

Ex 2464

Excerpt from "The Manchoukuo Year Book", page 256, 257, The Manchoukuo Year Book Co., Hsinking, Manchoukuo, 1942

Currency Stabilization. The Central Bank of Manchou at first followed the policy of maintaining the value of the Yuan equal to the price of 23.91 grammes of pure silver and was able to retain its stability through the control of money in circulation and also through transactions in silver and exchange on Shanghai. However, it was not long before it was found extremely disadvantageous to continue linking the yuan with silver, owing to the United States embarking upon a silver purchasing programme. Affected by the United States' policy of boosting the price of the white metal, the price of silver, dissociating itself from general commodity prices, began to move upward from the autumn of 1934, and as a consequence the equilibrium between silver and commodity prices was broken, causing a rise in currency values and a fall in commodity prices in the countries with silver currencies. In order to reduce the disturbing effects of the violent fluctuations in the value of silver to the minimum, the Central Bank watched the developments in the silver situation and endeavoured to prevent any violent changes in currency values and commodity prices by managing its currency so that its rise was limited to only one half of that of silver. In this way the Central Bank, while keeping an eye on the silver situation, neither linked its currency to silver nor divorced it from the white metal. This policy was pursued until March, 1935.

In the meantime, the fluctuations in the price of silver became increasingly violent; the London bar silver quotation on April 25, 1935 advanced to about 34 pence from 32 pence or so the previous day, and rose sharply further to over 36 pence the next day, but soon dropped to around 33 pence again, manifesting a very erratic tendency. Awakening to the fact that if the national currency continued to be linked with silver, its value would rise and fall violently and cause serious disturbances to the economic world, the Central Bank finally decided to divorce the national currency from silver and shifted over to the policy of a simple managed currency, having for its object the stabilization of commodity prices. As a result the internal value of the currency was stabilized notwithstanding the drastic rise in the price of silver abroad. Commodity prices also became stable.

At the time the Manchoukuo currency was first completely divorced from silver, the Yuan retained a relatively stable value in relation to the Japanese Yen at around 107 and 108 Yen against 100 Manchoukuo Yuan. But when the Manchoukuo currency began to have a stable relation to the Japanese currency, without being influenced by the fluctuations in the price of silver, it became to be generally talked about that the Manchoukuo currency was being controlled with the object of bringing it to par with the Japanese currency. This view gradually gained ground, and the value of the national currency which had been stabilized against the Japanese Yen at around 107 to 108 Yen gradually approached the Japanese Yen in value. Thus step by step, through the months of May, June, July and August, it became closer to Yen, finally reaching parity in September, 1935. It has remained so ever since.