

# 琉球大学学術リポジトリ

## SOUTH MANCHURIA RAILWAY COMPANY「CONTEMPORARY MANCHURIA A BI-MONTHLY MAGAZINE」

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Institute which is playing an important role also in checking rabies, has invented a preventive against the disease for human use, which does away with vaccination and its attendant unpleasantness.

In addition to the above-mentioned contagious diseases, the Hygienic Institute is devoting its study to the prevention and extermination of diphtheria, typhoid fever, anthrax and dysentery.

## II. NUTRITION

The food and nutrition problem in Manchuria is also receiving increasing attention because of its close relation to public health. Manchuria's peculiar natural and social environment and the marked difference in the characteristics of the various races inhabiting the country give an added complexity to the nutrition problem.

Since 1929 the Hygienic Institute has been investigating the food resources in Manchuria and studying the nutritive value of the staple articles of food of the Manchurians, Mongols and Japanese. It has also been making a comparative study of metabolism in the Japanese and Manchu races and endeavouring to improve their diets by discovering for each the most suitable nutritive foodstuffs, taking into consideration the physical and social conditions of each race.

Furthermore, the Hygienic Institute has made a study of the children in Manchuria, especially Japanese, from the standpoint of dietetics and discovered that the constitutional defects and weaknesses of the latter, such as slenderness, rickety constitution, anaemia, tooth-carries, and myopy (near-sightedness), which make them easily susceptible to disease, are chiefly due to the scarcity of mineral substances and vitamins within their system.



This in turn is caused by the restricted production and consumption of such indispensable articles of food as vegetables, fruits, milk and marine products, owing to natural and economic factors. In view of this fact the Hygienic Institute, for the past several years, has devoted much attention to improving the nutrition of the school children in Dairen and the S.M.R. Zone, especially by giving nutritious food to children at school.

### III. ENVIRONMENTAL HYGIENE

In the field of environmental hygiene, the Hygienic Institute's efforts have been directed to the study of the housing problem, dust and smoke in cities, and water. For studying the housing problem, the Institute built within its compound twenty houses with various construction materials and studied the relation of the walls and roofs to the preservation of heat and to temperature and ventilation. The results of its investigation have been utilized in the construction of residences for S.M.R. employees, wherein the Railway Company spends an enormous sum annually, and in the improvement of farm-houses.

As regards the dust and smoke problem in cities, the City of Dairen, on the basis of investigations conducted by the Hygienic Institute during the past two years, has enacted Smoke Prevention Regulations and is doing everything within its power to purge the city of smoke and dust that are a menace to public health. Similar work is also being carried on in the other cities of Manchuria.

Since the foundation of Manchoukuo, the Hygienic Institute has been conducting an examination of water in all parts of Manchuria and also studying ways of

purifying bad water. In the struma-infested Jehol district, the Institute has discovered that the prevalence of the disease is due to the lack of iodine in the system of the local population. For the extermination of this malady the Institute is supplying the inhabitants with iod-tablets, and also putting iodine into the water mains and wells.

Thus the most up-to-date scientific knowledge is being utilized in improving public health and sanitation in Manchuria, with the full cooperation and encouragement of the new régime there.





### CURRENCY AND FINANCIAL SITUATION IN MANCHURIA

Entering the fifth year of its establishment, the youthful state of Manchoukuo continues to make steady progress in all fields of reconstruction—its foundations are becoming increasingly stronger. The amazing progress now seen in Manchoukuo, the establishment of an efficiently functioning government and the spirit that is remaking the former land of the Changs into a modern nation, represent one of the great marvels of the present day, arousing the admiration of even Manchoukuo's most critical observers as is evident from press reports and comments appearing in England, United States, Germany and other countries of the world. Outstanding among the remarkable achievements made by the new régime are financial rehabilitation and the establishment of a sound stabilized national currency, which has supplanted the variegated forms of highly depreciated paper money which flooded the country under the former régime.

Upon the currency system and the currency policy of any country depends the livelihood of the people. They, moreover, form the basis of the country's credit abroad, their soundness or unsoundness immediately reflecting upon the prosperity or decline of the nation.

During the former militarist régime, the currency in Manchuria was bafflingly complicated and varying in kind,<sup>1</sup> which coupled with the excessive issues of bank-notes by the various provincial banks (called the *Kuan-yinhao*) and the Frontier Bank without the backing of

<sup>1</sup> Fifteen different kinds of paper money comprising of no less than 136 denominations were in circulation.

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adequate reserves, led to the complete destruction of the monetary system, thereby inflicting tremendous losses upon the nation at large. Manipulated freely by the old Government, all these banks were vested with the privilege of issuing notes and functioned as if they were the central banks of the provinces to which they belonged. Further, a note called the *Ssutieh*, which was issued separately by various *hsien* (counties) and influential public bodies, was circulated to a tremendous amount. Some kinds of the *Ssutieh* gradually lost public confidence and finally were regarded as mere scraps of paper. In addition to these institutions, there were Japanese and Russian banks which issued their own notes, further adding to the confusion of the money market.

Because the provincial banks were accustomed to deal extensively in the bean trade, they used to pay for their purchases in bank-notes commanding comparative confidence of the farmers in various localities. The latter would obtain considerable sums of money in paper which, to their dismay, rapidly and severely depreciated, with the result that on occasion the farmers received almost nothing for their year's harvest, and the consequent misery was beyond description. On the other hand, the provincial banks made it a rule immediately to take over such depreciated notes at extremely low values and thereby achieved tremendous profits to satisfy, at the sacrifice of the nation, the selfish ends of the militarist clique.

Considering that this state of affairs was inimical to financial, economic and industrial reconstruction and that the distress and destitution under which the nation was groaning had to be quickly dealt with, the Govern-



ment of Manchoukuo realized the urgent need of a unified and stable currency system and hastened to establish the Central Bank of Manchou to pave the way for that end. Thus, on June 11, 1932, the Currency Law of the State<sup>2</sup> was promulgated for the purpose of establishing a sound monetary system, and on June 15 the Central Bank of Manchou was formally established.

The Currency Law prescribes a fixed quantity of pure silver as the unit of monetary value and, without minting the standard coin, the notes issued by the Central Bank of Manchou are made legal tender. Although there are no provisions as regards the conversion of notes, the Central Bank is required to hold, as reserve, a sum equivalent to 30 per cent or more of the total amount of notes issued, in gold or silver bullions, reliable foreign currencies and deposits with foreign banks in gold and silver accounts. Figures published by the Central Bank indicate that this rule has been faithfully observed, the specie reserve being almost always more than 50 per cent of the total note-issue, on only one occasion going as low as 44.4 per cent. The Central Bank maintains the stability of currency through the control of note-issue and also through purchase and sales of necessary silver bullion. At the same time, it retains the international value of the currency by transactions in foreign currencies. This characteristic system may be termed a silver standard controlled currency.

The Central Bank of Manchou was established with an authorized capital of 30,000,000 yuan (new national currency), of which 15,000,000 yuan has been paid up in two payments to date. Simultaneously with its com-

<sup>2</sup> The Currency Law and the Law of the Central Bank of Manchou are given at the end of this article.

mencement of business, the Bank amalgamated the four old note-issuing banks—the Fengtien Provincial Bank, the Kirin Provincial Bank, the Heilungkiang Provincial Bank and the Frontier Bank—and its main office and branches throughout the country formally opened their business on July 1. While the organization of central Banks of other countries has required considerable preparation, the fact that Manchoukuo successfully and quickly finished extensive and complicated inquiries and worked out regulations relevant to the creation of a stable currency system, merits unusual attention. From this it can be easily inferred what importance the Government of Manchoukuo attached to the unification and standardization of currency and to the establishment of a sound monetary system.

By a special decree of the Department of Finance, the 15 different kinds of paper money issued and circulated by the old banks were declared valid for two years from July 1 at rates fixed officially. The old notes taken over by the Bank at its opening in exchange for the new notes issued in accordance with the Currency Law amounted to 142,234,881 yuan. This represents the total amount of the new notes issued by the Bank when it was opened. In the accompanying table are given the kinds and amounts of the old notes taken over:

Old Notes	Original Face Value (in yuan)	Value Converted into New National Currency (in yuan)
Big Money Notes .....	43,657,280.79	43,657,280.79
Harbin Big Money Notes .....	39,192,369.11	31,353,895.29
Fengtien Big Money Notes .....	949,673,135.50	18,993,462.71
Copper Money Notes .....	68,770,968.55	1,146,182.81
Kirin Official Notes .....	10,310,251,331.97	20,620,502.66
Kirin Big Money Notes .....	9,065,488.74	6,973,452.87
Kirin Small Coin Notes .....	11,849,286.00	236,985.72



Old Notes	Original Face Value (in yuan)	Value Converted into New National Currency (in yuan)
Heilungkiang Official Notes .....	8,176,574,895.00	4,867,008.87
Heilungkiang Big Money Notes...	16,680,485.70	11,914,632.64
4% Bonds .....	34,600,673.00	2,471,476.64
Total .....	19,660,415,914.36	142,234,881.00

The following table gives in detail the kinds of old paper money prescribed for recovery at official rates in the regulations governing the adjustment of the old currency, which were promulgated by Ordinance No. 38 dated June 27, 1932, and the official rates for exchanging them with the new notes:

Kinds of Old Currency	Exchange Rates for 1 yuan of New National Currency
1. Convertible notes issued by the Fengtien Provincial Bank (excluding Tientsin Notes) .....	1.00 yuan
2. Convertible notes issued by the Frontier Bank (Tientsin Notes excluded) .....	1.00 yuan
3. Convertible notes issued against the Joint Reserve Fund of Four Fengtien Banks .....	1.00 yuan
4. Exchange-draft notes issued by the Fengtien Provincial Bank .....	50.00 yuan
5. Copper notes issued by the Kung Tsi Bank of Fengtien .....	60.00 yuan
6. Notes issued by the Fengtien Provincial Bank (Harbin currency with official seal) .....	1.25 yuan
7. Notes issued by the Kirin Provincial Bank (Harbin currency with official seal) .....	1.25 yuan
8. Notes issued by the Heilungkiang Provincial Bank (Harbin currency with official seal) .....	1.25 yuan
9. Notes issued by the Frontier Bank (Harbin currency with official seal) .....	1.25 yuan
10. Notes issued by the Kirin Provincial Bank (Kuan-tieh) .....	500 chiao
11. Notes issued by the Kirin Provincial Bank (Small money) .....	50.00 yuan
12. Notes issued by the Kirin Provincial Bank (Big money) .....	1.30 yuan
13. Notes issued by the Heilungkiang Provincial Bank (Kuan-tieh) .....	1,680 chiao
14. 4% bonds issued by the Heilungkiang Provincial Bank .....	14.00 yuan
15. Notes issued by the Heilungkiang Provincial Bank (Big money) .....	1.40 yuan

Resorting to various appropriate ways and means, the Government of Manchoukuo, through the Central Bank of Manchou, had secured by the end of June 1934, the withdrawal of practically all of the old notes, the amount recovered when the time of their validity expired on July 1, 1934, being 93.1 per cent, and at the end of June of the following year—the Government having decided to extend the period by a year in the interest of persons still possessing such notes—no less than 97.17 per cent had been turned in in exchange for the new currency. Within such a short period the Government had successfully accomplished the huge task of weeding out all the monetary evils that had existed in the country for half a century past, and deserves the praise of the whole world. “A miracle of the world” is the praise of the *London Times* on the successful enforcement of the new currency system in Manchoukuo, where reform of currency was considered next to impossible.

As has been already mentioned, the Central Bank of Manchou at first followed the policy of maintaining the value of the Yuan equal to the price of 23.91 grammes of pure silver and was able to retain its stability through the control of money in circulation and also through transactions in silver and exchange on Shanghai. However, it was not long before it was found extremely disadvantageous to continue linking the Yuan with silver, owing to the United States embarking upon a silver purchasing programme. Affected by the United States' policy of boosting the price of the white metal, the price of silver, dissociating itself from general commodity prices, began to move upward from the autumn of 1934, and as a consequence the equilibrium between silver and commodity prices was broken, causing a rise in



currency values and a fall in commodity prices in the countries with silver currencies. In order to reduce the disturbing effects of the violent fluctuations in the value of silver to the minimum, the Central Bank watched the developments in the silver situation and endeavoured to prevent any violent changes in currency values and commodity prices by managing its currency so that its rise was limited to only one half of that of silver. In this way the Central Bank, while keeping an eye on the silver situation, neither linked its currency to silver nor divorced it from the white metal. This policy was pursued until March 1935.

In the meantime, the fluctuations in the price of silver became increasingly violent; the London bar silver quotation on April 25th advanced to about 34 pence from 32 pence or so the previous day, and rose sharply further to over 36 pence the next day, but soon dropped to around 33 pence again, manifesting a very erratic tendency. Awakened to the fact that if the national currency continued to be linked with silver, its value would rise and fall violently and cause serious disturbances to the economic world, the Central Bank finally decided to divorce the national currency from silver and shifted over to the policy of a simple managed currency, having for its object the stabilization of commodity prices. As a result the internal value of the currency was stabilized notwithstanding the drastic rise in the price of silver abroad. Commodity prices also became stable.

Meanwhile the economic relations between Manchoukuo and Japan were steadily enhanced. With the divorcing of Manchoukuo's currency from silver, this tendency was accelerated, so much so that proposals were advanced that the currencies of Japan and Man-

choukuo should be controlled and unified to unite the economy of the two countries.

At the time the Manchoukuo currency was first completely divorced from silver, the Yuan retained a relatively stable value in relation to the Japanese Yen at around 107 and 108 Yen against 100 Manchoukuo Yuan. But when the Manchoukuo currency began to have a stable relation to the Japanese currency, without being influenced by the fluctuations in the price of silver, it became to be generally talked about that the Manchoukuo currency was being controlled with the object of bringing it to par with the Japanese currency. This view gradually gained ground, and the value of the national currency which had been stabilized against the Japanese Yen at around 107 to 108 Yen gradually approached the Japanese Yen in value. Thus step by step, through the months of May, June, July and August, it became closer and closer the Yen, finally reaching parity in September. It has remained so ever since.

In view of the importance of Japanese capital to the economic reconstruction of Manchoukuo, the authorities of the Hsinking Department of Finance and the Central Bank of Manchou, taking advantage of the parity of Japan-Manchoukuo exchange, held a series of negotiations with the authorities of the Tokyo Ministry of Finance and established a policy of stabilizing the national currency at par with the Japanese Yen. On November 4, 1935, both the Japanese and Manchoukuo Governments issued statements at home and abroad announcing their plan for the stabilization of Japan-Manchoukuo exchange. The gist of the Manchoukuo Government's statement follows:

The Government has been for some time past making efforts



to stabilize the exchange rate of the national currency against the Japanese currency. As a result of such endeavours, our currency has attained its ideal point of stabilization, being at par with the Japanese Yen since the early part of last September.

It is very encouraging to us to learn that the Japanese Government, fully realizing the intent of our policy, has decided to render every assistance for its execution. We are, therefore, convinced that this support on the part of the Japanese Government will greatly contribute toward strengthening further the basis of our monetary system. Its effect will be far-reaching inasmuch as the Japanese Government has decided on the fundamental policy of withdrawing from circulation in Manchoukuo the notes of the Bank of Chosen, which, in the past proved likely to hinder the stabilization of our currency, and has made it clear that it will take necessary measures to that end, expressing at the same time its intention of inducing its officials and people resident in this country to use our money as far as possible.

Since what Manchoukuo aims at is nothing more than the unification and strengthening of her currency system, it is sincerely hoped that all the Japanese banks in Manchoukuo will bear in mind the fundamental policy mentioned herein and endeavour to discharge their functions as credit agencies more efficiently than ever for the promotion of trade between the two countries, as well as in the development of industries in Manchoukuo.

The Japanese Government's statement was in substance as follows:

In view of the special and close relationship between Japan and Manchoukuo and of the latter's efforts to stabilize and unify her currency, our Government at to-day's Cabinet Council session came to the conclusion that it was appropriate to unify our bank notes in circulation in Manchoukuo under the Manchoukuo national currency at a suitable time and thereby contribute to the stabilization of the value of that currency.

In effecting such unification, however, not only is it necessary that precautions should be taken to prevent any disruption to the economic relations between the two countries, in particular, to our investments there, but it is also important that the withdrawal of Japanese bank notes should be effected gradually, as this step involves numerous matters requiring serious consideration, such as the relinquishment of our extra-territorial rights, the adjustment or transfer of the administrative rights

within the S.M.R. Zone, the probable effect on our banks subsequent to the proposed currency unification, etc. The Kwantung Leased Territory is not included in the area wherein the currency is to be unified.

Based upon the aforementioned policy, we have decided to proceed by first exercising necessary control over the business in Manchoukuo of the Bank of Chosen, and to allow it to conclude some suitable business agreement with the Central Bank of Manchou.

Next, when exchange control is put into force in Manchoukuo, we hope to give proper consideration to our own exchange control so as to enable that nation to achieve the best result, at the same time causing our banks in Manchoukuo to cooperate in this matter. Furthermore, we shall encourage our officials and people in Manchoukuo to use the Manchoukuo currency as far as circumstances permit.

In accordance with the purport of the statements issued by the two Governments, the Bank of Chosen and the Central Bank of Manchou immediately entered into negotiations for a business agreement which was formally concluded on December 6, 1935. The main points of the agreement are:

- (1) The Bank of Chosen agrees to extend full support to the Central Bank of Manchou in unifying currency in Manchoukuo and to assist in maintaining Japan-Manchoukuo exchange at par.
- (2) Within Manchoukuo, the Bank of Chosen shall make it a principle to accept deposits and advance loans in Manchoukuo Yuan.
- (3) The Central Bank of Manchoukuo shall accept to any unlimited amount the notes of the Bank of Chosen presented by the Bank of Chosen in exchange for the Manchoukuo Yuan at par. Further, the Central Bank of Manchou shall give the same amount in the Japanese Yen in return for the Manchoukuo currency returned to it by the Bank of Chosen.
- (4) The notes of the Bank of Chosen in possession of the Central Bank of Manchou shall be deposited with the Bank of Chosen as a reserve for the issuance of notes by the Central Bank of Manchou.



- (5) All remittances to and from Japan of the Central Bank of Manchou shall be handled through the Bank of Chosen.
- (6) The agreement shall remain in force for one year from the date of its signing.

Furthermore, in order to prevent the flight of capital from the country and to restrict speculations in bullion and exchange, the Manchoukuo Government on November 20th promulgated the Exchange Control Law and two relative ordinances of the Department of Finance, these measures coming into force on December 10, 1935. The adoption of these measures had an exceedingly smooth effect in that the stability of commodity prices was not impaired in any way by the divorcing of the Yuan from silver. As a result, although the currency system of Manchoukuo prescribes a fixed quantity of pure silver as the unit of monetary value called the Yuan, the national currency is in fact linked with the Japanese Yen and is a "controlled currency based on the Japanese Yen."

In accordance with the foregoing policy, the authorities of the Department of Finance, in their efforts to bring about a greater stabilization of the national currency, abolished in October of last year the circulation of the convertible silver yen notes<sup>3</sup> (popularly known among Manchurians as *chaopiao*), issued by the Dairen branch of the Yokohama Specie Bank since 1906 by Imperial Ordinance No. 247. Due to their comparative stability, these silver notes enjoyed a wide circulation in all the more important cities of Manchuria and along the South Manchuria Railway Zone during the former régime, when there were no other stable and reliable

<sup>3</sup> As reserve for converting the notes, the Yokohama Specie Bank held old Japanese Yen silver coins containing 374.00 Troy grains of pure silver.



The new building of the Central Bank of Manchou under construction at Tatung Square, Hsinking. Upper right: the present head office of the Central Bank



Manchoukuo's new national currency



currencies, and played a very important role as a means of financing the staple produce trade and as currency for use in exchange dealings. However, as the Manchoukuo Yuan came to be stabilized and to enjoy a high degree of confidence everywhere, the *chaopiao* lost its *raison d'être* and its abolition was considered merely a question of time. Thus, the *chaopiao* was abolished in Manchuria on November 1, 1936, without producing practically any adverse effects upon Manchurian economic circles.

Manchoukuo's currency unification and stabilization policy reached its final goal in December with the establishment of the Industrial Bank of Manchou and the conclusion of an agreement between the Central Bank of Manchou and the Bank of Chosen for the complete withdrawal of the latter's notes in circulation in Manchoukuo. Simultaneously with the establishment of the Manchou Industrial Bank, all the branches of the Bank of Chosen in Manchoukuo were closed and it was decided upon that the Central Bank of Manchou withdraw the Bank of Chosen notes.

When one reflects upon the pessimistic outlook of the Lytton Report which stated: "....it is not clear how the new 'Manchoukuo' Bank can hope to accomplish its ambitious programme of unifying and stabilizing all Manchurian currencies with the limited amount of capital at its disposal,"<sup>4</sup> it can be readily perceived how difficult was the task of unifying and stabilizing currency within the short period of five years. Such a remarkable achievement is worthy of special mention in the annals of the world's monetary history.

In sharp contrast to the former militarist régime's

<sup>4</sup> Chapter 6, Part 2: "The Present Government of Manchoukuo."



policy of exploiting the people by issuing unlimited amounts of inconvertible paper money, Manchoukuo's currency policy is being advanced for the purpose of promoting the economic reconstruction of the country and of stabilizing the life of the people. As a result, it has aroused the confidence of the people in the national currency and is the principal factor in the establishment of a sound currency system even in adverse circumstances when the world at large was suffering from economic turmoil. Hardly necessary is it to state that the increasing stability of Manchoukuo's currency is attributed to three other factors—the whole-hearted support of the people for the currency system, well-balanced finances and a balanced foreign trade.

In the following table is given the amount of notes issued by the Central Bank of Manchou since its establishment:

End of month	Total issues (yuan)	Specie Reserve (yuan)	Ratio of specie reserve to total note issues (%)
1932 July	139,055,878	79,158,142	56.9
Dec.	151,865,369	77,849,098	51.3
1933 Jan.	154,851,604	87,859,438	56.7
Apr.	130,081,042	73,621,509	56.6
Aug.	107,490,441	71,933,352	66.9
Dec.	129,223,638	67,567,820	52.9
1934 Jan.	129,809,868	68,529,237	52.8
Apr.	115,857,923	64,807,892	55.9
Aug.	109,311,712	62,130,132	56.8
Dec.	168,332,756	74,818,912	44.4
1935 Jan.	172,562,335	81,216,756	47.1
Apr.	131,099,596	60,779,579	46.4
Aug.	124,664,529	64,027,162	51.3
Dec.	178,655,996	92,230,971	57.6
1936 Jan.	170,564,494	98,590,942	51.8
Feb.	178,491,494	97,058,827	54.4
Mar.	169,713,549	103,407,344	60.9
Apr.	155,720,070	106,140,628	68.2

End of month	Total issues (yuan)	Specie Reserve (yuan)	Ratio of specie reserve to total note issues (%)
1936 May	139,514,459	97,173,128	69.6
June	133,864,993	94,952,465	70.9
July	131,978,167	93,863,820	68.8
Aug.	139,138,659	92,480,593	68.4
Sept.	145,421,253	99,173,882	68.2
Oct.	165,054,107	108,276,147	65.6
Nov.	205,459,864	136,809,467	66.6
Dec.	254,243,414	177,181,243	69.7

The accompanying table gives the Central Bank of Manchou's exchange quotations since its establishment:

	On Japan ¥	On New York \$	On London s. d.	On Shanghai Chinese \$
1932 July	73.19	20.10	1-1.57	95.72
Dec.	96.82	20.19	1-2.79	100.70
1933 Jan.	97.57	20.25	1-9.49	99.45
Apr.	96.10	21.24	1-2.32	98.09
Aug.	100.80	26.79	1-2.28	97.29
Dec.	109.39	32.96	1-3.37	100.32
1934 Jan.	111.78	33.00	1-3.66	98.49
Apr.	109.61	32.76	1-3.30	97.05
Aug.	111.57	33.28	1-3.76	96.04
Dec.	109.70	31.43	1-3.23	99.00
1935 Jan.	109.40	40.91	1-3.17	98.25
Apr.	109.74	30.95	1-3.36	85.31
Aug.	100.91	29.43	1-2.23	81.04
Dec.	100.00	28.71	1-1.99	97.65
1936 Jan.	100.00	28.93	1-2.01	97.21
Feb.	100.00	29.11	1-1.98	98.00
Mar.	100.00	28.94	1-1.98	97.88
Apr.	100.00	28.84	1-2.01	98.00
May	100.00	29.03	1-2.02	98.30
June	100.00	29.33	1-2.00	98.80
July	100.00	29.30	1-2.01	98.48
Aug.	100.00	29.37	1-2.03	98.50
Sept.	100.00	29.41	1-2.02	98.50
Oct.	100.00	28.57	1-2.00	98.15
Nov.	100.00	28.53	1-2.00	97.24
Dec.	100.00	28.50	1-1.95	97.28

Along with the unification and stabilization of cur-



rency in Manchoukuo, which became the foundation for the economic reconstruction of the New State, remarkable improvement has also been witnessed in the condition of various financial facilities in the country which had hitherto been in extreme disorder owing to the existence of a disunified currency system. Among the various financial organs under the old régime may be mentioned provincial banks, which issued their own paper-notes, and *yinchang*, *chienpu*, *yinlu* (silver smelting shops), and *tangpu*—popular financial bodies which were engaged in handling deposits, loans and exchange. The provincial banks issued practically worthless notes at will in order to furnish the former military cliques and financial groups with funds, while the popular financial organs enriched themselves by speculating in the fluctuating exchange. Thus the masses had no financial organs upon which they might rely and as a result, the financial system had no firm foundation. In addition to these organs, there existed Japanese, Chinese and other foreign financial institutions, with no adequate connections whatever, among them. As a result, the word "disunified" described most adequately the financial condition under the former régime. Under these circumstances, it was urgent to stabilize and unify the monetary system, and the Manchoukuo Government has been striving ever since its establishment to further the project of unifying the currency system as well as to regulate the various financial institutions.

#### I. THE CENTRAL BANK OF MANCHOU

A joint stock company capitalized at 30,000,000 yuan, the Central Bank of Manchou is the central monetary organ of Manchoukuo established by the Government,

and has the following three objectives in view in accordance with the Law of the Central Bank of Manchou and the Regulations Governing the Organization of the Central Bank of Manchou:

- (1) to unify and stabilize the currency;
- (2) to function not only as the central banking institute for Manchoukuo but also to engage in general banking business;
- (3) to effect the unity and control of the monetary system, perfect the various financial organs, and to assist in the development of the credit system.

As the present economic condition of Manchoukuo has not yet reached the stage to warrant the establishment of commercial and other kinds of banks which have different spheres of activity, the Central Bank of Manchou, as a measure to cope with the existing transitory period, finds it imperative to engage in general banking business and thereby to afford aid to agricultural and industrial enterprises. Besides advancing loans to those engaged in the staple produce industry<sup>5</sup> and to farmers for spring sowing,<sup>6</sup> it also accommodates funds to the Tahsing Company and the Federation of Rural Credit Associations which are financial organs designed to care for the general masses. The Central Bank has

<sup>5</sup> Either directly or through other banks, the Central Bank accommodates from 30 to 40 million yuan to those engaged in the staple produce industry each business term.

<sup>6</sup> Advances for spring sowing: As an emergency measure to relieve farmers suffering from floods, the ravages of bandits and from sharp falls in the prices of staple produce, the Central Bank of Manchou advanced loans to the amount of 12,570,000 yuan in 1933, and 7,120,000 yuan in 1934. Since 1935 loans for spring sowing have been made by the Rural Credit Associations. Although the handling of such advances is rather troublesome, as they are chiefly made up of numerous small accounts, good results have nevertheless been obtained from them in promoting the welfare of the farming communities.