk, Ph.D.
Graduate College Faculty Representative, Dr. Guo-ou Zhuang, Ph.D.