

# Research on the Importance of Monetary Work to the Political Development of the Western Hunan and Hubei Base Areas

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## ABSTRACT

During the seven years revolution in the Western Hunan Hubei revolutionary base, currency experienced four stages of construction and development, and became the economic tool of revolutionary regime, and made considerable contribution; however, the importance of politics to financial work is obvious here. Due to the mistakes caused by the left leaning in the revolutionary work, the monetary work in the revolutionary base area in Western Hunan and Hubei has been seriously affected the final result of the influence is to withdraw from the circulation field with the transfer of the main body of the revolutionary team.

## 1. Introduction

During the period from the beginning of 1930 to the end of 1931, eight financial institutions were set up in the revolutionary base areas of Western Hunan and Hubei, These eight financial institutions have issued currency to stabilize and develop the financial work in the base areas, and have achieved certain results. The monetary and financial work in the revolutionary base area of Western Hunan and Hubei has gone through four stages, from construction to development, and then to being affected by political mistakes, which reflects the full support of economic work to revolutionary struggle and the role of politics in economy.

## 2. A Study on the Course of Monetary and Financial Work in the Base Areas of Western Hunan and Hubei

Gradual progress is the characteristic of monetary and

financial work in the Western Hunan Hubei base area. In the seven years of the base area's existence, the development of its monetary and financial work can be roughly divided into four stages in chronological order.

The first is the inheritance of old coins from 1928 to the beginning of 1930. The inheritance of the old currency is mainly due to the lack of material basis. At this time, although the revolutionary regime in the base areas had a certain amount of armed forces, it still had to deal with the encirclement and suppression of the Kuomintang and the interference of the forces launched by the local tyrants and evil gentry. There was no stable environment for economic work to be carried out. The revolutionary regime had little material resources to save. Guns, ammunition, medicine and food needed to be purchased from places outside the base areas, so they did not have the ability to set up their own In order to avoid unnecessary confusion and uneasiness in these two or three years, the peasants and small businessmen in the base areas used to use gold, sil-

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ver and old money because they had just entered the revolutionary life. Therefore, in order to avoid unnecessary confusion and uneasiness, the monetary policy adopted by the revolutionary base areas in western Hunan and Hubei was the temporary old currency system. At the same time, they actively constructed banks and issued money Material base preparation.

The second stage was the period from March 1930 to October 1930. In the past ten months, with the further development of the revolutionary regime and the further development and consolidation of the base areas, the Soviet governments were established one after another. With the commander of economic work, we have the precondition of financial work. In view of the situation that bad money is rampant in the market and miscellaneous notes are full of, Jianli County and Mianyang County are the first to issue credit bonds. Then, Shishou county and Hefeng County successively set up banks and issued their own currency. In April, the three counties combined with Jiangling County and Qianjiang County to set up the western Hubei Rural Bank, expanding its scale. Although the amount of credit notes issued by these banks is small and the circulation area is small, they have strong flexibility. This is a beginning and a stage of exploring experience. The shortcomings are arbitrariness and decentralization. Of course, there is nothing to criticize, because the situation at that time forced it. Due to the lack of professional financial personnel in the base area and the lack of a full understanding of the supporting role of monetary reserve for the issue of paper money, at this initial stage, the issue of currency is very arbitrary, and there is no necessary procedure for printing and issuing. It is enough to write and stamp. Dispersion was due to the military and political situation at that time. During this period, the Kuomintang launched a relatively strong force. The military encirclement and suppression and the tight economic blockade made it difficult for the development of economic life. The survival of the revolutionary base areas was quite difficult. The distance between each small base area was as high as hundreds of miles, which was particularly unchanged. The administrative bases had not yet been unified, so there was no unity in economic work. However, with the expansion of the base troops, the demand for funds is also increasing. In this case, only relying on the income of war can not support the demand for military expenditure. Only under the existing conditions can we develop economy, trade and issue currency in their respective bases. Although this kind of dispersion would cause resentment among some of the masses, in the revolutionary environment at that time, to a certain extent, it was conducive to the struggle against the enemy, because

even if the base areas were occupied and banknotes were seized, the enemy could prevent them from taking them to buy goods from other base areas.

Then, from October 1930 to the next summer, the issue of currency was fully launched. With the establishment of the Xilian county government, the sphere of influence of the revolutionary base area has expanded to more than 20 counties, and the scale is quite magnificent, which provides sufficient conditions for the development of monetary and financial work. In view of the confusion in the past, the county government decided to continue to issue paper money in the name of the western Hubei Rural Bank, and other banks stopped issuing paper money. After the unified issue, the financial work was carried out in an orderly manner, miscellaneous currency and old currency gradually withdrew from commodity circulation, industry and commerce were developed, and trade activities outside the base area were carried out, which expanded the financial resources of the base area, made the economic work effective, and strengthened the material reserve foundation, which strongly supported the revolutionary struggle work.

The final stage of monetary work in the base areas of Western Hunan and Hubei can be summarized in two words: out of control, which is the result of the joint action of natural disasters and man-made disasters. Natural disasters are floods. Besides the Kuomintang government's encirclement and suppression of strong troops, there are also Wang Ming's leftist adventurism mistakes. In November 1931, the branch of Xiangxi special zone was established and issued banknotes. However, due to the severe situation and the lack of control over the circulation, the currency devalued and even could not be exchanged for silver dollar at all. Although the devalued banknotes were recovered and new banknotes were stopped to be issued, there was no time for the market chaos to be corrected, because the failure of the anti encirclement and suppression led to the loss of Honghu Soviet Area, followed by the loss of the Hunan Hubei border Soviet area. The currency lost its main body and was forced to stop and withdraw from the circulation field.

### **3. On the Characteristics of Monetary and Financial Work in the Western Hunan and Hubei Base Areas**

During the revolutionary war, all work was centered on military struggle, and so was monetary work. The monetary and financial work in the revolutionary base areas of Western Hunan and Hubei should also serve the needs of the revolution.

First of all, the monetary and financial work in the revolutionary base area of Western Hunan and Hubei developed in the same direction as the revolutionary development in the base area. It was established and constructed with the scale of the development of the revolutionary regime. It was not only the product of economic development, but also political, reflecting the requirements of the times of revolution. The paper money issued in the Western Hunan and Hubei base areas, like other revolutionary bases, always and everywhere reflects the service to the revolutionary struggle. For example, in the design of the tickets, the revolutionary propaganda and cultural slogans were designed, and the revolutionary requirements, the head portraits of Marx and Lenin, the sickles and axes of workers and peasants were printed on the tickets. When the masses come into contact with the banknotes issued by the banks in the base areas, they will be able to understand the revolution and receive publicity and education.

The second is the scattered currency issued in accordance with the situation, which brings another characteristic of monetary work in the revolutionary base areas of Western Hunan and Hubei is regional independence. The revolutionary bases in Western Hunan and Hubei are composed of different small bases with Honghu as the center. Due to the encirclement and blockade of hostile forces, it is difficult to communicate and unify the financial work among these bases in time. In order to survive in their respective base areas, there has been a phenomenon of issuing paper money. Of course, this situation is not a long-term solution, and it is easy to cause confusion and arouse the disgust of the masses. But there are two sides to everything. This relative independence, on the one hand, enabled the small base areas to rely on themselves and survive without the support of their superiors under the arduous revolutionary conditions, and to accumulate strength for future unification and expansion of the revolutionary scale. On the other hand, the strength of these small base areas is still very weak compared with the enemy and may be transferred at any time. Therefore, the paper money left in the transfer is not unified with other base areas and is not recognized by other base areas. Even if the enemy seizes them, it will be of no use and will not cause the loss of revolutionary materials.

Another characteristic is that the importance of reserves was realized after the autumn of 1930, which made the financial work have a certain stability. We can see from the documents issued by the Soviet government at that time and the regulations related to currency. For example, the old money and gold and silver seized in armed struggle should be stored and kept by banks, with various taxes as guarantee, and the government's public welfare

funds as reserves. With the reserve fund, the exchange of paper money can be realized, and the masses will have confidence and build trust in the banknotes in the base areas that can be exchanged at any time. When money has credibility, it has room for survival.

#### **4. The Historical Role of Monetary and Financial Work in the Base Areas of Western Hunan and Hubei**

Like the monetary work in other revolutionary bases, the greatest contribution to the revolution was to raise funds. After the establishment of the revolutionary base areas, the Red Army did not have much strength to put into production if it wanted to participate in the fighting and defend the Soviet area. In this case, provision becomes a big problem. At the beginning of the revolution, the Soviet government was responsible for the military expenditure. Most of the revenue of the Soviet government was obtained by beating down local tyrants and others, and part of the revenue was obtained through low tax rates. It is impossible for the revolutionary regime to apportion and levy taxes like the Kuomintang regime, so the issue of paper money is a solution to the problem. In the process of issuing paper money, although there were additional issues, resulting in a certain credit crisis, but it was able to raise part of the military expenditure, which played a positive role in the preservation of the revolutionary forces in the special revolutionary struggle at that time.

Secondly, it promoted the construction and development of financial work in the base area of Western Hunan and Hubei, promoted the economic life of the base area, and was beneficial to the consolidation and further development of the Soviet regime. Before 1930, the Western Hunan Hubei base area was unable to carry out the productive revolution in economic activities under the dual blockade of military and economic forces by hostile forces. The market was controlled by hostile forces, cash was occupied by speculators and local tyrants and evil gentry, and the value of old currency was unstable. With the expansion of political power, banks and capital of hostile forces were confiscated, usury and old pawns, which were exploited by the masses, were abolished. The base areas issued their own paper money and formulated their foreign trade policies. Many policies have made the financial work in the base areas carried out and the whole economic field has been active. After the summer of 1931, the currency was issued in a unified way. In view of the good reputation of the Red Army's currency in the market, merchants in the hostile areas were also willing to use the paper money of the base areas for trade settlement. The

market became increasingly active.

Then, the masses are the biggest beneficiaries of the economic development in the base areas. The Soviet government not only defended and protected the masses militarily, but also strictly prohibited usury, pawn, and corvee and other labors that affected the quality of life of the masses. In order to support the poor people to carry out production activities, they provided low interest loans, and in order to improve the poor people's livelihood, they set up consumer cooperatives to provide cheap living goods. In the summer of 1931, when the flood came, the government of the base area provided as much help as possible to the masses. In addition to low interest loans to help the victims buy seeds and farm tools, they also sold water conservancy bills to all possible enthusiasts in the hostile areas to raise funds to help the masses build dams. Every month, the Soviet governments at all levels added 30% of their fiscal revenue to the embankment repair fund. After more than half a year's construction, the masses saw that the levees destroyed by the flood were rebuilt and the river channels were dredged. They firmly believed in the ability of the Soviet government and strengthened their confidence to follow the Communist Party of China.

## **5. Experience of Monetary and Financial Work in the Base Areas of Western Hunan and Hubei**

The monetary and financial work in the revolutionary base areas of Western Hunan and Hubei has left valuable experience. First of all, after the establishment of the revolutionary regime in the base areas, it is necessary to issue currency immediately, abolish the old unreasonable market structure, and establish a financial work system, which is conducive to establishing the positive characteristic image of the political party as soon as possible, stabilizing the masses and restoring the production and life of the masses. Secondly, we must unify the right to issue currency. Although the advantages of decentralized currency issuance have been stated in the previous paragraph, its defects are obvious. It is because of the revolutionary situation at that time that we do not criticize the disadvantages of decentralized issuance. The disgust of the masses for a variety of Soviet banknotes will directly reduce the credibility and image of the Soviet government, and directly affect the mass basis for the survival of the regime.

Therefore, when the revolutionary situation is grim, we can temporarily leave aside the issue because of the benefits of decentralized distribution, but this kind of opinion of the masses can never be shelved for a long time. Due to the relatively sufficient fund, the western Hubei Rural Bank unified the issue of currency to be exchangeable at any time and established the credit of the new currency. In this way, the trust of the masses was strengthened and the trust in the Soviet government was also strengthened and consolidated. Another experience is to maintain the independence of monetary and financial work. The government and financial departments can not withdraw money from banks until they have to. After the summer of 1931, due to the loss caused by the left deviation in political work, the Soviet government mistakenly led to the deterioration of military and financial conditions, and the finance had to withdraw money from banks. This caused the issue of paper money out of control, and the value of the currency rapidly depreciated. The masses had a lot of opinions. As a result, the monetary work in the revolutionary base areas of Western Hunan and Hubei was seriously affected, and the final outcome was to withdraw from the circulation field with the transfer of the main body of the revolutionary team. Therefore, money has its own working principles, which should be strictly followed. Economic work is very important for politics, although it is the economic foundation. However, the influence of politics on economy can not be ignored. Political mistakes will directly lead to the crisis and collapse of economic work. Therefore, monetary work should be relatively independent and the impact of political mistakes should be minimized.

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