CHAPTER ONE

THE BIRTH OF THE CCP MILITARY-FISCAL STATE IN SHANDONG

On June 30, 1943, the Shandong Bureau, the CCP’s authority in the province, made a decision to eliminate the fabi, then the official currency of the Republic of China, from the markets in the CCP zones and replace it with beipiao, the banknotes of its North Sea Bank (Beihai yinhang). The decision was announced on July 9, 1943 and was implemented on July 20. This was the Shandong Bureau’s second attempt to prohibit the Nationalist currency. The officials concerned, especially Xue Muqiao (薛暮桥), a well-respected economic specialist who promoted the campaign, were relieved when the fabi disappeared and did not return. It was an achievement that Zhang Yutian (张玉田), its principal founder, had never thought possible when he established the bank in 1938. When the North Sea Bank became part of the People’s Bank of China in December 1949, Zhang had been dead for nearly four years. He was executed in Qingdao in 1946 because of his involvement into the Nationalists’ factional quarrels.

Zhang Yutian’s success and tragedy began in a prosperous coastal city of Yexian (now Laizhou) in Shandong province, where he helped with the creation of the CCP military-fiscal state in Shandong. Xexian was on the northern end of Jiaodong, a peninsula of about one third of the provincial territory. Across the Gulf of Baohai was Dalian in Manchuria (the Northeast or Dongbei) and Tianjin. Yexian was therefore a gateway to Manchuria and the Tianjin-Beijing areas and had well-developed trade and banking services. Before the Sino-Japanese began in July 1937, the CCP established an underground

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3 陈文其 (Chen Wenqi), “北海银行的创立和重建 (The birth and restoration of North Sea Bank),” BJWJ (Collected writings for the 50th anniversary of North Sea Bank), 116.
Map 1. Shandong CCP Administrative Zones.