

## JAPANESE SPONSORED COIN AND BANK NOTE ISSUES FOR THE OCCUPIED REGIONS OF CHINA

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Occasionally, even today, one will encounter in a dealer's junk box or stock, a coin or piece of paper money whose origins lay in Japan's occupation of China. Such pieces always pique my interest and prompt me to look deeper into their origins. The coin and bank note issues of these Japanese sponsored "puppet" autonomous regions should not be viewed in isolation, as it is the totality of the story that is interesting. Coin collectors, perhaps, are aware of the coins, while bank note collectors are familiar with the various note issues. To appreciate the numismatic "big picture" as to what really transpired in China from 1931 to the end of World War II in 1945, they must be viewed together.

The conquest of Chinese territory by the Japanese commenced in 1931 with the manufacture of an "incident" in Manchuria and continued unabated until war's end in 1945. This period saw the creation of many autonomous regions set up by the Japanese to exploit former Chinese territory seized by their Kwangtung army. The invaders were quick to impose their will upon the citizens of these newly created political areas. One of the first acts of exploitation was the establishment of local financial institutions to further political and economic control over the areas thus subjugated. The various financial institutions set up to represent these "autonomous" political entities were quickly granted the privilege of bank note issue, and in some cases the right to mint coins as well. These new notes and coins replaced those of existing Chinese establishments. All were tied directly to Japanese finance through the yen bloc. This article will attempt to identify and put into perspective these elusive pieces of numismatic history.

After the collapse of the Ch'ing dynasty in 1911 China officially became a republic under the leadership of Sun Yat Sen, doctor turned politician and champion of China's release from backwardness and foreign oppression. Declining the role of president of the new republic for himself, Sun concentrated on pulling China's diverse factions together to form a

political party capable of leading China into the modern world. This was not to be however. Soon after his death the country again fell into chaos reverting to warlordism where generals and bandits held sway over their own territory - often entire provinces. The poor peasants suffered greatly under this system while being extorted to near starvation.

Eventually two systems emerged to combat the warlords - the Kuomintang, or Chinese Nationalist Party, and the Communists. Communism had been imported into China after the successful Russian Revolution of 1918-1920. The Kuomintang represented the nationalistic aspirations of Sun Yat Sen's vision for a strong, united and modern China. The only thing these two diverse groups held in common was resistance to the pressure of the local warlords and a hatred of the "foreign devils" from Britain, France, Germany, Japan, the United States and elsewhere who had come seeking commercial advantage permitted under the "unequal treaties" exacted from a dying Ch'ing empire. Eventually the nationalist movement prevailed in 1932 after Chiang Kai Shek crushed communist centers in murderous attacks to eliminate their hold on workers and peasants. These attacks precipitated the well-known Long March, wherein the remaining communist forces abandoned their southern bases and marched the length of China from Kiangsi province in the south to Yen-an in northern Shensi, thus saving their movement from annihilation. After the communists fell back to regroup, Chang unleashed his armies on the warlords one by one. Moving north he crushed the opposition, many warlords joining his movement without a fight. Eventually Chiang Kai Shek emerged in control of all Chinese territory excepting foreign enclaves and some isolated communist pockets, or "soviets".

In the meantime Japan had plans of her own for China. Growing increasingly militaristic after World War I she saw herself as the emerging power in Asia. No longer feeling inferior or backward after humiliating Russia on both land and sea during the 1904 Russo-Japanese War, she had no fear of "white supremacy". Now in control of Russia's former Chinese lease areas, to which were added those of Germany after World War I, Japan stationed troops in China proper to guarantee their newly won concessions. Growing militarism within the home government ultimately unleashed these forces in order to expand Japan's area of control. The idea of a Japanese dominated Greater Asian Co-Prosperity Sphere was beginning to take hold. What Japan needed most was land from which to draw raw materials to support her growing economy and war machine while at the same time

AUTONOMOUS AREAS OF CHINA  
(1931 - 1945)



providing living space for her crowded multitudes in newly acquired land. To facilitate these ambitions, it was not long before Japan turned her attention to China's northern provinces rich in fertile soil, timber, coal, iron and gold.

Japan was not the only foreign power coveting the area, however. Russia wanted to unite its Asian empire, and in so doing, use Manchuria as a terminus for the Trans-Siberian Railroad. The inevitable clash of Chinese, Japanese and Russian interests came on the night of 18 September 1931 when Japan, responding to an incident contrived by their own military intelligence, moved to "protect" its interest in the South Manchurian

Railroad by occupying the northeast provinces of Fengtien, Kirin and Heilungkiang. The Japanese claimed Chinese troops were trying to blow up the tracks of the railway outside Mukden. A League of Nations commission later investigating the matter discovered a well conceived plot spawned six months previously to create such a contingency. The following year, in 1932, Japan declared the northeastern provinces independent of China, replacing them with the new state of Manchukuo. Having declared Manchukuo an independent state, they placed on its throne the last emperor of China, Pu Yi, a mere child at the time of the Ch'ing dynasty collapse in 1911. Pu Yi, a willing and naive collaborator, was pulled from "retirement" to give the blatant power grab an air of legitimacy.

Thus began Japan's territorial conquest of China. After a period of stabilization and consolidation during the mid-1930s, Japan was ready for further expansion and exploitation. This period of uneasy and unstable peace was marked by undeclared warfare, Chinese appeasement toward Japan, and by continued demands by the Japanese for expansion and for the establishment of an autonomous North China. The autonomous region the Japanese army was attempting to create in North China consisted of Jehol, Suiyuan, Shansi, Hopei and Shantung provinces. Unfortunately, China was too weak militarily to effectively resist these demands.

Responding to the rebellious Yin Yu-kang's plea for help, Japan invaded China's Hopei province in 1936, setting up in its stead the East Hopei Autonomous Government. The seat of government of this region was Tungchow. Two years later the territory was incorporated into Manchukuo proper following a massacre in Tungchow which left the Japanese in total control. Further incursions along the Suiyuan border with Inner Mongolia in 1936, using puppet Manchukuo troops, brought Inner Mongolia under Japanese control.

Finally, the following year, the dam burst. Commencing on the night of 7 July 1937 fighting broke out between the Chinese garrison and Japanese troops at the Marco Polo Bridge a few miles south of Peking. This time Japan dropped all pretense at negotiation, declared all-out war, and with little opposition her troops swarmed into North China quickly transforming it into a politically and economically independent entity. It was later proven that the Marco Polo Bridge confrontation was yet another staged "incident" contrived by Japanese intelligence and even rehearsed by the army months before! The fighting soon grew into full-scale war. Both

Nanking and Tokyo were powerless to stop it. It was not long before Japanese troops overran large parts of China, including sea born invasions of Shanghai, Canton, Amoy, Swatow and the coastal provinces. Added to this horror was the indiscriminate use of aircraft for the first time to bomb the civilian population into submission. The republican government was forced to move its capital to Chungking in mountainous Szechyuan as the Japanese armies moved into South China. From there, the nationalists and their communist "allies" settled in to wage a long and protracted war. After the fall of Nanking in December 1937, the Japanese created the puppet Chinese state known as the Reformed Government of the Republic of China, under a Chinese collaborator president. We will examine the various financial institutions set up by the Japanese to serve their interests in the autonomous regions each in its turn.

## MANCHUKUO

Financial Institution: Central Bank of Manchukuo

Head Office: Hsingking  
Branch Offices: Harbin, Mukden, Kirin, Tsitsihar

Coins: issued under reign title Ta T'ung (1932-1934)  
5 li; 1, 5 fen; 1 chiao  
issued under reign title K'ang Te (1934-1945)  
5 li; 1, 5, fen; 1 chiao

Bank Notes: first issue, 1932  
1, 5, 10 yuan (overprinted on notes of the  
Provincial Bank of the Three Eastern  
Provinces)

second issue, 1932  
5 chiao  
1, 5, 10, 100 yuan

third issue, 1935-1938  
50 fen  
1, 5, 10, 100 yuan

fourth issue, 1941-1945

5, 10, 50 fen  
1, 5, 10, 100, 1000 yuan

Monetary System: 10 li = 1 fen  
10 fen = 1 chiao  
10 chiao = 1 yuan

Following an impressive ceremony, at which His Majesty the Emperor was personally in attendance, the Central Bank of Manchukuo was opened on 1 July 1932 as the sole bank of issue. Simultaneous with the commencement of business, the new central bank took over the assets and liabilities of the four note issuing banks then serving Manchuria. These were the provincial banks of Fengtien, Heilungking and Kirin and the Frontier Bank. Later audits revealed the action to be financially unrewarding, as the bank's combined liabilities amounted to a 30,000,000 million yuan deficit. This was necessary, however, in order to rid the area of the hodge-podge of existing currency and to create a solid foundation for the new currency of the country. The money of the old regime consisted of the notes of provincial banks, commercial banks, silver smelting shops (yin-chang) and pawn shops. Types of old notes recovered and destroyed included big money notes, copper money notes, official provincial notes, small coin notes, tiao denominated notes, chiao denominated notes and others. The transition was accomplished by a special decree whereby the fifteen different kinds of money then circulated by the old banks would be exchanged for new notes over a three year period. Eventually 95.4% of the outstanding Manchurian currency was removed in this way. Destruction of the old notes withdrawn was carried out by Department of Finance officials, who first cut up the notes by machine, and then burned them. So great was the volume of notes destroyed that the number of hearths available proved insufficient and new ones had to be constructed! The yuan was adopted as the new Manchukuo currency, being divided into chiao (1/10th yuan), fen (1/100th yuan), and li (1000th yuan). Initially the bank had adequate gold reserves and for years paid a six percent dividend to investors. The yuan's stable value contributed greatly toward the development of the economy. Normally, the right to coin money and issue bank notes is vested in the government. In Manchukuo's case, these privileges were vested directly in the Central Bank by law. Paper currency was legal tender to any amount and coins up to one hundred times their face value. Bank notes were printed by both the Japanese and Manchu Imperial Printing Bureaus. After repairing the old Chinese mint at Mukden and installing new printing



The bronze 1 fen, Ta Tung year 2 (1933), copper-nickel chiao K'ang Te year 7 (1940) and aluminum 5 fen K'ang Te year 10 (1943) typify the coinage of Manchukuo.

presses, Manchukuo coins were minted there under Japanese supervisors on loan from the Osaka mint. The first coins produced at the new mint were the nickel fen and chiao of 1933.



The first notes authorized by the newly established Manchukuo government all bear the same design except for valuation. All show the national flag at left, and the head office of the Central Bank of Manchukuo in Hsingking at right.



Typical of the third issue of Manchukuo bank notes were these 5 and 100 yuan specimens. The building on the 100 yuan note is the Hall of Great Accomplishments (Ta Cheng Tien) in Chefoo.



To identify the reign titles under which Manchukuo coins were issued, one must look on the bottom of the obverse. There are found Chinese characters, the right two of which spell out the reign name; i.e., "Ta T'ung" or "K'ang Te." Adding the reign year to this provides the date. For example: K'ang Te 7 (the seventh year of K'ang Te's reign) is 1940. K'ang Te was the reign name adopted by Pu Yi, the Manchurian emperor, to designate the latter part of his rule.

Commencing with a stable financial system tied firmly to the yen bloc in 1932 and with a booming economy, the country initially prospered. Its well struck coins and engraved bank notes reflected this. After the Japanese invasion of China proper in 1937 things began to deteriorate. Tied firmly to Japan, the economy began to decline rapidly after 1943 when the fortunes of war ran against Japan. Even so, Manchurian finances did not experience the inflation of other puppet areas. (See Table I). As things got worse the coinage reflected this. Bronze and copper-nickel coins were replaced by aluminum ones until, toward the end of the war, all coinage in circulation was aluminum. In a last effort to conserve precious metallic resources, the mint, in late 1944, released five fen pieces struck on compressed fiber or plastic. Bank notes remained of good quality until the end by which time the government commenced contracting out the work, receiving in turn an inferior product.



The annual soy bean crop was of great significance to the economy. The Central Bank of Manchukuo managed the business of warehousing soy beans and other cereal crops as one of its many subsidiary enterprises. The reverse of this 100 yuan fourth series note featuring soy bean silos attests to this fact.



The final series for Manchukuo contained 5 and 10 fen notes, the smallest denominations issued. This was late in the war when all metal coinage had disappeared from circulation. Curiously, the 10 fen states its denomination as “1 chiao” rather than 10 fen. The small fractional 5 fen and the large 1000 yuan notes are exceedingly rare, having made their appearance only in the last days of the war.

Manchukuo coins and the notes of the Central Bank disappeared when the empire was dissolved following the Russian occupation in August 1945. For a period Russian Army notes were the sole Manchurian currency, until the area was finally reincorporated into China.

## EAST HOPEI AUTONOMOUS GOVERNMENT

Financial Institution: Chi Tung Bank

Head Office: Tungchow

Branch Offices: none

Coins: issued 1937  
5 li, 1 fen in copper  
5 fen, 1 and 2 chiao in copper-nickel

Bank Notes: dated April through July 1937  
5 chiao  
1, 5, 10 and 100 yuan

Chi Tung Bank notes were accepted at par with Japanese yen and Manchukuo yuan. Coins were minted at the Osaka mint in Japan and the bank notes the product of the Japanese Finance Ministry Printing Bureau. After the fall of North China, the establishment of the Federal Reserve Bank of China made these issues obsolete. While in operation the Chi Tung Bank exercised uncharacteristic restraint in its note issues, there being a modest eight million yuan outstanding when called in for redemption in 1940. The notes of this bank were engraved on the face and had lithographed backs. Local scenes were depicted on the paper money, the lowest denomination 5 chiao note showing the Shan Hai Kuan gate in the Great Wall of China, known as "the first gate" due to its proximity to the sea. All notes are quite scarce today.



These East Hopei Autonomous Government coins: 1 fen at left and 1 chiao(10 fen) right, bear the date "26<sup>th</sup> year of the republic of China (1937). They were the product of the Osaka mint in Japan.



This Chi Tung Bank note, in the amount of 5 chiao, was the lowest denomination issued. Depicted on its face is the "First Gate of China" in the famous Great Wall.

### SHANGHAI COMMERCIAL AREA

Financial Institution: Hua Hsing Commercial Bank

Head Office: Shanghai

Branch Offices: none

Coins: issued 1939  
1 fen bronze  
10 fen copper-nickel

Bank Notes: dated 1938  
1, 2 chiao  
1, 5, 10 yuan  
(Note: a second undated issue of 1, 5, and 10 yuan was prepared but never released.)

This bank was an attempt by the Japanese to stimulate trade and commerce in Shanghai. It was a joint venture with Chinese collaborators who, under the auspices of the Japanese Central China Expeditionary Army, established the Reformed Government of the Republic of China in Nanking. The bank's notes were at par with the then circulating Chinese National, or "fa-pi" dollars. The stated purpose in establishing the bank was "to foster

trade between Central China and foreign countries", which when translated meant increased foreign exchange for Japan. The bank opened on 1 May 1939 with a capital of fifty million yuan. The puppet Nanking administration declared the Hua Hsing Bank notes to be freely exchangeable against foreign currencies and acceptable in the payment of taxes and postal obligations. The right of the Hua Hsing Bank to issue its own coins and notes was revoked in 1940 upon the establishment of the Central Reserve Bank of China, which promptly recalled them. This was probably just as well, as the loyal Chinese had an aversion to them, often refusing to accept them at all. The bank continued on, functioning as a commercial bank until the end of the war. By this time none of its coins or notes remained in circulation. At the close of business this bank had issued only slightly over five million yuan in notes and coins. Since the bank's circulation was so small, these notes are extremely rare today.



Hua Hsing Commercial Bank 10 fen coin in copper-nickel, dated 1940 together with the 1 chiao bank note of the same denomination. Notice the denomination "1" in the upper right hand corner of the note. This stands for "1 chiao", a term of Manchurian usage, which was the equivalent of 10 Chinese fen, or 10 cents.



Face and Back of the 10 yuan Hua Hsing Commercial Bank note, a Japanese puppet bank set up in the commercial district of Shanghai. The 10 yuan was it's highest denomination. These notes were the work of the Letterpress Printing Company of Tokyo. The bank's existence spanned a mere twenty months.

INNER MONGOLIA  
(THE FEDERAL AUTONOMOUS GOVERNMENT OF MENCHIANG)

Financial Institution: Bank of Chanan

Head Office: Kalgan

Branch Offices: none

Coins: none

Bank Notes: 1, 10 yuan

Declaring themselves independent of the Chiang Kai Shek national government in 1935, the provinces of Inner Mongolia established their own autonomous region. The Japanese were quick to take advantage of the situation as they moved into North China. The Chanan Bank was organized on 27 September, 1937 shortly after Japanese Kwangtung Army moved into Mongolia from neighboring Manchukuo. It was capitalized at one million yuan. This bank was short lived, however, as it was absorbed a year later, when the political situation became more stable, into its successor the Meng Chiang Bank. This bank's notes are most unusual, as in their haste to set up the bank the Japanese authorities didn't have time to order proper plates. Instead they used bank notes left over from the first, superseded, issue of the Central Bank of Manchukuo overprinting them with the name "Chanan Bank" in Chinese. This would hardly seem of interest if it weren't for the fact that, when setting up the Central Bank of Manchukuo, the Japanese had done the very same thing - overprinting the formerly circulating notes of the Provincial Bank of the Three Eastern Provinces with the new Manchu bank name. Thus was created the only situation I am aware of where a bank note has been overprinted with two different bank names and placed into circulation! The Chanan Bank was dissolved on 23 November 1938 having been absorbed into the newly created Meng Chiang Bank.

Financial Institution: Meng Chiang Bank

Head Office: Kalgan

Branch Offices: various Mongolian cities

Coins: issued 1938:  
5 chiao

Bank Notes:                      first issue, 1938:  
5 fen  
1, 5 chiao  
1, 5, 10, 100 yuan

   second issue, 1944:  
5 chiao  
1, 10, 100 yuan

   third issue, 1945:  
100 yuan  
5, 10 yuan in production (not issued)

Formed in November 1937, this bank was the sole bank of issue for Meng Chiang (Inner Mongolia), constituting the former Chinese provinces of Chahar, Suiyuan and the northern part of Shansi. Twelve million yuan was authorized as capital. The Meng Chiang yuan was tied to the Japanese yen and Manchukuo yuan at par. A single 5 chiao coin was issued. Its notes were originally spread throughout the sparsely settled region by using the Peking to Suiyuan railway line. The notes enjoyed a virtual monopoly within Inner Mongolia, all other currencies having been banned. All disbursements by the government as well as taxes and railroad fares were payable in these notes. The bank notes themselves bore on their obverse subjects typical to Mongolia such as herds of sheep, goats, camels, monasteries, and the Great Wall of China. Although inflated over the life of the bank, its notes did not experience the run-away inflation suffered by others. (See Table I)



Meng Chiang Bank 5 chiao of 1938.





The only coin produced by the Meng Chiang government was the 5 chiao piece shown above. Such was not the case with paper money, however. This bank issued a total of fourteen bank notes over a period of eight years. The 5 chiao paper notes of the first issue (1938) and second issue (1944) are shown here.



Animal vignettes often appear on the notes of Meng Chiang. It is not surprising that sheep, camels and horses predominate, as they are the most reflective of the agrarian and nomadic life style of the Mongols.



The design of the Meng Chiang 100 yuan note changed on three separate occasions – 1938, 1944 and 1945. This is the 1945 version.

NORTH CHINA  
(PROVISIONAL GOVERNMENT OF NORTH CHINA)

Financial Institution: Federal Reserve Bank of China

Head Office: Peking  
Branch Offices: Tientsin, Tsingtao, Tsinan, Kaifeng, Tongshan,  
Shanhaikwan, Taiyuan, Hsuchow and others

Coins: issued 1941-1943  
1, 5 fen  
1 chiao

Bank Notes: first issue, 1938  
1, 2, 5 chiao  
1, 5, 10, 100 yuan  
  
second 1938 issue  
1/2, 1, 5 fen  
1, 2, 5 chiao  
1, 5, 10, 100 yuan

unfinished 1938 series (not issued)  
1, 5, 10, 100 yuan

third issue, 1941  
1, 5, 10, 100 yuan

1943-1945 issued notes  
50 fen  
1, 5, 10, 50, 100, 500, 1000, 5000 yuan

Note: this series contains multiple issues  
(different designs) for most denominations.  
The majority are undated.

The July 1937 China "incident" at the Marco Polo bridge (referred to above) was the event which precipitated full-scale war between China and Japan. In a few weeks time the forces of the Japanese North China Expeditionary Army had spread over north China against little resistance, quickly transforming the area into a political and economic independent entity. Their first act was to create the Provisional Government of North China. Requiring a financial extension with which to control the economy of the area, the Federal Reserve Bank of China was set up in February 1938 to fulfill this objective. Being the sole bank of issue for the puppet government, the Federal Reserve Bank's objectives were to (1) stabilize China's financial system, (2) to create a uniform currency for the area occupied, and (3) the elimination, through redemption, of the old monetary system. The governmental charter authorized the bank to issue both coins and bank notes. The Federal Reserve Bank yuan, as was the case of all the other puppet banks, was tied to the yen block at par, i. e., 1 FRB\$ = 1 yen.



The Federal Reserve Bank of China was the puppet financial agency of the Japanese in North China during the war. Its coinage consisted of 1, 5 fen and 1 chiao, all struck in aluminum. The 5 fen and 1 chiao pieces are shown here.

With respect to coinage, the Provisional Government authorized the Federal Reserve Bank of China to mint coins of 5 li, 1 and 5 fen, and 1, 2

and 5 chiao. In practice, only the 1 and 5 fen and the 1 chiao coins were produced, commencing with the year 1941. These were all of aluminum. Why the bank resorted to substituting paper money notes for the authorized coin issue during its first three years of operation (1938-1940) is not known. In their final year of mintage (1943) the 5 fen and 1 chiao coins were struck on both thick and thin planchettes as an economy measure to conserve scarce war metals. By this time the 1 fen, through inflation, had lost its purchasing power and ceased to circulate. This anomaly provides coin collectors with two additional varieties to locate and incorporate into their collections.

The notes of this bank are fun to collect. With few exceptions they are readily available and modestly priced. Those few that are rare are exceedingly hard to locate. Having been printed initially by the Bureau of Engraving and Printing in Peking, they are well-executed examples of the engravers' art. As time went on, the printing of these notes fell to other hands, including the Executive Council Printing Office and the North China Political Affairs Council Printing Office whose work was inferior. The notes depict many famous Chinese places including scenes from the Forbidden City, the Marco Polo Bridge, Great Wall of China and the Summer Palace. The highest denomination note, the 5000 yuan, placed into circulation just before war's end has as its principal vignette a picture of the Empress Dowager Tu T'si's marble boat "floating" on the palace lake. To build this little pleasure bauble, and not being known for her uprightness, Tu T'si misappropriated funds earmarked for Chinese naval construction to accomplish the work!

Rushing their first issue of Federal Reserve Bank notes into circulation in 1938, the Japanese did not have time to prepare distinctive plates for this series. Instead they used plates which had been prepared by two American engravers sent to China in 1909 to assist the imperial government in preparing an issue for the Ta Ch'ing Government Bank. These notes never saw circulation due to the collapse of the Ch'ing dynasty the following year. The only changes made were the substitution of various ancient Chinese dignitaries for the portrait of Prince Chun, and the bank's name.



Rushing the first series of Federal Reserve Bank notes into circulation, the Japanese, as an expedient, used old plates previously prepared for the Ch'ing government's Ta Ch'ing Government Bank which were never used, substituting portraits of ancient Chinese for that of Prince Chun. The Ta Ch'ing note above is a reproduction.



Shown (above) is the famous “indecent gesture” note. Its 1 yuan replacement (below) depicts Confucius' hands in a more prayerful attitude.



The small fractional note series was typically denominated in both cents (fen) and chiao as seen on this fifty cent example.



The ever popular Great Wall of China was the subject of this undated 1000 yuan note probably released in 1943.



By using so many scenes associated with Chinese culture, the Japanese no doubt were currying favor with their newly "liberated" subjects. In one case the Chinese had the last laugh, however, at a terrible price. Since the 1938 series of notes was produced using the services of the former Chinese Bureau of Engraving and Printing, it was natural that the actual work performed on the notes be done by Chinese engravers. One such Chinese patriot, whose name has been lost to posterity, took it upon himself to alter the portrait on the most commonly held one yuan note. This note contained the flying dragon, the common device for the series, a fleet of junks and a modern freighter at sea, and for its principal vignette, a portrait of Confucius. Traditionally Confucius was always shown with his hands clasped in prayer. On this note, however, the engraver reworked the portrait to show the hands making an indecent gesture. Unbelievably the note found its way into circulation in large numbers, much to the delight of the Chinese, before the Japanese caught on. Of course, they were furious at the loss of face, rounded up the offending patriot and promptly executed him. This note is a perfect example of how psychological propaganda can be applied successfully in warfare.

CENTRAL AND SOUTH CHINA  
(REFORMED GOVERNMENT OF THE REPUBLIC OF CHINA)

Financial Institution: Central Reserve Bank of China

Head Office: Nanking  
Branch Offices: Shanghai, all puppet government provinces

Coins: none

Bank Notes: first issue, 1940  
1, 5, 10, 20, 50 cents  
1, 5, 10 yuan  
  
second issue, 1942  
100, 500 yuan  
  
third issue, 1943  
10, 20, 50 cents  
1, 10, 100, 500 yuan

fourth issue, 1944  
100, 200, 1000, 10,000 yuan

fifth issue, 1945  
5,000, 100,000 yuan

The Central Reserve Bank of China was organized in 1940 as the puppet bank for the newly created Reformed Government of the Republic of China in Nanking. This collaborationist government was the Japanese answer to a sovereign Chinese state. The bank was formed to serve the financial needs of central and south China after the Nationalist government moved the headquarters of the Central Bank of China from Shanghai to Chungking one step ahead of the Japanese advance. This bank was to serve as the financial vehicle of the Japanese in central and south China just as the Federal Reserve Bank of China served North China and the Meng Chiang Bank, the provinces of Inner Mongolia. The bank was authorized to issue bank notes but no coins.

In an effort to promote public acceptance of the notes the Japanese placed the effigy of Sun Yat Sen, the founder of the Chinese republic, on the obverse of the notes and his mausoleum on the reverse. These two designs are to be found only on this series. Initially, Central Reserve Bank of China (CRB) notes were printed in Japan on un-watermarked paper, the work later being contracted to the Watson Printing Company and to the Central Reserve Bank of China Printing Works. The first issue of notes were engraved, utilizing high quality security paper containing silk threads, but as time went on workmanship deteriorated with lithography replacing engraving.

At first the notes met with a distinct lack of enthusiasm. Chinese banks and the general public declined to handle the new notes. Railways refused to accept them, preferring Japanese military yen instead. In the Shanghai International Settlement the CRB notes were banned altogether (the International Settlement at this time answered to the Chungking government, and did not fall to the Japanese until after Britain and the United States entered the war). In May 1942 the puppet government at Nanking passed a law stating that any person refusing to accept the new bank notes would be liable to from three to ten years imprisonment.



Money of the Japanese puppet “Reformed Government of the Republic of China” was known as “CRB” after the bank’s name. Never popular, it was forced upon the population as according to Japanese propaganda it “Would improve the livelihood of the people”. More Central Reserve Bank of China notes were printed than any other occupation currency. At wars end, it would up in the gutters of China, even disdained by poor beggars.

Meanwhile, due to currency manipulation, the Chunking sponsored “fa-pai” dollars started to depreciate rapidly bringing on long lines of panicky peasants eager to trade in their old money. Eventually exchange of fa pai dollars against the new CRB currency ceased altogether, making the matter of acceptance academic.

Some of the early CRB notes contain alpha, numeric, and Chinese character overprints. These are believed to be control devices placed there to identify the area from which the note was placed into circulation. Others speculate that the codes identified specific branch offices of issue, or military units who were also held responsible for note redemption. Several other notes contain geographic overprints for Kwantung and Wuhan, restricting the circulation of these notes to those areas.

The Central Reserve Bank series of notes is famous for its clandestine propaganda messages. In an effort to boost morale during the worst of times, Chinese working for the Japanese, cut hidden messages into the engraving plates. This was done at the risk of their lives. The most well known of these messages appears on the 200 yuan issue of 1944. Four letters appear on this note, two on the obverse and two on the reverse, well hidden amongst the intricate lathe work of the engraving. The letters are “U”, “S”, “A” and “C” and supposedly stand for “United States Army (is) Coming!”.

In another example, the 10 yuan note of 1940 has in its border design a series of bisected turtles. These animals are held as loathsome to the Chinese – an obvious reference to their contempt for their Japanese oppressors. In another case the Chinese engraver secreted a propaganda message into the plate for the 50 cent note of 1940. It is not too difficult, with the aid of a magnifying glass, to find a number of Chinese characters hidden in the bushes and trees on the face of the note and letters amongst the scroll-work and borders on the back. The meaning of this message is as yet unclear. I have also found secret marks on the five cent note of the same series. The circulation of masses of this currency under the very noses of their oppressors without discovery must have brought much loss of face to the overbearing Japanese. One only hopes that those responsible evaded detection and punishment. It should be noted that this was not the only bank whose notes carried hidden propaganda messages directed at the Japanese (see Federal Reserve Bank of China).



In these examples of 10 yuan Central Reserve Bank of China notes can be seen several unusual features. The top two notes are examples of control devices which often appeared on the early notes. They took the form of alpha, numeric and Chinese characters. The bottom specimen has been overprinted to indicate it is for circulation in Wuhan only. Of interest also are the half turtle designs found in the extreme outside borders of this 10 yuan note. A cunning Chinese engraver slipped them into the design, knowing that this animal was held in loathsome esteem by the people.



50 cent note of the Central Reserve Bank. This note bears a concealed propaganda message in Chinese characters on the obverse and in English on the reverse.



This is the famous CRB note onto which the propaganda message “U”, “S”, “A”, “C” standing for “United States Army (is) Coming!” was secretly engraved into the intricate lathe work on the note.

As the war dragged on with the Japanese unable to complete their conquest of China, and the Chinese too weak to drive the Japanese armies from their territory, inflation began to take its toll. On 24 June 1944 the 500 yuan denomination appeared for the first time (although dated 1943). Notes of 1000, 5000 and 10,000 yuan soon followed. Finally, faced with rapid depreciation, a 100,000 yuan issue was released in the last days of the war. By the early summer of 1945 the velocity of depreciation became so rapid that production of paper money could not keep up with demand, notwithstanding the high denominations then circulating. Central Reserve Bank management abandoned any further attempt to place serial numbers on its notes, substituting instead three letters placed within brackets in a feeble attempt to maintain control over its output. Their use was probably little more than a formality as by this time the bank was not even registering its note issue on its books. As soon as they left the printing presses, CRB notes were delivered in bulk to waiting Japanese army trucks, which hauled the money away.



500 yuan CRB note of 1943

Edmund Kann reporting in the *Far Eastern Economic Review* gives us an insight into the chaotic condition existing in Shanghai during the final weeks of Japanese occupation when he states: “During this period it was a common sight to find \$100CRB notes lying in the streets, often torn into pieces. These had been given to beggars who, in utter contempt, tore up the



donations and threw them into the gutter.” So much for the Japanese boast that the CRB currency would improve the livelihood of the people!

At the end, the number of bank notes issued by the Central Reserve Bank of China exceeded all the notes issued by the other Japanese puppet banks put together (see Table I). To relieve to a degree the misery brought about by the collapse of the CRB currency, the legitimate national government righteously acted to redeem the flood of money left behind by the puppet regime. The conversion rate set by the Central Bank of China was \$200CRB for one Nationalist dollar. Redemption continued until 30 September 1946 after which the notes became worthless. Worthless to the Chinese perhaps, but one need only look to the prices collectors pay today for some of these notes to appreciate their ultimate value as numismatic curiosities.



100,000 yuan note of 1945. By this date the Japanese abandoned all attempts to track bank notes by serial number, substituting instead three block letters for control purposes.

Table 1.

(1)

## AMOUNT OF PUPPET BANK NOTES ISSUED

Bank:	Central Bank of Manchukuo	Meng Chiang Bank	Federal Reserve Bank of China	Central Reserve Bank of China
Area:	MANCHURI A	INNER MONGOLIA	NORTH CHINA	CENTRAL AND SOUTH CHINA
Year:				
1937	307,489	12,996	-	-
1938	425,738	35,503	162,493	-
1939	623,631	60,079	458,042	-
1940	947,050	63,016	715,033	-
1941	1,201,531	113,733	963,962	237,316
1942	1,669,631	142,674	1,581,008	3,477,345
1943	3,011,187	378,677	3,761,583	19,150,328
1944	5,876,854	1,058,127	15,840,886	139,698,669
1945				
Jan.	5,874,850	1,176,734	19,823,145	166,783,270
Feb.	6,099,501	1,293,616	23,520,748	200,374,165
Mar.	6,233,489	1,422,831	27,835,849	245,196,915
Apr.	6,780,589	-	35,060,000	320,688,020
May	7,228,657	1,817,857	41,500,891	443,896,280
June	7,709,341	-	55,390,530	738,922,692
July	8,085,533	2,798,741	73,130,745	1,847,374,000
Aug.	8,157,529	-	83,506,416	2,696,231,00

In thousands of yuan/dollars per year (per month for year 1945),

Source: *Far East Economic Review*

Note: These figures were taken from bank records recovered after the war. The amounts given for bank note production as reported in official records are, in all probability, grossly understated. Records maintained by the Chinese Nationalist government concerning redemption of FRB\$, CRB\$ and other currencies in exchange for CN\$ greatly exceed the above.

For a discussion of additional information received concerning the secret propaganda message concealed on the 50 cent notes of the Central Reserve Bank of China notes see my article entitled *The Use of Bank Notes as an Instrument of Propaganda – Part II*.