

Financial Integration between China and the World: 1870-1940

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Abstract: In this paper, we discuss the international financial integration of China, and find evidence supporting exchange rate or interest rate integration with the world market, at least for trade ports like Shanghai and Hong Kong. Our result is even more optimistic than Obstfeld and Taylor (2004), as we reject the disintegration after 1910s, which they find in the history data of OECD countries. The quickly integration after the open of treaty ports continues the long history of abroad financial flow, and it challenges the argument that market was controlled by foreign capitalists and there was price differentials benefit them.