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The Role of Private Companies in the Expansion of Japan's Interests in Manchuria in the 1920s: The Case of the Toa Kangyo Company (Toa kangyo kabushiki kaisha)

BY YOSHIKI ENATSU

Japanese Companies in Manchuria after the Russo-Japanese War

Through the 1905 Treaty of Portsmouth, Japan acquired from Russia a lease of the southern tip of Liaodong Peninsula (*Kanto-shu*) and ownership of the Russian-built South Manchurian Railway (*Minami Manshu tetsudo* or Mantetsu). Then, in concluding the Russo-Japanese Agreements in 1907, 1910, and 1912 and asserting its Twenty-One Demands on China during the First World War, Japan began to extend its influence in southern Manchuria and eastern Inner Mongolia. Japan, however, did not have sovereignty there except for Kanto-shu and the lands belonging to Mantetsu. Until the establishment of Manzhouguo (Manchukuo) in 1932, local governments of Manchuria under the Qing, the Republic and the Zhang Zuolin and Zhang Xueliang regimes ruled Manchuria. These Chinese governments successively tried to check Japanese infringement upon their territory.

Under the above conditions, the Japanese government established such companies and banks as the South Manchurian Railway Company, the Toyo Takush-

oku Company (*Toyo takushoku kabushiki kaisha*), the Bank of Chosen (*Chosen ginko*), the Yokohama Specie Bank (*Yokohama shokin ginko*) and others. These Japanese companies were expected to play a substantial role in expanding Japan's interests in Manchuria. Financed by these companies and banks, many Japanese business groups and individuals were also engaged in commerce, mining, industry, agriculture, transportation and other enterprises in Manchuria.

Although these business companies and individuals were supposed to follow Japan's national policy, namely the expansion of Japan's interests in Manchuria, they were engaged in business for their own financial gain. These Japanese companies and individuals had close relations with their Chinese counterparts. Many of these Chinese were influential officials in the local governments of Manchuria. These Chinese, as government officials, carried out the national policy of China and tried to head off the expansion of Japanese influence in Manchuria. At the same time, they pursued their own profit as owners of business companies, and they had close relations with Japanese companies and individuals. For

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example, Zhang Zuolin, Yu Chonghan and other powerful officials had their own companies and did business with Japanese companies.

The land problem was one of the major diplomatic issues between Chinese and Japanese governments in those days. A large area of land in Manchuria was indispensable for Japanese companies. They needed land for their agriculture, mining, industry, commerce, and other economic enterprises. The Japanese government demanded that the Chinese government entitle Japanese companies and individuals to purchase and own land freely. However, the Chinese government strictly prohibited foreigners (Japanese) from owning land.

After the Russo-Japanese War, a large area of the land formerly held by the Qing court, its princes, and Mongol princes was reorganized as "official land" (*guan di*). Then these official plots were sold to private citizens. After the 1911 Revolution, the local governments of Manchuria disposed of the former official lands more extensively and earned a large amount of revenue from these undertakings. By this time, the Qing court and its nobles were powerless to oppose these projects. Many prominent officials, such as Zhang Zuolin, were engaged in the disposition of official land and made a huge profit from these projects. These officials sometimes succeeded in establishing their ownership of the former official lands. For example, Zhang Zuolin himself became one of the biggest landlords in Manchuria after the 1911 Revolution.

Even though the local governments of Manchuria banned Japanese from owning land, some powerful Chinese officials were secretly involved in the covert business of selling land to the Japanese. As a result, some parcels of what was formerly official land were actually sold to Japanese individuals and companies. Under the above conditions, the Japanese government founded companies whose purpose was to purchase and manage large areas of land in Manchuria. Because Japan did not have sovereignty over Manchuria, its government tried to execute its land policy through the activities of private companies there.

Establishment of the Toa Kangyo Company

From November 1919 to December 1920, some officials of the Japanese Ministry of Foreign Affairs worked on a plan to establish a company to be called the Manshu Kangyo Company (*Manshu kangyo kabushiki*

kaisha). The head of this project was Kurachi Tetsukichi, the former vice-minister of Foreign Affairs who played an important role in Japan's annexation of Korea in 1910. The company aimed to establish a large area of paddy fields in southern Manchuria. Koreans in the area were expected to work as tenant peasants in the company's farmlands. Company farmlands were supposed to produce a large amount of rice for the Japanese market, important because a shortage of rice was a serious problem in Japan at that time. The company also claimed that establishment of the farmlands would contribute to the settlement of the economic problems of the Korean people there. However, other sections of the Japanese government such as the Bureau of Colonization (*Takushoku-kyoku*) strongly opposed the establishment of the company. For example, the Bureau of Colonization planned, with the Toyo Takushoku Company, to establish farmlands in eastern Inner Mongolia. Each Japanese ministry already had its own interests in Manchuria. As a result, the scheme to found the Manshu Kangyo Company collapsed.

At the meeting of the first Eastern Conference in May 1921, the Japanese government set its basic policy toward China and took another step toward expanding its influence over southern Manchuria and Inner Mongolia. Japanese government officials and business groups again tried to establish a private company for land purchase and its management there. The Toa Kangyo Company was founded in December of 1921 with capital of ¥20,000,000. The head office was located in the building of the Toyo Takushoku Company in Tokyo and moved to Fengtian city (present day Shenyang) in 1922. Kurachi Tetsukichi became president of the company. The Toyo Takushoku Company, the South Manchurian Railway Company, and the Okura Company (*Okura-gumi*) were the major stockholders. A small number of individuals such as Kurachi Tetsukichi, Arai Taiji, Pak Yong-hyo, and Yi Wang-yong also held stock in the company. Pak and Yi were well-known Korean aristocrats who collaborated with Japanese authorities at the time of Korea's annexation by Japan.



Yoshiki Enatsu

Free Banking and Currency Competition in Early Twentieth Century Manchuria¹

BY THOMAS R. GOTTSCHANG

Introduction

One of the most interesting episodes of modern Chinese economic history was the situation in Manchuria² in the early twentieth century, when political control was fragmented and multiple currencies were in use, yet the economy experienced rapid economic growth and real development in terms of industrialization, expansion of trade, and rising output per capita. One aspect of this unusual situation was the emergence of vigorous competition between the *feng-piao*—the currency of the dominant regional Chinese government, the Fengtian regime of the warlord Marshal Zhang Zuolin—on the one hand; and *yen* notes issued by the Bank of Chosen and the Yokohama Specie Bank in support of Japanese business activities on the other. By the 1920s, Manchuria's modern banking sector provided a fascinating example of the phenomenon of "free banking," a situation in which banks function under little or no regulation, issue their own paper currencies, and are constrained only by the forces of market competition.

"Free banking" is a topic of interest to students of economic history and monetary economics because in theory it is a way to create and manage a money supply through market mechanisms alone, with no government involvement. There is an extensive theoretical and descriptive literature on historical cases of free banking.³ In this kind of system, banks profit by issuing notes—paper currency—which pay no interest and by using the hard currency received in exchange for the notes as the backing for interest-bearing loans. The catch for the bank is that in order for its notes to be accepted and held, they must be readily redeemable for hard currency on demand. Thus it behooves a bank to always retain a cushion of hard currency reserves in order to respond to any redemption demand, while at the same time trying to maintain as high a level of outstanding loans as possible to generate interest income.

In practice, all modern countries have decided that the costs of unregulated banking are too great and the income from *seigniorage*—the revenue derived from

issuing currency—too attractive to allow free banking; countries have instead created central banks with monopolies over the issuance of currency and strong regulatory powers over private banks and other financial institutions. It is therefore rare to find cases of real free banking experience that can be examined to compare practice with theory.

International Competition for Control and Development of Manchuria

In order for a situation of free banking to exist, two conditions must be present. First, the economy and financial institutions must be advanced enough to support modern banks and the widespread use of paper currency. Second, there must be no official monopoly bank or agency exerting regulatory control over the banking system. In early twentieth century Manchuria, both conditions arose due to the weakness of the Chinese central government and the struggle for both economic and political dominance by the Fengtian regime, Russia, and Japan.

Russia acquired a major interest in Manchuria in the 1890s, when the government of the faltering Qing dynasty agreed to allow construction and operation of two key Russian railways directly through Manchuria. The Chinese Eastern Railway ran from the western border of Manchuria east to the Russian port of Vladivostok on the Pacific. The South Manchuria Railway extended south from the town of Harbin, down the center of the Manchurian Plain to the Chinese port of Dalian, at the southern tip of the Liaodong Peninsula. Russia's railway-based expansion in Manchuria was curtailed, however, when the Russo-Japanese War of 1904-1905 ended in victory for Japan, which acquired Russia's rights over the Liaodong Peninsula and the South Manchuria Railway line between Changchun and Dalian.⁴

Japanese plans were to convert Manchuria into a resource base for the expanding and modernizing Japanese economy. The most important agency for Japanese colonization in Manchuria was the South Manchuria Railway



Company (SMR), which described itself as “the carrier of the light of civilization into Manchuria.”⁵ The company operated a wide range of modern enterprises including hotels, harbors, a shale oil distillation plant, the Anshan iron works, and a host of public institutions including schools, hospitals, and research facilities.⁶

The population of Manchuria, meanwhile, was overwhelmingly Chinese and growing relentlessly with massive immigration from North China. Chinese enterprises became active in modern sectors of the economy including railways, as well as in traditional activities. Most commerce, agriculture, and light industry were Chinese-owned, and the civil government and military forces in all but the railway leasehold areas were also Chinese. The Fengtian government of Zhang Zuolin continued to administer most of Manchuria even after Zhang was assassinated in 1928 by elements of the Japanese Army.⁷ After Zhang’s death his son Zhang Xueliang, the “Young Marshal,” took up his leadership role and held it until he was driven out of Manchuria with his troops by the Japanese Army in the so-called “Manchurian Incident” of 1931. Following the “Manchurian Incident” Japan took complete control of Manchuria.

Currency Chaos and Competition

At the beginning of the twentieth century, the money supply in Manchuria comprised a myriad of different currency forms, both premodern and modern, issued by private and official banks of several different countries and various regional governments within China. The major traditional currencies were the silver “shoe” ingots, known as *yuan bao* or *yin ding*, and the copper coinage which originated as the ancient form of the round copper “cash” or *qian*, commonly strung on cords through the square holes in their centers and exchanged in units of “strings” or *tiao*.⁸ The traditional currencies were not standardized. The silver ingots came in different sizes, weights, and quality of silver. Their value was given in terms of *liang*, Chinese ounces of pure silver, rendered in English as “tael,” a term of possible Malay origin.⁹ While the *liang* was officially set at 37.8 grams by the Republican Government, the tael varied in definition among the major ports and commercial centers.¹⁰ The value of a string of copper cash was determined by its content of copper, which was often adulterated.¹¹

Modern Chinese currencies included silver dollar coins (*yuan*), silver subsidiary coins (*jiao*), and the modern copper coins without holes known as *tong yuan* or *tong*



Left to right: Shang Lie, Tom Gottschang, Ma Changshan, Li Zhining

zi. The relationship between the copper and silver coins fluctuated with the market values of the two metals.¹² Paper currency was issued by various official and private Chinese banks in Manchuria, the most important based on the silver coinage and generally referred to as *yang piao*, or “foreign notes.” Notes were also issued, primarily in Heilongjiang and Jilin, based on the modern copper coinage called *tong yuan piao* and on strings of traditional copper cash called *guan tie*. Notes based on the subsidiary silver coinage, called *xiao yang qian* or “small foreign coins” were also issued by some merchants and *qian zhuang*, traditional banks or “money shops.”¹³

Other prominent modern currencies included the Russian ruble, which came in the form of a gold coin, a paper credit ruble backed by gold, and subsidiary silver and copper coins. As the Russian presence increased in size and economic activity after the railways began construction in the late 1890s, rubles became increasingly widely used, and after 1903 became the dominant currency of commerce in the area along the Chinese Eastern Railway and northern Manchuria, until the Russian revolution of 1917.

The first major Japanese bank to operate in Manchuria was the Yokohama Specie Bank, which began issuing silver yen notes at its office in Yinkou in 1903. The Bank of Chosen (Korea), which was founded in Korea with Japanese funding for the purpose of helping to operate Japan’s colonial administration, opened offices in the major Manchurian cities and began issuing gold yen notes as trade between Manchuria and Korea grew after completion of the link between the Manchurian and Korean rail systems in 1911. In 1917 the Japanese government decided that the Bank of Chosen would be the sole issuer of gold yen notes in the Japanese controlled territories.¹⁴

The best-known of the Chinese paper currencies in Manchuria was the Fengtian dollar, or *feng piao*. These were *yuan* notes first issued in 1917 by the Three Eastern Provinces Bank on behalf of the Fengtian Provincial Government in a well planned effort to stabilize the currency situation. In the early years of their existence, when around 20 million *yuan* were believed to be in circulation, the *feng piao* were securely supported by reserves and became the most widely accepted notes throughout Manchuria.¹⁵ Beginning in 1922, however, as Zhang Zuolin's armies engaged in military conflicts with his rivals in China Proper, the number of notes issued rose exponentially, reaching an estimated total of over 3 billion *yuan* by the end of 1929. Since the notes printed after the early issues had no real backing, their value rose and fell with Zhang Zuolin's fortunes but eventually declined to an exchange rate of 11,800 *yuan* in *feng piao* to 100 *yuan* in silver in 1930.¹⁶

For the Japanese civil authorities and business leaders in Manchuria, the yen and the modern Japanese banking system constituted an important element of the new, "civilized" economy and society that they were creating in Manchuria. The yen coins and notes were firmly backed by gold or silver and were much more stable than the Chinese currencies. Indeed, Japanese merchants and business organizations were openly contemptuous of the Fengtian dollar even in its early, stable years and took steps to destabilize it, very possibly as part of an officially backed campaign to make the gold yen note the dominant currency in Manchuria.¹⁷

Differences and Similarities with other Free Banking Cases

Several aspects of the Manchurian currency markets differed from most cases of free banking. Typically, in a free banking system, "a single 'outside' base money serves both as a unit of account and as a medium of redemption and interbank settlement."¹⁸ In Manchuria no single monetary standard existed before 1932 because the various political authorities that exerted sovereignty over portions of the region each employed its own hard currency. In Heilongjiang before 1917, it was the gold Russian ruble; in the concession zones of the South Manchura Railway it was the silver yen and the gold yen. Throughout Manchuria the silver *yuan* of the central government of China was an accepted standard, and

hard currency included the ancient forms of copper cash and silver ingots, both of which endured in the currency markets until 1932 and served as redemption bases for note issues.

In other respects the Manchurian banking sector closely resembled other historical cases of free banking. A predictable feature of multiple-currency free banking was the emergence of secondary markets for bank notes, in which dealers earned profits by exploiting differences in the notes' values, which reflected the reputations of their respective banks. Markets of this kind functioned in the United States before the Civil War, providing expert information to the public about the soundness of banks through the different discounts applied to their notes.¹⁹ Similarly, currency exchange was a thriving business in Manchuria for the premodern currencies as well as for bank notes. A Russian author commented that "one of the particular consequences of the unsteadiness of monetary circulation is represented by an endless number of special enterprises in the country, which are exclusively engaged in the money exchange business."²⁰

Another point of similarity was lively competition between the issuers of currency. One of the most thoroughly studied cases of free banking occurred in Scotland from 1716 to 1844 when there was no monopoly central bank. During this period private banks issued their own currencies and actively competed with each other for the deposits of customers. Agents of the banks raised the competitive pressure by buying each other's notes and presenting them for redemption, increasing the need for reserves and threatening the specter of depositor runs on inadequately stocked banks.²¹ In Manchuria, Japanese efforts to denigrate the Fengtian dollar, while undoubtedly motivated by imperialist goals, may also be seen in the light of classic free banking currency competition. And it is worth noting that as long as the Fengtian dollar was securely backed, it remained stable. It was only when Zhang Zuolin demanded note issues beyond prudent reserve support that the downward spiral of inflation took place.

Endnotes

1. Portions of this paper were prepared for the symposium, "The Social, Economic, and Cultural History of Modern East Asia," the University of Michigan, November 5-6, 2004. An earlier version was presented at the

continued on page 10

A City That Emerged from the Northern Wilderness: Business and Harbin, 1898-1931

BY PATRICK FULIANG SHAN

Harbin, the northeasternmost Chinese provincial capital, is an example of a city which grew rapidly in a short period. As a fishing village in the Northern Wilderness (primarily today's Heilongjiang, historically North Manchuria), Harbin grew swiftly into a metropolis in just three decades in the early twentieth century. Its phenomenal expansion has been of scholastic interest, and most scholars agree that the Russian Eastern Chinese Railway [CER], constructed between 1898 and 1903, was crucial in remolding the village into a city.¹ Without doubt, the CER played an important role in the shaping of a new Harbin. The city benefited immensely from its advantageous location and it became a communications hub, right at the center of the T-shaped railway in China's Northeast [Manchuria]. Though the railway symbolized Russian imperialism, it was, after all, a business enterprise.² It assisted Harbin's transformation into a prosperous market, an industrial center and a boomtown. This is the reason why one Chinese scholar considers June 9, 1898, the day when the construction of the railway started at Harbin, as the beginning of its urban history.³ Not only scholars consider the railway to have revolutionized Harbin. Its mayor of the 1990s contended that it was the construction of the railway that converted Harbin into a modern city.⁴

Nevertheless, the argument that Harbin's growth was purely a by-product of the construction of the CER is too simplistic. Since urban growth is a complicated phenomenon, an overemphasis on the railway neglects other important factors and disregards the complexity of history. A broader investigation of Harbin in the framework of regional development and its connection with international community will display a panorama.

The Russian presence along the railway particularly in Harbin represented Tsarist imperialism and prompted the Chinese government to make a major policy change. In 1904, the Qing Dynasty, seeing the land of Manchuria was falling into either Russian or Japanese hands, abolished their century-long policy of prohibiting Chinese settlement in North Manchuria and opened it to the Han

Chinese. From 1904 to 1931, more than four million people from North China migrated into the area. Many settled in Harbin, particularly in Fujiadian, the so-called Chinatown of Harbin. Even in the Russian quarters (Pristan and New Town), Chinese residents gradually became the largest population group. Swiss journalist A.R. Lindt provided a vivid description of this mass immigration when he visited Harbin in early 1932: "Every year the population increases, with the rapidity of a family of guinea-pigs, and to the prodigious fecundity of the race added the immigrants who pour in from China [Proper] every spring, having made the journey packed like merchandise in the holds of ships and herded like cattle in the railway tracks. During the past twenty years, the exodus has assumed the character of the migration of a nation."⁵ Statistics about Harbin's population growth are astonishing. Before the building of the railway, its population was minuscule. By 1931, the figure had jumped to more than a third of a million and most residents in Harbin as well as in North Manchuria were new arrivals.

In a sense, the millions of newcomers can be viewed as businessmen. They came for land or profit. It was these settlers who quickly turned a wilderness into a productive region. The hardworking farmers, the convenience of a newly built railway, and demand from the international market all helped to improve the local economy. The huge demand for soybeans from Europe and Japan stimulated the cultivation of the crop. In a short time, about eighty percent of all North Manchurian arable land was devoted to soybean planting,⁶ and ninety percent of world soybean exports came from Manchuria, with a greater portion coming from North Manchuria.⁷ Since Harbin was right at the center of the region, the city mirrored the development of the region by becoming a prosperous trading station. The booming agriculture propelled the city's rapid growth—indeed, the city was a hub for regional and international business ventures.

Harbin's pivotal location turned it into an entrepot for local farm produce, particularly soybean-related products.⁸ By 1909, Harbin's value of trade dwarfed that of



Patrick Fuliang Shang

other Manchurian cities, including Shenyang, Jilin and Qiqihar.⁹ As of 1928, in terms of trade volume, Harbin ranked sixth among Chinese cities. More importantly, in terms of international trade, the city constantly enjoyed a favorable balance and it ranked among the top cities in the nation. International trade enabled Harbin to attract merchants and businessmen from every corner of the world. Harbin became an international city, known as the Paris of the Orient, or the Moscow of the East. According to one source from the 1920s, more than 2,000 foreign commercial firms were operating in Harbin, fostering strong ties with more than 100 foreign cities and 40 countries.¹⁰ As one contemporary put it, "if the soybean sells well, Harbin prospers. If the prices fall, Harbin goes hungry."¹¹ Prior to 1930, soybeans always sold well, enabling the city to enjoy an uninterrupted expansion.

The fact that business served as an uppermost priority immunized Harbin from political turbulence. Seldom did any other Chinese cities escape such tumults in the early twentieth century. Though successively controlled by Manchus, Russians, the Chinese Republic, and local warlords, miraculously, Harbin continued to retain its reputation as a booming trading town. Business and commerce seemed to supersede political discord and secured Harbin's matchless position as a business town. Chinese political chaos did not affect it much; for example, the downfall of the Manchu dynasty had minimal repercussions and Sun Yat-sen's Tongmenhui (the Revolutionary Alliance) failed to establish a branch in the city.¹² The international conflicts affected Manchuria, but they were windfalls for Harbin. The Russo-Japanese War only helped the city to prosper due to its role as a logistic stronghold for Russian war efforts. The Great War in Europe created a large demand for local grains. The 1917 Bolshevik Revolution sent many Russian refugees to Harbin, yet its trade with the subsequent Soviet Union continued.¹³

It is worth noting that the manufacturing industry also expanded in Harbin, paralleling the regional growth. Most of the industries established in the city focused on two local agrarian products, soybean and wheat. Hence, flour mills and oil extracting factories, the two major

machine-driven industries, dominated the city. After the first flour mill came into being in Harbin in 1900, more were built in the following years. In 1913, among 19 flour mills operating along the CER, 12 were in Harbin; by 1929, the ratio was 23 out of 35.¹⁴ The oil-extracting factories underwent similar dramatic expansion. Harbin utilized its geographic advantage to maximize its production of soybean oil. By 1922, among the 56 oil factories along the CER, 43 were in Harbin; by 1930, the number jumped to 53 out of 72. Bean oil sold well, primarily to Europe, and so did bean cakes favored by Japanese farmers.¹⁵

As businessmen congregated in Harbin, the new job prospects attracted more gold-seekers. The burgeoning North Manchurian economy allured more immigrants as well. Regional blossoming and the city's growth were inseparable. While North Manchuria became a profitable agrarian region, Harbin turned into a lucrative city. According to one source, by 1929, 57 percent of the combined product value of the Manchurian national capitalist enterprises was generated in Harbin, compared with only 17 percent in Dalian and 7 percent in Changchun.¹⁶

The thriving city lured all kinds of business. Even the oldest profession fared well. Because of the coming of a large number of male immigrants, the masculine nature of the city was evident. The imbalance in the sex ratio clinched the voluptuous side of its urban life. As one observed, "Harbin was filled with mad debauchery. The champagne flowed in rivers, the courtesans were doing a splendid business." Consequently, venereal diseases pestered residents like plague whether they were Chinese or Russian.¹⁷

It is true that Harbin possessed a semi-colonial feature, particularly during the period from 1898 to 1917, when the Russians played an important role. The claim that Harbin owes its origin to Russia is not without reason. Russia encouraged her immigrants, controlled the municipal government, and obtained privileges. However, the driving force for Russian endeavors was profit, which is the reason why Russian rags-to-riches stories enjoyed wide circulation. Even the most discriminated-against sector among the Russian populace, the Jews, took advantage of this "liberal" circumstance and amassed great fortunes. For the citizens of the Russian Empire, Harbin provided an opportunity for running businesses and becoming rich.

Yet, Harbin's connection with the international market was a double-edged sword. This tenacious tie meant that the city tailgated the global market. It was a windfall for Harbin to accept orders from foreign countries, but it could be a danger if the global market fluctuated. Luckily, Harbin avoided a couple of global recessions in the early twentieth century; nevertheless a major catastrophe suddenly befell the city in 1930, when the whole world encountered an unprecedented economic debacle. According to one source, in the years prior to 1930, about 200 trains a day transported soybeans out of Harbin, but the figure abruptly dropped to about 20 in 1930. As a result, many of Harbin's grain businesses went into bankruptcy. Farmers in the region found it cheaper to burn grains as fuel. Within the city, all related companies suffered and some owners even committed suicide.¹⁸ A number of contemporaries blamed the bumper harvest of that year for this crisis; yet, the real reason was the sharp decline in orders from patron nations.

The Great Depression was a turning point in the history of Harbin. Not only did the economy agonize, but depression-hit Japan ventured to invade Manchuria and eventually took over Harbin in early 1932. Despite the ensuing ill-fated colonial rule, Harbin stood firmly on what had been the "Northern Wilderness," now a thriving region. By 1931, Harbin was no longer a fishing village, but a huge metropolis. In the process of this transformation, the powerful midwife for the birth of the city was business. Every immigrant was a businessman; the region, a production workshop; the railway, a commercial enterprise; and Harbin, a trading axis. The region produced what the world needed, and the railway moved the products out. Nurtured in such an exceptional setting, the city enjoyed an unparalleled expansion. Perhaps no other city nor region in China at that time could match this combination of Harbin and North Manchuria. The two joined hand-in-hand to create a classic model of a cash crop-exporting economy. As the region prospered, the city simultaneously flourished.

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14. Chen Shaonan, vol. 3, 1991, p. 84.

15. Chen Shaonan, vol. 3, 1991, p. 163.

16. Soren Clausen and Stig Thogersen, p. 46.

17. David Wolff, *To the Harbin Station*, p. 39, 122.

18. Chen Shaonan, vol. 2, 1991, pp. 18-19, 23. □

Private Companies in the Expansion of Japan in Manchuria (continued from page 2)

The company had farmlands in southern Manchuria and eastern Inner Mongolia. Many Korean peasants were expected to work as tenants in the farmlands. The company planned to produce a large amount of paddy rice, wool and mutton there and to export it to Japan. Indeed, the Japanese government tried to meld together Japan's capital, China's land, and Korean labor by establishing the farmlands of the Toa Kangyo Company.

We can mention the following three points concerning the history of the Toa Kangyo Company. First, Toa Kangyo was a private company and its executives were Japanese citizens. They were nominally delegates from the Toyo Takushoku, Mantetsu, and Okura Companies; however, they were in fact retired Japanese government officials. As explained above, Kurachi Tetsukichi was once a high-ranking official of the Ministry of Foreign Affairs. Other executives such as Sasaki Totaro and Obuchi Sanjyu were former officials of the Ministry of Finance. Sasaki once worked as an official in the Office of the Governor General of Korea. Nakagawa Kenzo and Kawakami Joro were former officials of the Ministry of the Interior who had also once worked in the Office of the Governor General. Indeed, many of these executives had rich experience as officials in Korea and Taiwan and had been engaged in land matters there. In other words, these former officials executed Japan's national policy in Manchuria as executives of the private company, Toa Kangyo.

Secondly, the company did not make any profit at all. Only subsidies from the Colonial Bureau of Kanto-shu and the Office of the Governor General of Korea allowed the company to survive. In addition, the company borrowed ¥250,000 every year from Mantetsu and the Toyo Takushoku Company, respectively. The Okura Company was afraid that its participation in the Toa Kangyo Company would damage its own management, so the Okura Company withdrew from the Toa Kangyo in 1924 and instead strengthened its cooperation with Zhang Zuolin. The Okura, as a private company, pursued its profit in Manchuria through business with the Zhang Zuolin regime. The Toyo Takushoku Company and Mantetsu also later retreated from the management of

the Toa Kangyo Company. The company's management almost collapsed right from its inception.

Thirdly, problems concerning the ownership of land purchased by the Toa Kangyo Company were very complex. The Toa Kangyo succeeded in obtaining the rights to land that Mantetsu and the Toyo Takushoku owned. More than 0.26 million *mu* of Mantetsu-related land spread over southern Manchuria while more than 1.32 million *mu* of the Toyo Takushoku-related land lay stretched over eastern Inner Mongolia. According to the assessment by the Toa Kangyo, the value of the lands owned by Mantetsu and the Toyo Takushoku were ¥0.35 million and ¥1.78 million, respectively. The cost of Mantetsu-related lands was relatively high because it owned 7,000 *mu* of paddy fields in the Fengtian area.

Hence we may say that the farmlands of Toa Kangyo were originally "owned" by Mantetsu and the Toyo Takushoku. But the real owners of these lands were Japanese individuals. Japanese such as Nishimiya Fusajiro and Sasae Yoshikichi bought lands by borrowing money from Mantetsu and the Toyo Takushoku. However, as mentioned above, the local governments of Manchuria strictly prohibited Japanese from buying land. So the Japanese bought lands by using the names of their Chinese subordinates. As a result the nominal owners of the lands were Chinese. Therefore, the rights to the lands held by the Toa Kangyo were really problematic. The Toa Kangyo was not able to manage the farmlands effectively under conditions whereby the Zhang Zuolin regime continuously insisted that the Toa Kangyo did not have the proper land ownership.

In addition, the problem of land ownership looks more complicated when we consider the history of the company's farmlands in the Qing Period. The Toa Kangyo farmlands in southern Manchuria were originally possessed by the Qing court (*huangchan*) while those in eastern Inner Mongolia were held by the Mongol princes (*mengdi*). As mentioned, these lands were disposed of extensively after the 1911 Revolution. But the former Qing court, the Mongol princes and Mongol people did not necessarily consent to the disposition of these lands. The Toa Kangyo always faced the possibility of claims of landownership by these groups.

These problems made the management of the company very difficult and finally brought the company to the brink of ruin.

Conclusion

The history of the Toa Kangyo Company concretely shows how Japan tried to accomplish its national policy of extending its interests in Manchuria in the 1920s. Because Japan did not have sovereignty there, it used private companies to carry out its plans. By founding private companies, the Japanese government was able to dispatch retired officials to Manchuria as executives of these companies and provide funds to their enterprises. As one of the major such companies, Toa Kangyo played a substantial role in the expansion of Japanese interests in Manchuria.

Toa Kangyo, however, was unable to make any profit. The company failed in its business ventures because it could not acquire completely legal land ownership there. There were two reasons for this: First, the local governments of Manchuria did not allow Japanese to purchase and own land. The Zhang Zuolin government claimed that Toa Kangyo's land ownership was illegal and flawed. Second, the company's farmlands were originally *huangchan* and *mengdi*, lands owned by the Qing court and Mongol princes. The company could not dissolve these existing traditional land rights even after the establishment of the farmlands by the company. □

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Fairbank Center postdoctoral workshop, "Manchuria as Borderland: History, Culture, and Identity in a Colonial Space," Harvard University, April 30–May 1, 2004. The present version has benefited from comments and suggestions from the participants of both conferences.

2. The term "Manchuria" is the most widely used English name for Northeast China (*Dongbei*). It is not intended to carry any further implication in this paper.

3. The literature is reviewed in George A. Selgin and Lawrence H. White, "How Would the Invisible Hand Handle Money?" *Journal of Economic Literature* 32 (1994), pp. 1718-1749.4. The founding and organization of the Japanese South Manchuria Railway Company (SMR) are described in SMR, *Second Report on Progress in Manchuria to 1930* (Dairen: 1931), pp. 97-101.

5. SMR, *Fifth Report on Progress in Manchuria, to 1936* (Dairen: 1936), p. 68.

6. *Ibid.*, p. 70. The activities of the SMR are described in detail in the six "reports on progress in Manchuria." The SMR's contributions to the "secondary expansion

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process" are discussed by Shun-hsin Chou. "Railway Development and Economic Growth in Manchuria." *China Quarterly* 45 (January-March 1971): 81-82.

7. See Gavan McCormack. *Chang Tso-lin in Northeast China, 1911-1928: China, Japan and the Manchurian Idea* (Stanford: Stanford University Press, 1977).

8. Sakatani, Y., *Manchuria: A Survey of Its Economic Development* (New York: Garland, 1980. Originally prepared for the Division of Economics and History of the Carnegie Endowment for International Peace, 1932), pp. 20-21; Lien-sheng Yang, *Money and Credit in China: A Short History* (Cambridge, Massachusetts: Harvard University Press, 1952), pp. 26-27; Chinese Eastern Railroad Printing Office, pp. 316-317.

9. Chinese Eastern Railroad Printing Office, *North Manchuria and the Chinese Eastern Railway* (Harbin: Chinese Eastern Railway Printing Office, 1927; Reprint ed., New York: Garland, 1981), p. 317.

10. Chinese Eastern Railroad Printing Office, p. 318; Lien-sheng Yang, p. 47; Sakatani, pp. 24, 32.

11. Lien-sheng Yang, p. 35.

12. Chinese Eastern Railroad Printing Office, pp. 316-317; Sakatani, p. 20-21.

13. Sakatani, pp. 22-25.

14. *Ibid.*, pp. 27-28.

15. The monetary travails of the Fengtian Government are described in detail by Ronald Suleski, *Civil Government in Warlord China: Tradition, Modernization and Manchuria* (New York: Peter Lang, 2002), pp. 38-49.

16. Sakatani, pp. 25-26.

17. Suleski, pp. 41-43; Yoshihisa Tak Matasusaka, *The Making of Japanese Manchuria, 1904-1932* (Cambridge: Harvard University Asia Center, 2001), pp. 81, 203.

18. Selgin and White, p. 1736.

19. *Ibid.*, p. 1727

20. Chinese Eastern Railroad Printing Office, p. 345.

21. Randall Kroszner, "Free Banking: The Scottish Experience as a Model for Emerging Economies," Policy Research Working Paper 1536, The World Bank Policy Research Department, November 1995, pp. 5-7. □

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