

THE MONEY OF COMMUNIST CHINA (1927 – 1949)

PART I

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Prior to 1 October 1949 the People's Republic of China did not exist as such. From 1927 onward the early Chinese Communists did, however, control scattered land areas known as soviets. These bases underwent many changes; first at the hands of Nationalist armies, and after 1937, the Japanese invaders. At the conclusion of World War II the Communists again came under attack by the Nationalist government resulting in all out civil war. This is the story of the Communists and their money; as it evolved from “soviets” to “border regions” to “liberated areas”, eventually to be absorbed into the finances of the People's Republic of China.

The financial history of Communist China prior to the formation of the People's Republic makes for an interesting area of study. It is both complex, and at times, confusing. When one considers that the early Communists financed their armies, provided economic stability to the areas under their control, and created sufficient wealth to carry on trade with adjacent Nationalist provinces, it is surprising that so little is known about their numismatics. Today we have the surviving coins and paper money of these early “soviets” and later “base areas” to ponder and enjoy, with very little insight into the how, when and where of their creation and circulation. There are several reasons for this. Firstly, it was inherent from the inception of the Communist movement in China that secrecy was a weapon best reserved unto the revolutionaries. The less the Nationalist government knew of their plans and activity, the better! As a result, very few records were maintained. Secondly, the movement appealed to and was composed of poor peasant farmers and other landless persons, who barely eked out a subsistence level existence with no hope for improvement in their lives. This situation would likely continue under the landlord/peasant relationship then existing in China. The situation among these early revolutionaries was very fluid. Once drawn to the Communist banner, there was no turning back. Theirs was a nomadic existence – setting up camp in one area only to be driven out by the Kuomintang, or republican, forces to reemerge elsewhere. Mobility was a constant necessity. The Red Army fluctuated in strength during the period 1930-1934. One source estimated the total men under arms to be 90,000 in 1932.

A third reason which explains why it is so difficult to reconstruct the early Communist bank note issues, as well as their scarcity today, stems from the fact that the notes themselves were frequently destroyed by their owners. This occurred whenever

the Red Army was forced to withdraw from an overrun area. The peasants were fearful that possession of such notes would lead to a charge, by the returning Nationalists, of collaboration with the enemy, thus resulting in the infliction of harsh penalties or even death.

Lastly, the Communists operated on a shoestring using whatever resources that happened to come their way. They were well organized and extremely frugal in their day to day affairs. Necessity was the Mother of Invention in everything they did. That is why, as we shall see, their coins were often minted from pagoda bells, used ammunition casings, and silver confiscated from the despised landlords. The paper available for printing bank notes in the early days was so poor it didn't hold up necessitating, in many cases, the substitution of cloth notes instead.

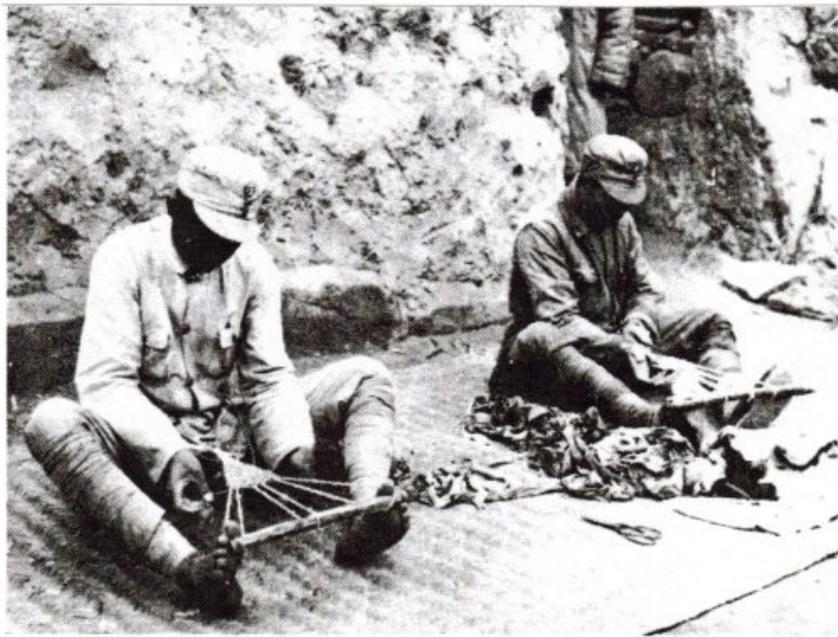
When studying the rise of the Communist party in China and the coins and currency associated with it, it is best to divide the evolution which took place into three distinct phases. These are:

- Phase I: The coin and bank note issues of the early Soviets (1927-1935).
- Phase II: Money of the Base Areas used during the war of resistance against Japan (1936-1945).
- Phase III: Money issued for the Liberated Areas during the civil war (1945-1949).

To fully appreciate the coins and paper money of the Communist insurrection a little historic perspective may prove useful.

The Chinese Communist Party was organized in 1921 by a group of Chinese intellectuals (including Mao Tse-tung) aided by Russian advisors. At this time in history, ten years after the overthrow of the last of the Ch'ing emperors, China had been reduced to a weak country dominated by foreign interests and fought over by territorial warlords whose only interest was in bleeding the surrounding area through banditry for their own purposes. These scholars had turned to Marxism as a possible solution to Chinese weakness and instability. It was the policy of the Russian Bolsheviks at the time to "export" communism wherever and whenever the opportunity presented itself. It was agreed from the beginning that the Soviet Communists would provide funds to support the fledgling endeavor in China.

At first the Communists, seeing no hope for independent influence, cooperated with the Kuomintang Nationalist party. The Russian advisor, Mikehail Borodin, was invited to China to assist Sun Yat-Sen, the founder of the Chinese Republic, in uniting the country and freeing it from foreign encroachment. Russian advisors, money and



The Red Army was self-sufficient in all things. Here two soldiers are seen making their own sandals.



Communist soldiers with captured machine gun.

arms flowed into China to build the Nationalist army.

Communists were admitted into the Kuomintang as individuals. They were active in organizing labor and in assisting the poor peasants in their demand for better economic conditions. The Kuomintang hoped to use the Communists to achieve Nationalist aims while, as it turned out, the Communists intended to use the Nationalists to further their goals, which created great tensions.

In 1926 Ch'iang-kai-shek, who upon the death of Sun Yat-Sen became the leader of the Nationalists, decided that his forces had become sufficiently strong and well trained to take on the northern warlords. The Northern Expedition was launched in 1927 to clear China once and for all of these bandit armies while at the same time loosening the foreign hold on the concessions in Hankow, Shanghai and elsewhere. Only the strong showing of foreign marines kept Ch'iang's army from overrunning Shanghai's foreign settlement.

While on the Northern Expedition the Communists within the Nationalist army became radical in exercising their beliefs. Merchants, landlords and others felt sufficiently threatened to appeal to Ch'iang kai-shek to rid the party of its radical wing. The Kuomintang-Communist breach was widening. In Shanghai, the labor unions, under the influence of the Communist left wing, rose in a general strike. Ch'iang interrupted his northern campaign to launch a bloody purge to stamp out the Communists in Shanghai in which thousands of workers lost their lives. These purges spread quickly to other areas under Nationalist army control, thus creating an irreconcilable split between the Kuomintang and the Communists. Borodin was evicted and sent in disgrace back to Russia. After the open break in 1927, the Kuomintang outlawed the Communist Party, thus sending it underground.

After the split Mao Tse-tung changed his tactics, abandoning his plan to organize urban workers, while concentrating instead on the disaffected rural peasants. Mao theorized that the Russians had been correct in basing their Communist revolution on the industrial workers. But Russia wasn't China. China had little industry, factory workers being just a small percentage of the population. A revolution based on them was bound to failure, while one based on the power of the peasant farmers, four-fifths of the population, would prevail. Mao then withdrew to the interior of China to establish the first rural soviet – the basis of his subsequent rise to the party leadership in 1935. Meanwhile the Northern Expedition continued until the warlords, in one manner or other, were eliminated. (Some joined the Nationalists, some sided with the Japanese after the invasion of 1937, and some fled to Manchuria).

Before continuing we must dispense with a technical term which, if not properly understood, would only confuse the reader further! The word in question is “soviet”.

As used in this article the term does not refer to Communist ideology, nor does it have anything to do with the political leadership of the Soviet Union. The term “soviet” was given by the Communists to the territorial geography occupied at any one point in time by Chinese workers and peasants living in socialist collectives and in isolation from the rest of China. These bases were set up by elected legislative bodies comprised of the peasantry. The governance and administration of these base areas was distinct from that of the government of China and would remain so until the establishment of the People's Republic of China.

Mao chose the southern provinces of Hunan and Kiangsi in which to establish his first soviet. Kiangsi appealed mainly because of its inaccessibility. The province was very hilly and heavily forested, being especially rough in its southern districts, making the area highly defensible. Furthermore, the area was virtually unpopulated. From here Mao recruited armed bands of peasants and deserting soldiers. The peasant groups were composed in large part of landless laborers and tenant farmers. From this group the Red Army was formed in 1927. Mao's army was strong on discipline, always insuring that the peasants encountered along the way were respected in life and property. Rules laid down contained such admonitions as: “Don't take a single needle or piece of thread from the people”, Be courteous and polite to the people and help them when you can”, and “Be honest in all transactions with the peasants”. Control over the base area was gained by armed revolutionists practicing terrorism and guerrilla warfare against persons of property, thereby turning the movement into a peasant revolt. To win over the peasants, land was taken from the rich and given to the poor, debts canceled and taxes reduced. Rural banks and credit associations were founded in the soviets where peasants could borrow without being robbed by usurers. A vigorous literacy campaign was initiated. In the old days the emperors had discouraged education among the masses hoping to eliminate the spread of dangerous ideas. Mao encouraged literacy for the opposite reason – a man who couldn't read couldn't be reached by Marxist ideas. In two years time the Red Army had grown to sixty-five thousand men.

Mao's goal from the outset was to control all of China and eliminate the Nationalists from power forever. He realized that this could not be accomplished overnight. He developed the tactic of capturing inaccessible rural districts and establishing soviets there from which to eventually encircle and seize the cities. Kiangsi thus became the principal revolutionary base during the early Communist movement. It was from here that the Communists gradually created soviets in other inaccessible districts. By 1930 the Communists had established soviets throughout south China in Kiangsi, Fukien, Hunan and Hupeh provinces as well as a remote base in northern Shensi province. These bases often spread over hundreds of miles containing hundreds of thousands of people. They were usually situated so that they overlapped provincial boundaries. This made it easier to escape the wrath of any one provincial authority. In 1931 the so-called Chinese Soviet Republic was proclaimed with Mao as Chairman.

This fractured entity received no recognition from the outside world, but did serve to unite the various soviets in their fight against the Kuomintang. The Chinese Soviet Republic administered an area larger than Belgium, containing 31,000 square miles and a population of three million.

As smaller soviets continued to spring up elsewhere in remote rural areas, growing into menacing military opposition, Ch'iang realized that he could no longer ignore the threat. He had to act now. In 1928 the Kuomintang initiated its first annihilation campaign against them. The five assaults over the following six years became known as the "bandit suppression" campaigns. After several aborted attempts, the winter of 1934 found the Nationalist government in a strong position and determined to crush the Communists by military force. This time the Nationalists were successful, capturing Mao's stronghold on the Kiangsi-Fukien border. The Red Army, driven from and deprived of its chief base in Kiangsi, had no alternative but to retreat or be annihilated.

The Communists chose to retreat. Thus began the longest continuous march in the history of warfare. Known to the Chinese as the *Ch'ang Cheng* this historic trek is known in the West as the Long March. From October 1934 to the summer of 1935, the Communist army was driven from Kiangsi to the northern province of Shensi – a retreat across six thousand miles of rugged territory. The Red Army crossed eighteen mountain ranges and twenty-four rivers along the way. The logistics of the march were a nightmare. Each man carried his own equipment consisting of his rifle, ammunition, winter uniform drinking cup, chopsticks, needles and thread and spare sandals. Since there were no motor vehicles, the supply department handled the heavy loads including office files, printing presses, ammunition reloading equipment, sewing machines and crates of silver bars, coins and paper money by man and horse power alone. The silver bullion had been carefully hoarded by the Communist Party, representing the bulk of their financial wealth. As the slow moving columns wended their way through forests and over mountain ridges, they were constantly harassed by Nationalist troops averaging one skirmish every day. Since the equipment slowed them down, much of it was abandoned along the way. It is recorded, however, that the silver did make it all the way to Shensi to become the backing for the new currency to be issued there. Half the army was lost in one single action while crossing the Hsiang River. Beginning the march with thousand men, only twenty thousand arrived in Shensi. Their line of march after extended for fifty miles. The wounded who were left behind were ordered to infiltrate the countryside and to set up new soviets if they could. Wherever they went, Communist propaganda was spread far and wide. Arriving in Shensi, Mao was met by members of the local provincial soviet who had been anxiously awaiting his arrival. The Long March was an epic in sacrifice and courage thereby creating a legend upon which further revolutionary action could be built.



Mao Tse-Tung with comrade General Chu, Commander-in-Chief of the Red Army (1935).

Phase I: Coin and Bank Note Issues of the Early Soviets (1927-1935)

In 1931 the First National Congress of the Chinese Soviets passed resolutions setting up the Chinese Soviet Republic. One of these resolutions dealt with economic affairs. It stated that insomuch as the soviets were located in wholly agricultural regions, possessed no industries, and were in a state of incessant civil war necessitating the raising of military funds; the various soviets were therefore empowered to issue their own coins and currency. It was further authorized that such currencies could be exchanged for those of the “outside” areas. The Workers and Peasants Bank was set up in order to effect a unified currency system. The bank was to lend money through its various branches to peasants, small merchants and cooperatives in order to develop their economic livelihood. The bank was further charged to function as the currency exchange agency for the republic, specifying that the bank's branches would carry out

the collection of taxes in addition to their other duties.

The Chinese soviets extended over a number of provinces. Their boundaries were constantly fluid, depending upon the state of military operations at the time. In October 1934, immediately before the abandonment of Kiangsi and the Long March, the Communist areas consisted of the following seven soviets:

1. The Central Area – site of the central Soviet government, based at Juichin in an area extending over Kiangsi, Fukien and Kwangtung.
2. Min-Che-Kan Area – covered parts of Kiangsi, Fukien and Chekiang.
3. Hsiang-O-Kan Area – extending along the boundaries of Hunan, Hupeh and Kiangsi.
4. Hsiang-Kan Area – included parts of Hunan and Kiangsi.
5. O-Yu Yuan Area – included parts of Hupeh, Honan and Anhwei.
6. Hsiang-O-Hsi Area – Hunan, Huoeh and parts of Szechuan.
7. Ch'uan-Shan Area – the northern soviet including Shensi and the northern part of Szechuan.

Considering the relatively small size of the soviets, it is estimated that the combined land area at this time consisted of one sixth the total of these provinces. Within these borders lived a population of 36 million.

The first phase of the Communist expansion (1927-1935) was the only phase in which coins were issued. Not many official records concerning them have survived. What little we know comes principally from Eduard Kann, the British banker who wrote prolifically on the subject of Chinese currency, both past and present, for the *Far Eastern Economic Review* and elsewhere; and a few books and articles by Chinese authors.

Portable mining machinery was obtained for the purpose of striking coins in the above areas. These mints normally coined silver, but in the case of the Central area a mint for the purpose of striking copper subsidiary coinage was set up as well. A mint typically employed thirty workers. The presses used were extremely crude and ineffective, which accounts for the fact that rarely is one of these coins encountered that it isn't of inferior execution – i.e., weakly struck or lacking in all its characteristics. What these coins may have lacked in appearance, they made up in integrity. The Communists, as we have seen, were totally honest in all their dealings with the peasantry. Seeking to impress others with their forthrightness, they scrupulously saw to it that their coins maintained good weight and fineness. This was in direct contrast to the Nationalists, whose money consisted of miscellaneous coins of various weights and fineness to say nothing of the outright counterfeits which circulated widely. Peasants living within Kuomintang controlled areas always preferred the coins of the soviets.



Map A.

CHINESE COMMUNIST SOVIETS (1927-1934)	
1. Central Soviet	5. O-Yu-Yuan
2. Min-Che-Kan	6. Hsiang-O-Hai
3. Hsiang-O-Kan	7. Ch'uan-Shan
4. Hsiang-Kan	

THE LONG MARCH



Trade with these areas depended upon the silver dollar, while the subsidiary coinage tended to circulate only within the soviets. Even the soviet paper money notes retained full value despite their crude and ragged appearance.

To fuel the mint's coin presses the revolutionaries used silver, copper, lead and tin utensils confiscated from the local landlords who fell victim to their aggression. A considerable amount of metal was also obtained through currency exchange.

The capacity of these crudely operated mints proved small, necessitating the creation of paper money which circulated side-by-side with and gradually surpassed the coins in circulation. After the Long March the entire economy of Communist China was run on paper money. Before we turn to paper money emissions let us examine the coin types of these early soviets.

Many of these issues contained common characteristics. These include the hammer and sickle device, adapted from the Russian revolution, which appeared on the majority of coins issued. The Western calendar was always used – as opposed to the year dating from the founding of the Republic of China found on Nationalist coins. The year was always spelled out in full (i.e. “1932” in Chinese characters) as opposed to “year 21 of the republic”. This was a radical departure from past practice. In addition, Chinese inscriptions were written both left to right (the old way) and right to left on different coin types. Lastly, these coins were meant to serve as propaganda in addition to their function as a medium of exchange. They are replete with Communist slogans such as “Made by the Communist Soviets” and “Workers of the World Unite!”

Coins of the Hsiang-O-Hsi area were perhaps the earliest struck. The two silver dollars in question bear the likeness of Lenin – one a rather chubby Chinese looking Lenin in full face, the other in profile. Although they bear no date, it is believed that they were minted in 1931 in Hupeh and Hunan. The dollar with Lenin in profile bears the inscription “Made by the Chinese Soviets” above the portrait. The reverse side features the characters “one yuan” displayed vertically surrounded by the hammer and sickle. A border of vines completes the design. The coin showing Lenin full face has a similar reverse with a star added to the top border.

Another silver dollar coin was one minted in Hunan in 1931. Its obverse shows a vertical “one yuan” enclosed in a laurel wreath. The reverse contains a star shaped design with the hammer and sickle at its center. The inscription “Hunan Soviet Government” appears above, with “made in 1931” in Chinese characters below.

Two distinct silver dollars were minted in the O-Yu-Yuan area of Hupeh, Honan and Anhwei in 1932. The first of these shows the central “one yuan” on its obverse surrounded by a circle containing inscriptions reading “The Soviet Government of



These early Communist silver dollars circulated within the Hsiang-O-Hsi soviet located in Hunan and Hupeh provinces. Minted in 1931, they are the earliest examples known. Both depict a rather crude portrait of Lenin on the obverse.

O-Yu-Yuan” above and “ made by the Workers and Peasants Bank, 1932” below. The coin's reverse side contains a representation of a world globe with hammer and sickle superimposed. An outer border containing the slogan “Workers of the World Unite!” completes the design. The second of these dollars has a similar obverse with the exception that “Made in 1932” appears in the upper circumference with the Russian Cyrillic words “CORETGHNISHKB IPEB” below. Translated they read “the Chinese Soviet Republic”. The reverse of the coin is similar to its counterpart with the hammer and sickle appearing in a slightly different position. The inscription “Workers of the World Unite!” is written from right to left, while the other specimen runs left to right.

Next we turn our attention to some coins minted for the Central Soviet area. On one silver dollar the obverse contains a profile head of Karl Marx with “State Currency of the Chinese Soviet Republic” above and “made in A.S. 1933” below. Two stars are located at the sides of the obverse. The reverse contains “one yuan” at the center with hammer and sickle below. A star above and wheat stem motif below complete the design.

The most widely used form of currency in the Central Soviet area of Kiangsi-Fukien-Kwangtung was paper money. Therefore, the Marx silver dollar is rarely encountered today. The Central Soviets did, however, mint a profusion of small change

silver and copper coins. The chiao (20 fen) silver coins were dated “A.D. 1932” and “A.D. 1933” and had as their central inscription the words “two chiao” with “the Chinese Soviet Republic” above and the date below. The reverse embodied the standard hammer and sickle in a small lower circle surrounded by wheat spears with a star on top and the words “five of these coins are the equivalent to one yuan” above. These are the only subsidiary soviet silver coins known. They were patterned to be the same size as Nationalist coins then circulating in Kwangtung province. The chiao coins contained a mere five percent silver, which was very low; however their fineness remained constant.

The remaining subsidiary coins of the Central Soviet consisted of five and one fen pieces. The five fen coin contained a map of China with hammer and sickle superimposed all within a circle of dots with the “Chinese Soviet Republic” above and “twenty of these coins are equivalent to one yuan of state currency” below. “Five fen”, a star, and wheat design comprised the reverse. The one fen coin was of similar design, being one fifth the size of the five fen specimen.

We will now turn our attention to the most prolific issuer of Communist coins – the Ch'uan-Shan area soviet situated in Szechuan and Shensi provinces. There were many varieties of the silver dollar coin produced there. Eduard Kann, in his writings, stated that by 1938 he had acquired no less than fifteen varieties of the Szechuan soviet dollar for his collection. Furthermore, he speculated that as many as twenty-five varieties probably existed, all of which bore the date 1934. Most varieties concern the size, shape and positioning of the various stars and rosettes which appear on this series. The typical Ch'uan-Shan silver dollar obverse contains the vertical “one yuan” within a beaded circle with “the Chinese Soviet Republic” above and “made at the Ch'uan-Shan mint” below. The reverse of the dollar depicts a prominent globe of the world with the hammer and sickle superimposed. Sometimes the globe contains an outline map of China, and sometimes not. “Workers of the World Unite!” is to be found in the upper circumference with the date “1934” below.

The mint which produced these coins, situated at Tonjiang in northern Szechuan, boasted two departments – one for silver dollars, and the other for copper coins. The copper coins were different in that they were denominated in cash to conform to those currently circulating in Szechuan province. They were of two denominations – 200 and 500 cash. The 200 cash copper coin of 1933 contained a “200” within a circle of vines on the obverse, while the reverse displayed a hammer and sickle on its side with three prominent stars above surrounded with inscriptions containing a “C.C.T.P.” in the Russian style. The 200 cash coin was entirely redesigned for 1934. This version has a “200” within a plain circle on the obverse while showing a large star with hammer and sickle at its center with four Chinese characters appearing between the points of the star, and the date below. The date “1934” appears on some first-struck coins with the figure “4” engraved backwards! The 500 cash obverse is similar with the exception of its



The 1934 series of silver dollars of the Ch'uan-Shan soviet situated in northern Szechuan and Shensi provinces contain many varieties. These differences center on the size and positioning of the stars and rosettes as well as the manner in which the world globe and hammer and sickle are depicted.



Copper subsidiary coinage was also minted by both the Chinese Soviet Republic and the Ch'uan-Shan soviet. Shown here are the 200 and 500 cash specimens of Szechuan-Shensi. When cutting the die used to strike the 200 cash piece, the engraver cut the "4" in the date 1934 backwards! This was later corrected.

“500” denomination. This is a much larger coin. Its reverse shows the customary soviet symbol and stylized wheat sheaves. The Chinese date (1934) reads from left to right.

Edgar Snow, an American journalist journeying throughout the interior in 1935, was the first to report the rise of the Communist movement within China to the outside world. According to Snow, the greater part of the silver dollars in the south were transported north during the Long March to the new base area at Yen-an in Shensi. No sooner had Mao reached his new refuge in the north than the Kuomintang government acted to nationalize its silver. The currency reform act demonetizing silver was passed by the Nationalists in November 1935. This act caused an immediate rise in the price of silver. Being fearful that the soviet reserves would be lost to the enemy through trade with Kuomintang areas, the Shensi authorities forbid the export of silver and immediately recalled its silver coinage from circulation. These silver dollars thus became the foundation for the reserves necessary to back their paper money. Paper currency was in exclusive use among the Communists from that time on.

A word of caution is appropriate here. In 1948/1949 it is known that many Communist coins began surfacing in China. They were eagerly sought by collectors. Most were genuine; however, some proved to be complete fantasies! Dealers offering these coins today are by and large careful to point out the difference. Collectors seeking these coins should be prepared to pay a premium price for genuine specimens, as their low mintage, followed by the demonetization of silver, combined to elevate the surviving specimens to the state of highly valued numismatic rarities.

Subsequent to the Long March and the consolidation of what remained of the Red Army in Yen-an in 1935, the entire Communist movement was run on paper money. The importance of this fact cannot be overstressed. As we have seen above, the nationalization of silver by the Kuomintang literally drove silver dollars and subsidiary coinage out of circulation. This left the soviet bases with only bank notes with which to conduct their day to day affairs. This proved to be no problem for the Communists as their reputation for frugality and honesty in all their financial dealings made the notes highly sought after, despite their crude appearance. This was in direct contrast to the engraved money of the national government. After 1935 the fa-pai currency became severely inflated while the soviet notes retained their value. By 1947 run-away inflation was taking place all over China. Even so, the Communist notes, while mildly inflated, continued to hold their value.

Only scanty information has surfaced regarding the issues of Communist banks. Indeed, the body of data which survives came from records maintained by the People's Bank of China during the redemption period following the total collapse of the Nationalists and the founding of the People's Republic of China in 1949. That is why more is known about the Phase Three banks than the earlier Communist institutions. The



Obverse and reverse of a 2 tiao (two strings of copper cash) note of the East Hupeh Farmers Bank. Dated 1930, this note was short-lived due to the area being overrun by the Chang Kai Shek's Nationalist Army a year later. All these early soviet notes are considered rarities today.

further one researches backward in time the scantier the information about them becomes. With few exceptions, no information exists as to the size of their emissions and other fiscal data, as the Communist soviets intentionally did not record for posterity details about their financial dealings. The information we have today is derived, by and large, from the coins and bank notes themselves. They remain the sole window through which we can look back in an attempt to reconstruct this fascinating period in China's financial history.

The paper money issues of the early soviets are, with few exceptions, exceedingly difficult to locate today. Most are extremely rare with some notes, never reported before, perhaps being unique. Their scarcity is no surprise considering the small number issued, their short life expectancy and their poor quality. Generally, these early notes were printed from wooden blocks on thick, brownish paper of inferior grade. A case in point may be seen when comparing series A and series E specimens of the 10 coppers note (1934) issued by the Chinese Soviet Republic of Hunan-Kwangsi province. This note was block printed on both sides. Series "A" notes utilized a single sheet of thin, tissue-like paper, while the "E" series was much thicker, having been made of two pieces of the same paper which was glued together. Although the note didn't change, it is apparent that the thin variety did not wear well, necessitating its replacement by a more durable one.

Of interest also is the fact that minor differences may be detected when comparing like notes prepared from wood blocks. The most discernible difference is in the size and shape of the characters themselves. Some are thick while others are thin. An example of this can be seen when comparing two like 500 cash notes of the Southeast Hupeh Workers, Farmers and Soldiers Bank issued in 1931. Serial number 172,726 contains thick characters, while serial number 226,238's are thin, leading the author to conclude that multiple blocks were employed in the preparation of these early hand printed notes. This simple expedient was undoubtedly used to speed up production. The observations enumerated above also pertain to the early cooperative society issues.

In an attempt to unify the scattered soviets (if in name only) and create a "national" identity, the Communists set up their Chinese Soviet Republic National Bank which issued notes from 1932 to the end of their domicile in south China in 1935. These notes are vastly superior in manufacture to the earlier issues, while still retaining a crude overall appearance. In all probability they were executed from hand prepared stone plates rather than wooden ones.

The fiat money issued for circulation in the Communist soviets is difficult to catalog. As we stated earlier, these areas were in a constant state of flux due to military actions resulting in frequent retreats and advances. Boundaries delineating areas under



This previously unknown East Hupeh Bank note for two strings of cash was issued shortly after the formation of the first soviet in south China. It is dated 1931 at the upper left following the Western practice rather than using the then prevalent “reign year” method of dating, which the Communists considered archaic. The first four vertical characters at the upper left therefore translate to “one”, “nine”, “three” and “one”: 1931. This practice extended to the dating of soviet coins as well. The East Hupeh Bank was short lived, as the area was overrun by Nationalist troops the following spring.

Communist influence were forever shifting. By and large, the bank note issues of the various soviets can best be grouped around the general geographical area in which the soviet existed. Since they were purposely set up to cross provincial boundaries, they quite naturally took their names from these geographical areas. For example, the bank serving the Hsiang-O-Kan soviet which extended along the boundaries of Hunan, Hupeh and Kiangsi was known as the Hunan-Hupeh-Kiangsi Workers and Farmers Bank. In the Fukien, Chekiang, Kiangsi region we have the Fukien-Chekiang-Kiangsi Soviet Bank, and so forth. One doubts that these banks ever functioned in the true sense of the word. Certainly there were few, if any, buildings or other traditional appointments dedicated to the purpose during the early period (1927-1935). After the Long March, while consolidating their position in Yenan, banking services were performed from caves dug out of the Shensi hillsides. Only later were banking institutions sufficiently large and sophisticated to enjoy the luxury of a headquarters building. An example of this may be seen on the notes of the Shensi-Kansu-Ninghsia Border Area Bank issued in 1942. Being so highly mobile and primitive, it is more likely the early soviet banks were designated by name principally for the purpose of issuing paper money.

Another difficulty encountered when attempting to classify these notes is that of

transliteration – the accurate translation of Chinese characters into English. As a result, different people make reference to different words emanating from the same character. Thus the Chinese character “kung” is variously translated as “worker”, “peasant”, “laborer”, “people”, etc. Consequently the same bank (East Hupeh Workers and Farmers Bank) may be described elsewhere as the East Hupeh Farmers and Peasants Bank, while in reality they are one and the same institution.

Romanization of the Chinese language poses quite a different set of problems. About the time of the agrarian phase (phase I) of the revolution, the Communists decided to supplant the old Wade-Giles system of translation from Chinese to English by substituting a romanized version, which ultimately resulted in the Pin Yin system in use today. This method was considered infinitely more progressive and was highly favored as it represented a radical departure from the past; however, it led to jaw-breaking difficulties for foreigners. The soviet bank for the Shensi-Kansu-Ningsia Border Area (*Shan Kan Ning Pien Ch'u Yin Hang* under the Wade-Giles system), for instance, became *Shaan Gan Ning Bianky Inxan* under the new spelling, the notes of the *Kuang Hua* store in Yen-an now becoming *Guangxua Shangdian* and so on. *Yin Hang*, which everybody recognized to mean “silver bank” was a long way from *Inxan*, meaning the same thing. The English text “Bianky”, as used in the above example, by the way, has nothing to do with “bank”, meaning rather “border area”, only adding to the confusion.

Lastly, the same bank often went by as many as six institutional headings which were intermittently used on their bank notes. The Bank of Bai Hai, a prolific issuer in Shantung province, gives us a classic example of this. Other names appearing on its notes were “Beei Hai Bank”, “Boxai Inxang”, B.X. Inxang”, “Bank of Pei Hei”, and “Pei Hai Bank of China”. Toward the end of its operation in 1947 this bank dropped the English translation from its notes altogether. The romanization and multiple name phenomena are characteristic of notes which circulated in phases II and III.

Another characteristic common to phase I notes was their use as a propaganda vehicle. This practice applied to coins as well. The use of propaganda took many forms. The design of the notes included many such devices to identify the movement. Foremost was the use of the hammer and sickle device, borrowed from the Russians. Also popular was the red star, often appearing in the form of the Chinese Communist banner. Portraits of Lenin, Stalin and Marx were also common as was the peasant and soldier joined together in a solidarity theme. By far and large the most common (and therefore the most effective) propaganda appeared in the form of slogans on notes. At times their translation into English gives them a somewhat pompous quality, adding to their appeal. By far and large the most commonly seen slogan is “Workers of the World Unite!”, also borrowed from the Russian Bolsheviki. Some other, more quaint, phrases found on notes of the 1927-1935 period include such exhortations as:



This 1931 five chiao issue of the North Hupeh Peasants Bank features a crude portrait of Lenin.



1932 ten ch'uan issue of the East Hupeh Workers and Peasants Bank

“Uphold the soviet economic policies, break through the enemy's financial blockade.”

“Develop capital for the workers and farmers, promote the economy of the society”.

“Boycott loans while activating the economy, harmonize the market and prevent the outflow of cash”.

“Guarantee active trade and unify the currency standard”.

“Develop our economy, increase our production!”

“Land to the farmers, jurisdiction to the soviet. Eight hours work!”

“Stop the Civil War to fight the Japanese”.

“Battle for the democratic republic!”

“Long live the Chinese revolution!”

My personal favorite appears on the 1 ch'uan (string of 1000 copper coins) note of the East Hupeh Workers and Farmers Bank issued in 1932. The slogan's rather lengthy harangue urges comrades to:

“Stand by our economic policies, stand for the Workers and Farmers Bank. The Workers and Farmers Bank is the bank of the hardy people themselves! The notes current will activate the economy of the soviet, the notes circulating will break the enemy's financial blockade!”.

Some inscriptions were more informative than political, such as these messages:

“Examine when giving or accepting (this note), prevent forgery.”

“This note is everywhere current and is secured by a reserve of one hundred percent. It is issued because it is easier to carry paper in place of metal. It can be cashed at _____ . Refusal to accept these notes will be severely punished, as also will forgeries.”

“Accumulation of one yuan can be exchanges for the same amount of silver.”

The practice of propagandizing Communist bank notes was generally abolished after the move to Yen-an. Thereafter the notes took on a more practical and official

appearance, emphasizing rural and industrial themes.

It must be borne in mind that it was not intended that these numerous Chinese Communist banks serve forever. This is what I call the longevity factor. Few of these institutions remained in existence for long and it was the rare exception when their doors remained open for more than a few years. They only existed for as long as a specific purpose was to be served. As the war progressed the temporary Red banks functioning in China were either incorporated into larger institutions, or eliminated altogether. From the outset it was intended that all of them be dissolved after the consolidation of the regime. Phase I banks ceased to issue notes altogether after the 1935 defeat in the south. After the Long March, new ones sprang up in the north to take their place. These in turn functioned in a certain base area, bending with the vicissitudes of daily life as long as the war against Japan held sway. After World War II came to a close, the Communists were free, once again, to continue the civil war against the Kuomintang. Many new soviet banks then sprang up to represent areas which had come under Red control. After the move north, the use of these heterogeneous issues of paper notes was obligatory in areas of Communist control. Conversely, the legal tender of the Chinese Nationalists was banned from use in those areas.

Notes of the early Communists banks were generally very crude in appearance. Printed from wooden blocks, on inferior paper, very few have survived. Minor differences can be detected upon close examination of these notes. One such difference is attributable to the practice of using multiple blocks during production; no two blocks being identical. The most frequently encountered deviation occurs in the thickness of the characters carved into the surface of the block. A good example of this may be found when comparing the notes produced for the Southeast Hupeh Workers, Farmers and Soldiers Bank.

Many variations may be observed in the methods employed in the numbering of early notes. Some notes, usually the lowest denominations, were not numbered at all. Their acceptance by the general public relied solely upon the solidarity of the Communist Party and the good will of the peasants. Some numbering systems used block numbers only: <55>, while others employed both block letters and serial numbers: <BJ> 093641. When block letters were used, the first notes bore the letter <A>, ten through <Z> and then repeated <AA> through <AZ>, <BA> through <BZ> etcetera, for as long as the emission lasted. Assuming that a six digit serial number represented one million notes for each "block", one can estimate the total number of notes issued by noting the highest number observed and therefore get an idea as to relative scarcity. Other variations in numbering notes include "No. B" plus serial number, <A> plus <35>, and "No. GA" plus <1>.

How many of these Communist banking institutions existed? That is a good

question. There must have been between thirty and forty Communist banks issuing fiat money during Phase I alone. My educated guess is that there were probably well over one hundred such institutions at one time or another if one counts the “soviet” issues, those of the “border areas” and those of the “liberated areas” in total. Many of these banks were here today and gone tomorrow. Kann wrote in one of his articles that: “They came suddenly and disappeared without further ado, just like so many May flies”. Perhaps the best we can ever hope to do is to assemble lists of these banks for which examples of notes have survived, as the author has done in Tables I through III. Perhaps this will prove sufficient record to understand this fascinating period in China's financial history. Some interesting information has been uncovered which sheds light on a few of these early soviet institutions.

The O-Yu-Wan Area Soviet Bank was one of the first of the Communist banks to be authorized. Serving a region of the Dabie mountains at the juncture of Hupeh, Honan and Anhwei provinces, it was established in October 1930 and commenced issuing bank notes in 1931. We have already mentioned the silver dollars which were minted in 1932 for the same area. So here we have a case where the printing of paper notes actually preceded the minting of coin. To date twenty cent, fifty cent, and two types of dollar notes have been discovered. These notes picture different buildings surrounded by flagpoles. Their reverses contain stylized vignettes containing numerals of value with large square “chops” superimposed, bearing seal script. Sometime during 1932 the O-Yu-Wan Area Soviet Bank was renamed the Hupeh-Honan-Anhwei Soviet Bank, continuing on under that name.

The establishment of the Hunan-Hupeh-Kiangsi Workers and Farmers Bank in November 1931 was an attempt by the Communist authorities to standardize the chaotic monetary system which had grown up helter-skelter in the area. At this time, the earlier issues of the Ping-chiang, Liu Yang, Yichun, and Wanzai Workers and Farmers Banks were retired, making way for a new standard currency for the Hunan-Hupeh-Kiangsi region. Copper cash and silver dollar notes made their appearance in three distinct emissions dated 1931, 1932 and 1933. The bank was constantly on the move, bending to the vicissitudes of war. At the time of establishment its headquarters were in Shangpin, a small provincial town, moving to Shaoyuen in the adjacent county in 1932 and then to Shiatung further west in 1934. Notes of 100, 200, 500 and 1000 cash (one string) are known as well as a silver dollar issue of 10, 20, 30, 50 cents and 1 dollar. The man with a white beard, whose crudely rendered portrait appears on the three chiao (30 cent) note of 1932, is reputed to be Karl Marx. If so, the likeness was probably drawn from an old photograph or possibly was a product of the artist's own imagination as to what a founding father should look like. As the Chinese Nationalist forces penetrated and overran the Hunan-Hupeh-Kiangsi soviet bases in January 1934, the bank again withdrew. Abandoning its Wanzai base, the bank set up temporarily in a succession of towns until the deteriorating situation forced it to close. It should be noted



Hunan-Hupeh-Kiangsi Workers and Farmers Bank 1 chiao issue of 1931. This bank also minted silver dollars in its own name. All the early Communist bank note issues are scarce today due mainly to the relatively few notes issued.



Ten coppers note of the Chinese Soviet Republic Bank of Hunan-Kwangsi province, issued in 1934. Depicted are soldiers with flag above a globe with red star superimposed.

that the 1931 notes of one of the superseded banks – The Wanzai Workers, Farmers and Soldiers Bank – bear a very close resemblance to the Hunan-Hupeh-Kiangsi Workers and Farmers Bank issue, with only a change in bank name to distinguish them apart. The earlier Wanzai issue consisted of silver dollar notes of 10, 20 cents and 1 dollar, with the aforementioned likeness of Karl Marx. Some notes found today contain a hand stamped rectangular chop with the inscription “full cash paid” on the front of the note.

The North Fukien soviet was located in the mountains of Fukien province, an agricultural region noted for its tea, bamboo and paper industries. The base was isolated from surrounding areas but required capital to promote economic growth within the region. To this end, in late 1931, the Communist authorities set up the North Fukien Branch of the Northeast Kiangsi Soviet Bank. An issue of silver yuan notes which made their appearance in January 1932 was authorized. The bank's headquarters were situated in the town of Ta-an. To date, silver yuan notes in the denomination of 10, 20 and 50 chiao and 1 yuan have been reported. The notes are of uniform issue depicting a red star with hammer and sickle on the front, while the reverse contains columns of text. A large red seal is superimposed containing the name of the bank in seal type characters. These notes were issued until late 1933 when the institution was renamed the Fukien-Chekiang-Kiangsi Soviet Bank, North Fukien Branch. The latter institution issued chiao and yuan notes in 1934 until the area was abandoned during the Long March.



Bank note for 10 copper coins, a product of the Fukien-Chekiang-Kiangsi Soviet Bank. No date of issue is shown, however it is believed to be 1931.

Some further snippets of information have turned up which give us an insight into specific Phase I institutions. In the case of the Fukien-Chekiang-Kiangsi Soviet Bank, a ten yuan bond in the form of a bank note has survived. The regulations printed on its back tell us that the total amount involved was a mere 100,000 yuan to be floated between July-September 1934 at one percent interest per month, payable in one year. Proceeds from the sale of these bonds were to be divided as follows: conduct of the war (80%), administrative purposes (10%), and for the relief of wounded soldiers (10%).

One wonders what the fate of the bond holders was? In all probability they were local “rich” farmers upon whom the bonds were forced on a quota basis. Two months later the Communists were in full retreat, embarking on their Long March to Yenan.



Two chiao note of the Northeast Kiangsi Soviet Bank, North Fukien Branch. Date of issue 1932.

The creation of the Chinese Soviet Republic and its bank were propaganda ploys designed to attain foreign recognition for the movement. No foreign government of the time ever acknowledged the legitimacy of the republic. During 1930 and 1931 the Red Army had successfully broken through the Nationalist's campaign of suppression and encirclement. This allowed comrade Mao to merge the South Kiangsi and West Fukien soviets on 7 November 1931 into the Central Revolutionary Base Area. A congress was held in Juichin which established the provisional central government of the Chinese Soviet Republic. A plan drawn up at this time, known as the “Economic Policy of the Chinese Soviet Republic” stipulated that a national bank be created. The two former banks (Western Fukien Workers and Farmers Bank and the Kiangsi Workers and Farmers Bank) became redundant and were terminated. The Chinese Soviet Republic National Bank thus came into being in March 1932 and immediately commenced issuing a unified currency for circulation throughout twenty-one contiguous counties. The first of these notes appeared in July 1932 in denominations of 5 fen; 1, 5 chiao and 1 dollar. Each note had a distinctive design with Lenin appearing on the one dollar note. Subsequent releases were made in 1933 and 1934. In October 1934 the Red Army was forced to abandon its base in the Central Soviet Area and commence the long march of survival to the north. The march itself, over rugged and hazardous terrain, took over a year to complete. When reaching Kansu province in 1935 the army paused long enough to convene the Zunyi Conference to decide upon a future course of action. During the period the conference was in session, the Chinese Soviet Republic National Bank once



The notes of the Chinese Soviet Republic National Bank represented the first attempt at a unified currency for the various Communist soviets. Its notes were backed by silver dollars and accepted, at par, in all soviet districts. After issuing notes from 1932 to 1935, this bank was overrun by the Nationalists during the "Annihilation Campaign". The bank, as well as its mintage of silver coin, survived the Long March to become reorganized as the Chinese Soviet Republic National Bank – Northwest Branch, which issued its own paper money. Both the 1 dollar (1932) and 2 chiao (1934) notes shown here reflect the then strong ties the Chinese Communists had to Russia, by depicting Lenin on their obverse.

again released a series of silver dollar notes. These, however, had a short life. As soon as the conference was over, the notes were bought back by the bank with actual silver dollars and, in some cases salt, which at the time was a rare commodity. After completing these transactions the Red Army continued its Long March to the ultimate destination at Yen-an in the Shensi foothills. Some of the lithographic plates used in the production of the notes of the Chinese Soviet Republic Bank have survived and can be



Szechuan-Shensi Soviet Workers and Farmers Bank 1933 cloth note of three ch'uan (strings of cash).
The poor quality of the paper notes of this bank necessitated a switch to printing on cotton cloth.



Workers and Peasants Bank of the Chinese Soviet Republic note for three strings of cash. The note in addition to depicting a bust of Lenin displays much soviet symbolism including the slogan “Land to the Toilers, Power to the Soviet; Eight Hour Day” on the front together with “Workers of the World Unite!” and “Resolutely Defend the Red Area” on the back.

seen in the Chinese Revolutionary Museum in Beijing. According to the information displayed, the plates were lost in Kiangsi during the Long March only to turn up in Kwangtung province in 1950.

King-On-Mao in his *History of Paper Currency as Issued by the People's Republic of China* tells of an issue of the Szechuan-Shensi Soviet Workers and Farmers Bank which employed yet another type of propaganda on its reverse. Here we find a cartoon cut from a wood block which depicts a large fist. A group of imperialists can be seen squeezed through and escaping from the fingers of the clenched fist representing communism. The propaganda message thus imparted was that the socialist economy was superior to the capitalist economy. The note is reputed to be extremely scarce.

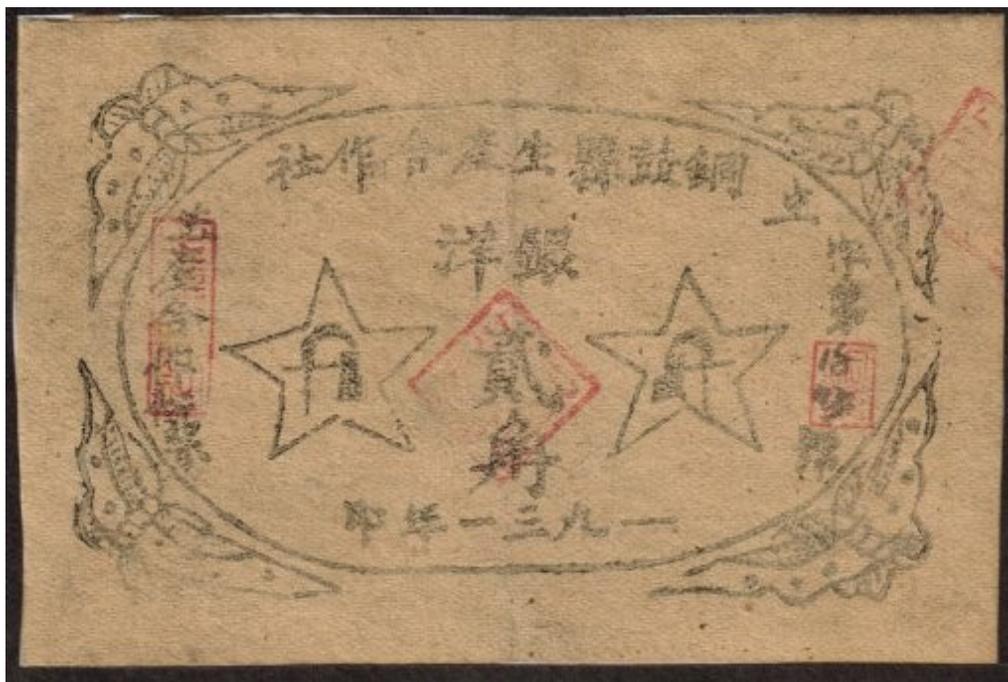
Before leaving our discussion of the early soviet issues, one must touch upon another form of paper currency in common use. These were the notes of the "cooperative societies" through which the local peasants banded together to raise capital and pool resources for the common benefit. The Communist Party encouraged this practice from the outset. In this way produce and products originating in Communist controlled areas not only sustained the local peasants but also found their way through trade to markets behind enemy lines, thereby raising capital for their movement. Products for which cooperatives were formed included salt, timber, coal, silk, hog bristles and tobacco. These cooperative societies flourished and examples of them may be found at each stage of development of the Communist Revolution right up to the creation of the People's Republic in 1949.

Little is known of the earliest cooperatives, but it is known that the practice of issuing notes to facilitate commerce thus supporting such enterprises commenced with the establishment of the first soviets. Characteristically they are crude affairs, replete with slogans exerting their members to extol the virtues of communism in every way. I have included illustrations of notes of the Chiao Shui Hsien Cooperative Society and the Tung Ku Hsien Production Cooperative (1931) by way of example.

Although the aggregate amount of these early soviet bank note issues must have been considerable, very few remain. This is not surprising considering the conditions of the time and the years which have intervened. They served their purpose admirably – both as a means to develop the socialist economy and as a propaganda tool. Representing all levels of the Soviet political spectrum – national, provincial and local – they were backed by silver and freely exchanged between soviets. The few specimens of these bank notes that remain are truly collectors items! Among them certain issues command appreciable premiums.



Early, undated, Chiao Shuri Hsien Cooperative Society note in the amount of 300 wen (cash). The note's serial number is displayed vertically at right. Slogans on the reverse exhort its members to support the revolution. Few of these early cooperative society notes have survived, making them extreme rarities today.



A 2 chiao, 1931 issue of the T'ung Ku Hsien Production Cooperative. Butterflies adorn the corners of the face of the note. The red star and hammer and sickle devices form the central motif with date below. These notes were freely exchanged amongst cooperative society members.

Table 1.

PHASE I (1927-1935): ISSUES OF THE EARLY COMMUNIST SOVIETS

Hunan-Hupeh-Kiangsi:

Kiangsi Worker's and Farmer's Bank

1931 issue of coppers, dollars. Also minted silver dollars.

Northwest Kiangsi Soviet Bank

1932 issue of chiao, yuan notes.

Hunan-Hupeh-Kiangsi Worker's and Farmer's Bank

1931-1933 issues of cash, chiao, cent and dollar notes. Also minted silver dollars.

Ping-chiang Worker's and Farmer's Bank

1931 issue of chiao notes.

Hunan-Kiangsi Worker's and Farmer's Bank

1932 issue of yuan notes.

Liu Yang Worker's and Farmer's Bank

1931 issue of cent notes.

Hupeh:

East Hupeh Bank

1931 issue of cash notes.

1930-1931 issues of chiao and yuan notes. First soviet bank to issue paper money.

Hunan-Hupeh Soviet Bank

1931 issue in dollars.

Wanzai Workers, Farmers and Soldier's Bank

1931 issue of cents and 1 dollar notes.

Hupeh Worker's and Farmer's Bank

1931 issue of chiao, yuan notes.

Southeast Hupeh Workers, Farmers and Soldier's Bank

1931 issue of cash, ch'uan (string of 1000 cash) notes.

Southeast Hupeh Workers and Farmer's Bank

1932 issue of cash, ch'uan notes. Successor to above bank.

East Hupeh Workers and Farmer's Bank

1932 issue of ch'uan notes. Successor to above bank.

Table 1. (cont.)

Fukien-Chekiang-Kiangsi:

Western Fukien Workers and Farmer's Bank

Issued paper money in 1930. No other details available.

Fukien-Chekiang-Kiangsi Soviet Bank

1932-1934 issues of wen, chiao and yuan notes.

Fukien-Checkiang-Kiangsi Soviet Bank, North Fukian Branch

1934 issue of chiao and yuan notes.

Kiangsi-Hunan-Anhwei:

Kiangsi-Hunan-Anhwei Soviet Workers and Farmers Bank

1932 issue of yuan notes.

Hupeh-Honan-Anhwei:

O-Yu-Wan Area Soviet Bank

1931 issue of chiao and yuan notes.

Hupeh-Honan-Anhwei Soviet Bank

1932 issue of chiao notes. Also minted silver dollars. Successor to above

Hupeh-Honan-Anhwei Soviet Workers and Farmer's Bank

1931-1932 issues of chiao and yuan notes. Successor to above bank.

Anhwei:

Northwest Anhwei Special District Soviet Bank

1932 issue of chiao and yuan notes.

Chinese Soviet Republic:

Chinese Soviet Republic National Bank

Capital at Juichin in Kiangsi province. First attempt at a unified currency. Accepted in all soviet districts. 1931-1935 issues of coppers, chiao, fen, cent and dollar notes. Also minted silver twenty cent coins and silver dollars plus subsidiary copper coinage. Survived after the Long March as the Chinese Soviet Republic National Bank - Northwest Branch.

Table 1. (Cont.)

<p>Hunan-Kwangsi:</p> <p><u>Chinese Soviet Republic Bank of Kwangsi</u> 1933-1934 issues of fen, chiao and copper coin notes</p>
<p>Szechuan-Shensi:</p> <p><u>Szechuan-Shensi Soviet Workers and Farmer's Bank</u> 1932-1935 issues of ch'uan and cash notes. Poor quality paper notes plus cotton cloth notes. Crude printing.</p> <p><u>Bank of Soviet Szechuan-Shensi Provincial Workers and Farmers</u> 1933 issue of yuan notes.</p> <p><u>Chinese Soviet Republic Szechuan-Shensi Provincial Workers and Farmer's Bank</u> 1933 issue of yuan. Both paper and cloth notes. Also silver dollars and subsidiary copper coins.</p> <p><u>Worker and Peasant's Bank</u> 1934 issue of ch'uan notes.</p>
<p>Bank of Unknown Origin:</p> <p><u>Yang Xin Hsien Farmer's Bank</u> Ch'uan issue of 1930-1931 reported.</p>

We shall now turn our attention to the more numerous and numismatically accessible Phase II and III notes. These include the money of the Base Areas issued during the War of Resistance against Japan (1936-1945 period) and finally, money issued for those areas liberated from Nationalist control during the Chinese Civil War which followed the Japanese surrender (1945-1949).