

Inflation & Postage Stamp Prices



Republic of China, 2 Dollars/*Yuan*1937
Type of 1931 (Sun-Yat Sen Issue)



Republic of China, 1919
1 Dollar/*Yuan*
26.40 Grams, Silver Purity 89%

The Yee-Tsoong Tobacco Distributors LTD Perfin

The Republic of China stamp that Yee-Tsoong Tobacco Distributors LTD punched their Perfin into was a 1931 Sun-Yat Sen 2 Cent stamp issued by the Republic of China.



The legend at the bottom of the stamp is obscured by the cancellation. Stamps that have been used for the purpose most stamps are sold and purchased are all cancelled. They are meant to be used once, and only once.

There is a Marx Brothers routine where Chico and Harpo work together to try and pay off what Chico owes to someone (in real life, money flowed through Chico Marx's hands like water, and not just because he liked gambling) with the same five dollar bill. Chico hands over the five dollar bill, the person Chico owed the money to puts it in his pocket, Harpo takes the bill out of the man's pocket and hands it to Chico, who hands the bill over like it was a different five dollar bill.

Cancellation is the post office ensuring that the purchaser cannot re-use the stamp to pay for another letter. There is a very telling term I have heard used in philatelic circles to describe the post office canceling a stamp: "obliteration".

To confirm the legend at the bottom as part of the process of translating it, I used a 1937 reissue of the stamp, the same as the 1931 stamp in all respects except the denomination. The 1937 reissue was for 2 Dollars (or *Yuan*) not 2 Cents (or *Fen*).

To increase from 2 Cents to 2 Dollars in six years seems like quite a leap.

What was going on in China that might cause the price of a postage stamp to increase by 1000%?

The Kuomintang (KMT) government led by Chiang Kai-Shek had worked with the Chinese Communist Party (CCP) in the First Kuomintang-CCP United Front. They defeated the Warlords and reunified China.

On 12 September 1927 Kuomintang forces suppressed members of the Chinese Communist Party in what is now called the Shanghai Massacre. A purge of CCP members followed.

A civil war began that would not end until 1949 when Chiang Kai-Shek, his forces, and their supporters retreated to and established the Republic of China on the island of Taiwan.

On 18 September 1931, the Mukden Incident occurred. Wikipedia provides a description:

On September 18, 1931, Lieutenant Suemori Kawamoto of the Independent Garrison Unit of the 29th Japanese Infantry Regiment ... detonated a small quantity of dynamite close to a railway line owned by Japan's South Manchuria Railway near Mukden (now Shenyang). The explosion was so weak that it failed to destroy the track, and a train passed over it minutes later. The Imperial Japanese Army accused Chinese dissidents of the act ... The deception was exposed by the Lytton Report of 1932, leading Japan to diplomatic isolation and its March 1933 withdrawal from the League of Nations.

On 18 September 1931, the Kwantung Army of the Empire of Japan invaded Manchuria. Six months later, Manchuria was a puppet state, called Manchukuo, by Japan. Puyi, the last Qing emperor, was set up as head of state.

Puyi's story is told in the 1987 film, *The Last Emperor*.

The Story The Stamps Tell

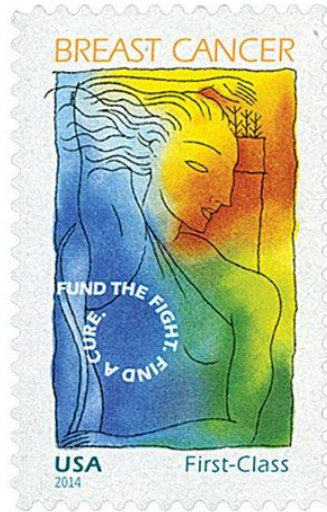
I studied my collection of Chinese stamps to see if there were any trends in postage rates. Admittedly, mine is a small and probably flawed sample.

Denominated Value & Surcharges, 1923-1949 (Post of the Republic of China)

<u>Year</u>	<u>Denominated Value</u>	<u>Surcharges</u>
1923	\$0.01	\$0.00
1923	\$0.01	\$0.00
1923	\$0.03	\$0.00
1923	\$0.04	\$0.00
1926	\$0.04	\$0.00
1931	\$0.04	\$0.00
1932	\$0.03	\$0.01
1932	\$0.005	\$0.00
1933	\$0.05	\$0.00
1934	\$0.01	\$0.00
1935	\$0.02	\$0.01
1939	\$0.05	\$0.00
1943	\$100.00	\$0.00
1945	\$300.00	\$0.00
1946	\$2.00	\$0.00
1946	\$1.00	\$100.00
1946	\$0.15	\$10.00
1946	\$0.20	\$20.00
1946	\$0.21	\$50.00
1946	\$0.08	\$20.00
1946	\$20.00	\$100.00
1947	\$5,000.00	\$0.00
1948	\$7,000.00	\$0.10
1948	\$30,000.00	\$8.00
1948	\$0.25	\$0.10
1948	\$0.40	\$0.50
1948	\$2.00	\$100.00
1949	\$2,000.00	\$0.00
1949	\$80,000.00	\$0.00
1949	\$40.00	\$0.01
1949	\$40.00	\$0.10
1949	\$40.00	\$0.20
1949	\$40.00	\$0.50

Surcharges are a feature of Semi-Postal stamps. They are part of fund raising efforts.

This 49 Cent Breast Cancer Research semi-postal stamp was issued by the United States Postal Service in 2014. A surcharge of 11 cents supported research into the causes and treatment of Breast Cancer. An earlier Breast Cancer Research semi-postal was issued in 1998 with a surcharge of 8 Cents added to the postage of 32 Cents.



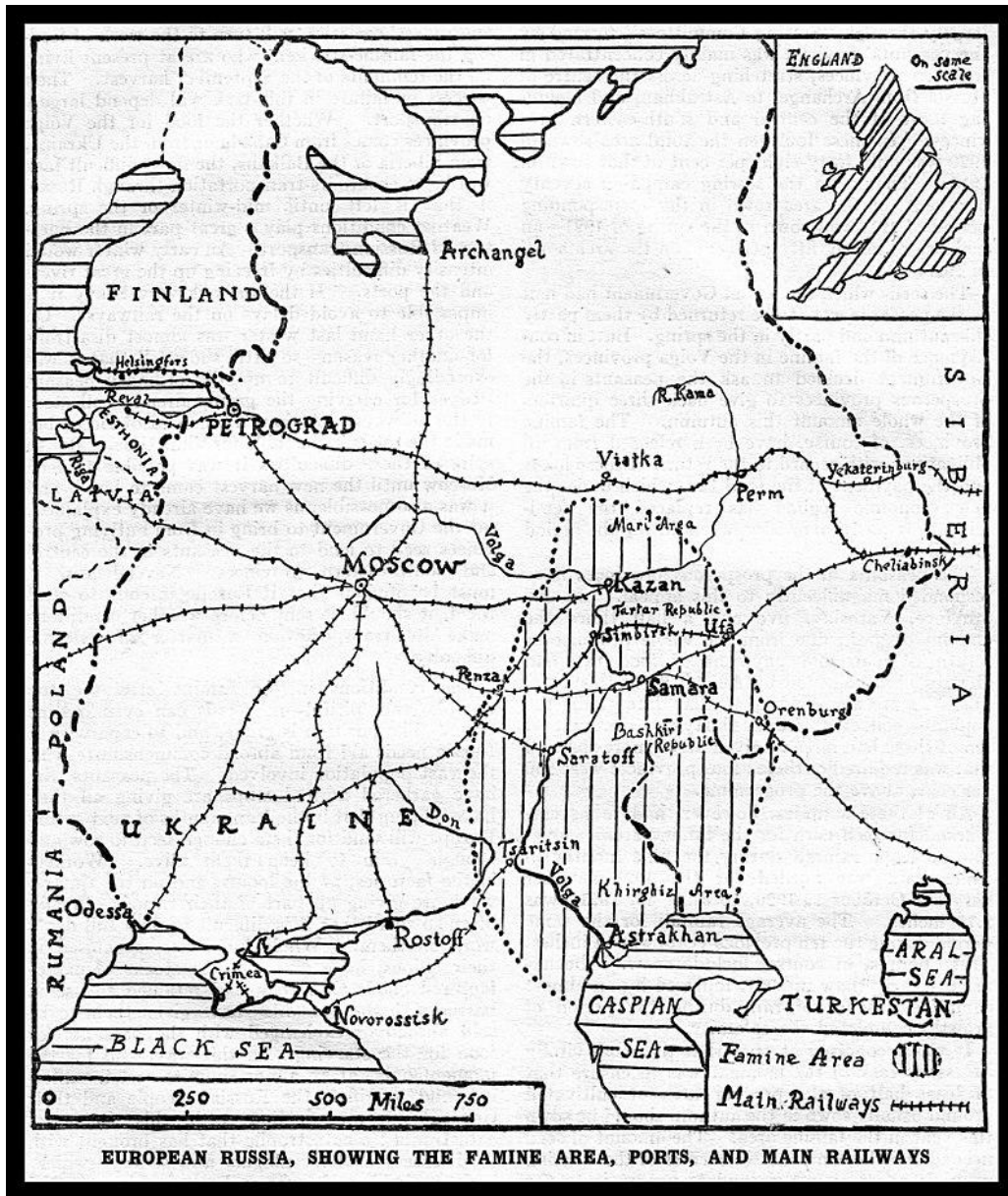
Russia experienced a famine in 1921 and 1922. Russia issued semi-postal stamps and overprinted surcharges on existing stamps to raise funds for famine relief.

This 1921 Russian 250 Ruble stamp was surcharged 7500 Rubles to pay for famine relief



For the Russians, the Russian Revolution ended World War I. A civil war as long as World War I had been followed. People were conscripted into the various armies afield through those years. Crops were seized by those various armies. People ate their seed crops.

Then a drought happened.



In China, surcharges were not put in place, in earnest, until after World War II. And those surcharges could be a significant.

The Yuan/Dollar Currency System

The Dollar/*Yuan* System was adopted by Imperial China starting in the 1890's.

10 Cash (<i>wen</i> , or <i>ch'ien</i>)	=	1 Cent (<i>fen</i> , or <i>hsien</i>)
10 Cents	=	1 <i>Chiao</i> (<i>hao</i>)
100 Cents (or 10 <i>Chiao</i>)	=	1 Dollar (<i>Yuan</i>)

Imperial China had previously only accepted silver in exchange for Chinese goods.

The two Opium Wars (1839-1842) and (1856- 1860) happened in part because China was more willing to sell goods to the European traders for silver than buy from them. Opium was an exception.

The Qing Dynasty preferred the Spanish Dollar minted with Mexican (and possibly Bolivian?) silver. Merchants would test the coins and mark the coins that passed the test with “chop marks”, like this 1888 Mexican Dollar.



Other European powers minted Trade Dollars that matched the standard set by the Spanish Dollar.



France, *Piastre de Commerce*,
27.215 Grams, Silver Purity 90%

The Spanish Silver Dollar and the Mexican Silver Peso were exceptionally pure. Between 1901 and 1905 the Silver Purity for Mexican coins of even low denominations like 5 Centavos, 10 Centavos, and 20 Centavos coins was 90.30%. Between 1901 and 1908, the Mexican Peso Silver Purity and resulting Silver Weight for the Mexican Peso was:

<u>Gross Weight (grams)</u>	<u>Silver Purity (%)</u>	<u>Silver Weight (grams)</u> <u>(Gross Weight X Silver Purity)</u>
27.030	.9027	24.39

The *2008 Standard Catalogue of World Coins* (Colin R. Bruce II, Senior Editor; Krause Publications) speaks in terms of Actual Silver Weight, which is measured in Troy ounces.

1 Troy ounce = 31.1033 grams

Silver Weight (grams)/Grams Per Troy Ounce = Actual Silver Weight

The Actual Silver Weight for that 1901 Silver Mexican Peso is .7860 Troy ounces.

The website [macrotrends](#) charts silver prices, in \$US, from April 1915 to March 2022. The lowest price for a Troy ounce of silver during that period was in April 1931. For those three months, that 1901 Silver Mexican Peso would have been worth, based on silver content:

Actual Silver Weight (ASW) X Price of Silver = Actual Silver Value

<u>Month</u>	<u>Silver Price (\$US)</u>	<u>Actual Silver Value (\$US)</u>
04/1915	\$14.91	\$11.70
04/1931	\$5.61	\$4.41
03/2022	\$21.69	\$17.05

There are more factors in the equation, the exchange rate between the US Dollar and the Mexican among them. But based on silver content alone, the Spanish Dollar and the Mexican Peso performed well.

Imperial China began minting its own silver coinage in the 1890's, at the provincial level. The name *yuan* was a traditional one, and was used. But the name *yuan* was interchangeable with the name "dollar".

This *Yuan/Dollar* was minted in 1907, during the reign of Emperor Kuang-Hsü. It weighed 26.40 grams and was 89% pure.



The Republic of China stayed on that path.

This 1919 *Yuan*/Dollar also weighed 26.40 grams and was 89% pure.



Both coins yield an ASW of .7639 Troy ounces. In December 1919, the price of silver was \$18.66 (US) a Troy ounce. Both coins were worth, based on Silver Weight, \$14.25 in December 1919.

The Nanjing Decade

The Nanjing Decade was between 1927 and 1937. By 1927, Chiang Kai-Shek (with help from the Chinese Communist Party) had reunified China, In 1936, Japan invaded China.

Wikipedia describes the period:

The Nanjing decade was a period of relative prosperity despite civil war and Japanese aggression. The government began to stabilize tax collection, establish a national budget, sponsor the construction of infrastructure such as communications and railroads, and draw up ambitious national plans, some of which were implemented after 1949.

The Silver Purchase Act of 1934

The Silver Purchase Act was passed by the 73rd Congress of the United States of America on 19 June 1934. It [authorized](#)

the Secretary of the Treasury to purchase silver, issue silver certificates, and for other purposes

The website [Academic](#) describes the effects of the Silver Purchase Act:

Intended as an inflationary measure to increase money supply, the Silver Purchase Act of 1934 empowered the Treasury Department to purchase all domestic silver until either the price of silver reached \$1.29 an ounce or the amount held by the Treasury equaled one-third of the value of federal gold stocks. The Treasury also purchased \$1 billion worth of silver abroad. The measure had little effect at home but did adversely affect foreign nations with a silver monetary system.

Much of that \$1 billion worth of silver purchased abroad came from Mexico and China. Both had currencies based on the Silver Standard.

In 1935 the Republic of China instituted currency reforms in response to the effects of the Silver Purchase Act. China went over to the *fabi*, a name which literally means “legal tender”. The *fabi* was declared by the Kuomintang government to be Legal Tender. But it was not backed by a physical commodity. It became illegal to circulate or own silver dollar coins, and even silver bullion.

Four banks, all government controlled, were allowed to issue *fabi* currency:

- Bank of China
- Central Bank of China
- Bank of Communications
- Farmers Bank of China

The Kuomintang also issued Customs Gold Units. They were specifically mean to pay duties on imported goods, and pegged to the \$US. In 1935, that peg to the \$US was removed, and they were issued for general use.

There was already too *fabi* currency in circulation. Perhaps making the Customs Gold Units available for general use was meant to ease the situation. It did not.

The Second Kuomintang-CCP United Front

Japan took Manchuria in 1931. In 1936, Japanese forces pushed south of the Great Wall of China, into northern China and the coastal provinces.

In December of 1936, citing "internal unity before external danger", two of Chiang Kai-Shek's generals, Chang Hsüeh-liang and Yang Hucheng, detained him in Xi'an, one of China's "Four Great Ancient Capitals". They forced him to ally the forces of the Kuomintang government with those of the Chinese Communist Party in the Second Kuomintang-CCP United Front to defeat the Japanese.

The alliance was adhered to in practice, and sometimes in the breach. In early 1945, that Japan would be defeated was clear. Kuomintang and Communist forces readied to resume their civil war.

