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CHAPTER 2: **SOURCES OF THE CANTON GUARANTY SYSTEM**

The early Manchu rulers of China had no interest in banking regulation. Their goals were to first complete the “great enterprise” of conquest and then to consolidate control over the entire nation. After years of careful preparation, the Manchus took Beijing in 1644 and achieved a surprisingly rapid conquest of Northern China.¹ Progress was much more difficult in the coastal south, far from Beijing, where the struggle raged on another forty years. After the devastated region had been brought under control, the Kangxi Emperor opened the south to maritime foreign trade. The regional economy responded quickly and positively to the stimulus. The Manchus sought the benefits of trade, but at the same time felt it important to maintain order among the traders and to assure the flow of customs tax revenues to Beijing. During the eighteenth century a body of rules, known as the Canton System, was evolved to advance these objectives. The regulatory structure that was developed for Canton drew on both Manchu and Chinese traditions. A collective guaranty of foreign debt -- the Canton Guaranty System -- was imposed in 1780 as a modification of those rules.

2A. Conquest and Pacification

The Manchu began as a Jurchen Mongol tribe in the Liao valley in what is now Northeast China, a region of forest, steppe and agricultural lands.² Under a series of talented and aggressive rulers, notably the “great progenitor” Nurhaci (1559-1626), they rose rapidly from their original position, as one of a number of tribes contending for regional prominence, to a potent military force with ambitions to control China itself. Nurhaci organized a coalition of Jurchen Mongol tribes under his Aisin Gioro clan as leader, and bound them together culturally and militarily.³ The coalition was defined as “Manchu,” which involved the creation of a written Manchu language (an adaptation of Mongol script). It was consolidated under a military system in which Manchu forces were organized in eight “banner” formations.⁴ These banner forces carried out the “great enterprise” of conquest. The banner system was then adapted to control and to defend China itself.

Trading relations contributed to the rise of the Manchu and funded the cost of conquest. Their homeland was rich in natural resources, which the Jurchen Mongols exploited through hunting, fishing and agriculture, and active participation in regional trade in products such as furs and ginseng.⁵ Several principal Manchu leaders, including Nurhaci, had early experience as traders.⁶ The clan gradually developed an expertise in the ginseng trade and accumulated a monopoly of the import licenses issued by the Ming to sell their scarce and prized wild ginseng in China.⁷ Rich profits realized from satisfying the enormous late Ming demand for high quality ginseng purchased weapons and contributed directly to the rise of Manchu military power.⁸ The Japanese scholar Inaba Iwakichi therefore observed that the Qing dynasty “rose on ginseng and fell on opium.”⁹

On 26 April 1644 the last Ming Emperor committed suicide by hanging himself atop Coal Hill in the Forbidden City in Beijing. The capitol had fallen to rebels under Li Zicheng the day before. Manchu forces then streamed through the Shanhai Pass into China and defeated Li Zicheng's army in a great battle on 27 May 1644. The victorious Qing army entered a stunned Beijing without a fight. Mark Elliott

offers a vivid description of the Manchu entry on 5 June 1644. Local residents “no doubt stared in curious amazement at the shaved foreheads and dangling queues of the Manchu soldiers riding by, daggers at their waists and short recurve bows of horn and wood by their sides.”¹⁰

Stalwarts of the Ming Dynasty made their last stand against the Manchus in South China. Contending forces included Manchu military, Ming remnants, peasant rebels, turncoats, and commanders who were honored by the Qing for their services by being named hereditary feudal princes. The Manchu forces were soon caught up in bloody repression of local rebellions against the imposition of the queue, a traditional hairstyle of the northeast in which the forehead was shaved and remaining hair was wound up as a long braid.¹¹ In the south, the land was a constant challenge to the Manchu cavalry, which made difficult progress through often mountainous terrain with few roads and a countryside intersected with rivers and canals.¹² The city of Canton, in Qing hands as of January 1647, soon thereafter rose in rebellion.¹³ It was besieged by Manchu forces under Shang Kexi for ten months in 1650. The defense was broken with an artillery barrage on 24 November 1650, after which the invaders plundered Canton with a horrific slaughter of the populace.¹⁴ The city was devastated, but was gradually reconstructed by the Manchu rulers.

“Local tradition affirms that the burial of the dead, neglected by the conquerors, was brought about by the exertions of a Buddhist priest, who attempted, single handed, to convey the corpses outside the city gates and give them decent burial. While engaged in his task -- carrying a corpse on his shoulders -- he was met by Shang Kexi, who asked him jeeringly whether he intended to bury all the slain? The priest replied that he did not look at the magnitude of the task or attempt to calculate its possibility; he merely did what was in his power and left the rest to Heaven. The spirit of the reply is said to have so pleased Shang Kexi, that he ordered the camp-followers to lend the priest their aid, and thus the bodies of the slaughtered were heaped in one huge pile and burned outside the east gate of the city, where the ashes were buried beneath an enormous mound which still exists and bears the significant name of the General Grave.”¹⁵

Much of the forty year struggle for control of South China took place along the coast. Initially, as later described by the Kangxi Emperor (who reigned from 1661 to 1722), “the following ports were opened for trade: Tianjin in Zhili, Dengzhou in Shandong, Yuntaishan in Jiangsu, Ningbo in Zhejiang, Zhangzhou in Fujian, and Macao in Guangdong. Later on, it was only maritime rebellions that necessitated closing these ports.”¹⁶ Resistance on and near the Island of Taiwan was led by members of the family of Zheng Chenggong (Koxinga), who were and had long been heavily involved in international trade.¹⁷ The Qing banned maritime trade in 1656, seeking to strangle the Taiwan resistance.¹⁸ Zheng forces attempted a major assault on Nanjing from the sea in September 1659, which triggered a more forceful crackdown.¹⁹ From 1661 through 1683, in order to prevent supplies from reaching the Zheng forces on Taiwan, the Qing directed and fiercely enforced a wholesale removal of the coastal population as much as ten miles or more inland from the adjacent mainland coast.²⁰ The only exception was Macao, which was spared from this exercise of conquering will by a combination of good fortune and determined

diplomacy.²¹ The Qing ordered all oceangoing vessels burned; “not an inch of wood is allowed to be in the water.”²² The coast was devastated and the population suffered terribly. One source records that:

“People continued to drift around, unable to figure out how to survive. Fathers and sons, husbands and wives, abandoned each other; with anguished cries they parted ways. A son for a peck of grain, a daughter for a hundred cash for purchase by the powerful.”²³

As was observed by the Dutch Embassy of 1655-57, “you may ride in some Places [in Guangdong Province] for several miles together, and not see a Town or Village Standing, only great heaps of Stones, and the Ruines of many Places, which have been formerly very famous for Trade.”²⁴ The Zheng forces finally surrendered on Taiwan in October 1683, after a crushing naval defeat by Qing forces under admiral Shi Lang.²⁵ Two years earlier, Manchu forces had suppressed the Revolt of the Three Feudatories, which marked the end of the era of the semi-independent princes appointed by the Qing in the early stages of conquest and their feudal privileges.²⁶

The Qing rulers recognized that trade would help restore the badly damaged Guangdong economy and build the loyalty of the people.²⁷ In contrast to the Ming, which distrusted and indeed prohibited foreign trade for most of its history, the Qing had a positive view of trade founded in long beneficial experience in regional trade from the Manchu homeland.²⁸ The Kangxi Emperor strongly favored economic restoration of coastal regions in the interests of maintaining public order. In his directives, the Emperor encouraged officials to seek to achieve “prosperous people through trade” (*tongshang yumin*),²⁹ to “enrich the state by developing trade” (*tongshang yuguo*), and to “cherish merchants” (*xushang*).³⁰ These objectives have deep roots in Chinese thought.³¹ The Qianlong Emperor observed in 1748 that it was generally better to leave matters concerning the market to the people and allow free circulation of goods because government interference, however well intentioned, often failed to improve matters.³² In 1683, however, the need for stimulus was urgent. Not only the south, but all of China suffered under an economic depression in the early Kangxi period, worsened by the heavy costs of suppression of the Revolt of the Three Feudatories.³³

As of December 1683, two months after the victory on Taiwan, the Qing began to lift the ban on Chinese navigation overseas. At least fifty large and small coastal ports in four provinces were opened to foreign trade.³⁴ The Kangxi Emperor believed that opening these ports would benefit the national economy and also the livelihood of the general population (*guoji minsheng*).³⁵ Trade in military supplies and goods which were believed to be potentially useful to rebels, only, was still banned.³⁶ Of the newly opened ports, Xiamen [Amoy], Guangzhou [Canton], Macao and Ningbo attracted Western traders. At times, these ports competed among themselves for Western business.³⁷ Initially, “the ships were few and the customs duties meager,”³⁸ but the region enjoyed a rapid recovery under Kangxi's open trade policies.³⁹ Coastal residents returned, agriculture was restored, devastated junk fleets were rebuilt, and foreign and regional trade rapidly increased. Between 1685 through 1688 some 467 private Chinese vessels sailed to Japan; during the prior four years only twelve ships had made the voyage.⁴⁰

As the Kangxi Emperor later explained, “Why have I opened trade along the coast? The development of maritime trade will benefit the people of Fujian and Guangdong. As the people of these two provinces get rich and commercial commodities smoothly circulate, this prosperity will benefit other provinces.”⁴¹ The powerful recovery that flowed from the trade liberalization policies of the late seventeenth century parallels China's late twentieth century economic revival in the wake of the “Cultural Revolution” of 1965-1971. Trade was encouraged by the modern Chinese political leadership -- ‘to get rich is glorious’ -- as a means to spur recovery and maintain social order in those difficult years. In each case commerce was used to ignite the extraordinary energy of the Chinese people and to restore economic health after a period of crisis. The economies of these two eras were profoundly different, but the results of liberalization were the same.

In implementing an open trade policy, the Kangxi Emperor rejected Ming Dynasty policy that restricted foreign trade to limited business conducted in tandem with missions bearing tribute to the Chinese Emperor. The “tribute system” continued, but under Qing Dynasty policy it was separated from foreign trade.⁴² The Kangxi Emperor acted to assure that tax revenue from foreign trade would flow smoothly to the Qing state. In 1684 the maritime customs system (*haiguan*) was defined as having jurisdiction over the taxation of goods exported and imported by maritime ships, and trusted Manchu officials were appointed as the heads of the crucial Guangdong and Fujian maritime customs.⁴³ China's growing maritime foreign trade yielded substantial customs revenues thereafter. Scholarly estimates place the value of trade between China and nontribute countries in Europe and Southeast Asia in the late seventeenth and early eighteenth centuries at more than 5.4 million taels (\$7.5 million) annually.⁴⁴

The Qing recognized the dangers inherent in maritime trade. Successful as conquerors after a forty year struggle, they knew that anti-Manchu feeling existed among the majority ethnic Han population. The new rulers were wary that trade might facilitate contact with rebels who had escaped to the nearby Philippines and South China Sea (*nanyang*). They were equally watchful for anti-Qing or other unconventional ideas, coming from abroad, which might stir up the coastal population.⁴⁵ Further rebel activity in and near Taiwan led to reimposition of the ban on regional overseas trade in 1717. It was then gradually lifted in the years through 1727.⁴⁶ During this later ban, European ships continued to be allowed to call at Chinese ports, and general Chinese trade with Japan, the Ryukyu Islands (including Okinawa) and Annam (Vietnam) was also continued.⁴⁷

As masters of a newly pacified land, the Qing rulers closely watched and were wary of the sometimes aggressive and seemingly uncivilized conduct of some of the Westerners who came to China to do business. Their burgeoning maritime commerce served Chinese interests, but the behavior of certain foreigners caused Qing officials to think constantly about public order and national defense. The first English expedition to China, which reached Canton in 1637 under Captain John Weddell, made itself memorable by using gunfire to force its way into the Pearl River.⁴⁸ In 1724 the hong merchant Youngqua was placed in chains by the Hoppo



Figure 1. The Kangxi Emperor , reigned 1661 to 1722.
(The Palace Museum, Beijing).

after his French tenant drew his sword on one of the Hoppo's officers.⁴⁹ In 1742, Commodore Anson of HMS *Centurion* threatened to force his way up the Pearl River to Whampoa. In response, an old law was revived prohibiting foreign warships beyond the Bogue forts. Regulations were announced banning the firing of ships' guns in port and requiring commercial vessels to surrender their cannons while in port, but these rules were largely ignored.⁵⁰ Commodore Anson then took his reprovisioned warship out to sea where he captured the annual Spanish galleon from Acapulco to Manila, *Nuestra Señora de Covadonga*, laden with £1,500,000 in silver. Anson brought his prize back to the Pearl River, where he disputed the customs duties assessed by the Chinese on the *Centurion* and the captured galleon.⁵¹ After the 1754 death of a British sailor in fighting between French and British sailors, the Canton officials assigned what came to be called "French Island" to the French for recreation and "Danes Island" to the British and Danes for the same purpose.⁵² On 17 August 1781 Captain John McClary of the English country ship *Dadoloy* captured the private Dutch ship *Goede Hoop* at the Whampoa anchorage. The Dutch protested to the Chinese, who scrambled some 2,000 troops and assembled a flotilla of private and government vessels which hemmed in the captured vessel while angrily demanding an end to this offense against Chinese sovereignty over inner waters. The Governor-General, Governor and Hoppo wrote the English supercargoes on 9 September 1781, stating: "This is to give notice to the supercargoes of the different nations in order that they may inform their countrymen that the Emperor will not suffer them to bring war into his dominions, and that whoever does so in the future shall be treated as an enemy." Captain McClary then yielded his prize to the cheering Chinese flotilla and sailed off. He carried with him an iron chest containing pearls and gold consigned by Armenian merchants in India, with an invoice value of 89,128 rupees. Not long thereafter, Captain McClary further irritated the Chinese authorities by plundering a Canton junk he seized in the Bangka Straits, claiming that the goods he found on it were actually Dutch property.⁵³ On 19 March 1787, The hong merchant Howqua I (Lin Shima) was taken hostage by a putative private creditor. He was held in the Imperial Factory by Mr. Dormer, purser of the *Nottingham* (a vessel Howqua I had not secured), who claimed that his hostage had somehow agreed to guaranty a failed transaction "with Small Merchants and Persons of that Description." He had no proof of guaranty, and the hong merchant refused to sign the new guaranty Dormer demanded. Howqua I was released, Dormer was reprimanded, and the EIC ordered the disgruntled supposed creditor to leave Canton on the next ship.⁵⁴ In 1808 thirteen British warships landed hundreds of soldiers and occupied a fort at Macao on the pretext of protecting Macao from the French navy. The Chinese authorities cut off British trade and marched an army in response, which caused the British forces to depart. Governor-General Wu Xiongguang was removed from office and ordered banished to Xinjiang for failure to respond sternly enough to the British occupation.⁵⁵ On 21 April 1833, private British country trader James Innes set fire to the Customs House, using rockets and blue lights, to express outrage at official inaction against a Chinese who he claimed had assaulted him.⁵⁶ The preceding is simply a collection of incidents, not a comprehensive catalog of aggressive activities. Fights -- notably among foreign sailors or between sailors and the local population -- occurred regularly, as did occasional murders of Chinese by foreigners, often enough in

these brawls.⁵⁷ The Qing government had been given reason to consider Westerners a potential external risk to domestic order.

The Qing were also concerned about the potentially disruptive internal effects of unfair or deceptive business practices by Chinese who traded with Westerners. In the present, they saw shadows of the abusive trading practices that arose in the illicit maritime trade of the late Ming period. The *wokou* ("Japanese pirate") depredations of the mid to late 1500s were a particularly bitter memory. The *wokou* were Japanese and Chinese who had traded between China and Japan. As foreign trade was illegal, and subject to periodic crackdowns, the sea traders relied on prominent Chinese families which began to use the strained situation against them.⁵⁸

"They received payment in advance from the Japanese traders but never delivered any cargoes or kept the cargoes without paying the cost. Waiting off coast in vain, the Japanese traders were desperately worried about the consequences if they went back to their lords with empty hands. With no other alternative, they resorted to violence. The prominent official families, acting for their own advantage, urged the local administration to expel them by force. But at the same time, they played the tricky game of deliberately informing their partners of the imminent military attacks just to make sure they could manage to escape in time for the gratefulness of the Japanese might bring them further benefit. After several similar occasions, the Japanese merchants became aware that they had been cheated."⁵⁹

Vengeance by the Japanese traders escalated into large-scale raids, and even expeditions inland or up the Yangzi River, which caused terrible damage and took years of effort and great expense to suppress.⁶⁰ The Qianlong Emperor had the history of unpaid foreign merchants turning to piracy in mind during the years in which the Canton Guaranty System was developed. In a 1777 edict which harshly criticized official handling of a relatively minor foreign debt case, the Emperor stressed the foreign relations importance of the matter.

"Moreover, our resolution of this point is not just for the particular case at issue. It comes after reflecting deeply on the fact that the dynasties of Han, Tang, Song and Ming, during their last years, came to ignore the proper way of showing benevolent disposition towards people from afar. When the foreign people were weak and incapable [to fight against China], [the rulers of the said dynasties] despised them and insulted or ill-treated them; while when they were strong and [China] got into trouble [with them], then [the Chinese rulers] showed their fear and sought for some kind of concession. [They] went with this type of appeasement, and acted without thinking. Consequently, serious ruptures occurred, and [the state of affairs] became unredeemable. The failure of the Song as well as the fall of the Ming was caused by mistakes of this kind. How can we not take warning [by these precedents]?"⁶¹

2B. The Organization of Merchants Engaged in Maritime Trade

Official management of Chinese merchants engaged in foreign trade from Canton dates from 1686, after the opening of foreign trade. In that year Governor Li Shizhen licensed a group of successful merchants as foreign goods firms (*yanghuo*

hang).⁶² The thriving business of these official merchants is described in a contemporary poem by Chu Dajun (1630-1696):

“Ocean-going ships compete to export the wares of official merchants
As Shizimen opens on the two oceans
The Guangdong silks and satins are highly prized
And silver piles up in the thirteen hong.”⁶³

In these early years, the leading Chinese traders were spry and entrepreneurial. Their ships came and went from many places, notably the Philippines, Batavia and Annam (Vietnam). Some did business with Westerners in China, but that trade was insignificant. Early Chinese specialists in European trade were itinerant, associated primarily with home ports in neighboring Fujian Province such as Xiamen [Amoy] or Quanzhou.⁶⁴ They traveled to the ports European vessels visited according to a seasonal rhythm that long marked the trade. Their developing European business was fit into a timetable with other mercantile activities. The Western season began with the arrival of foreign ships with the southwest monsoon in about May or June and ended at the latest by mid-January when the ships left with the northeast monsoon.⁶⁵

European trade was exempted from the renewed ban on overseas navigation which was imposed by the Kangxi Emperor from 1717 through 1727. The ban took the bloom off the regional junk trade and ended hong merchant involvement in it, at least for that period. While trade with Japan was also exempted, it too suffered, due to the austerity regime of the Japanese Shogun Yoshimune and falling Chinese demand for imported Japanese copper.⁶⁶

From the early days of the trade, there was a divergence between the poetic image of hong merchant wealth and the less opulent reality of conducting trade between two worlds. While little detail survives about the finances of the early hong merchants, some became greatly indebted to foreign and domestic creditors. The unresolved burden of this debt -- and mounting interest on it -- placed an ongoing burden on their businesses. For example, many of the hong merchants are known to have been deeply in debt to official patrons and Armenian and other creditors in the early 1720s, in large part due to losses on tea shipments to Batavia.⁶⁷ The British EIC noted in its records in May 1723 that “almost all the merchants are broke, and there are not above two or three to be depended on for a contract.”⁶⁸ In July 1723, the EIC noted that Suqua, Cowlo and several other merchants who had just arrived from Xiamen (Amoy) stated “that they have built large Honggs at Amoy, in order to live there, for that they can’t bear the impositions of the Mandarines here, any longer, and wish the English would go there.”⁶⁹ The causes of hong merchant debt in the early 1700s were similar to those noted a century later: inadequate capitalization, heavy exactions by government officials, high operating and living expenses, and lack of business credit.

The lack of affordable domestic credit was a severe problem. The general trend of hong merchant history from the early 1700s forward is of a growing trade, and that trade is believed to have been generally profitable.⁷⁰ The demands of carrying on this increasing and highly competitive business strained hong firms from the start, and many turned to Western merchants for high interest rate credit.⁷¹

Foreigners extended credit in the form of cash loans, which were used to finance large volume purchases, or in the form of import goods to be paid for in the future. Some domestic suppliers extended credit for large purchases by hong merchants, but a deposit was normally required.⁷² Prior to the 1760 ban on foreign debt and mortgages, some foreign loans were secured by mortgages on real estate owned by hong firms.⁷³ The seemingly chronic indebtedness of the hong merchant firms had become a serious issue for the Western traders by at least the 1750s.⁷⁴

The hong merchants had few other credit options. The principal lenders in China during this period were either family members or pawnshops. The latter grew in number and respectability during the eighteenth century, rising from 9,904 in 1723 to about 25,000 by the early 1800s.⁷⁵ Idle government funds were advanced to pawnshops to be lent out at interest, under a policy known as *fashang shengxi* (put the fund with merchants to produce interest).⁷⁶ There was no such thing as commercial finance.⁷⁷ George Staunton noted in 1810 that it was a “frequent practice in China, to lend upon pledges; and [that] accordingly, the shops of money-lenders, where deposits may be made of any kind of personal property, are extremely numerous in all parts of the empire, and, in general, upon a scale of greater respectability than establishments of a similar nature in Europe.” He viewed the high interest rates and scarcity of credit in China as resulting from the “comparatively vague and undefined” state of property rights under Chinese law and difficulties enforcing such rights, adding:

“In a state of things so unfavorable to the accumulation and transfer of property, there cannot at any time be much floating capital; and the value of that capital, as far as it is denoted by the interest which it bears, it is natural to expect, will be high in proportion to its scarcity. In other words, where there are many borrowers and few lenders, and where it forms no part of the system of the government to grant to the former any peculiar degree of protection or encouragement, it seems a necessary consequence, that the latter will both demand and obtain a more than ordinary compensation in return for the use of his property. Trade, therefore, as far as it requires such aid, cannot be so extensively carried on, as it is in those countries, in which there being more available capital, that capital is procurable at a cheaper rate, and accordingly a smaller return of profit found adequate to the charges of commercial adventure.”⁷⁸

Undercapitalized hong merchants generally lacked the collateral required for pawnbroker loans, or did not have rich family members to call upon, or had previously drawn as much as family resources could bear. Credit was not to be had within the guild except on rare occasions. The wealthy hong merchants were reluctant to lend to the lesser merchants, because they could not offer good security, and were often patently unstable.⁷⁹ So it was that the hong merchant Goqua II (Xie Yuren of the Dongyu hang), who had long borrowed from the British EIC as a lender of last resort, turned again to the EIC for credit in June 1828, saying that “no one [else] will help me with a loan.”⁸⁰

The difficult trading conditions of the 1720s led firms with a history of trading with Westerners to respond by building up that side of their businesses, exploiting existing connections in ports such as Manila and Batavia and good working relations with European traders. These were also years of outreach by Western

national trading firms, which worked to develop more direct and therefore more efficient trade from the China coast to Europe.⁸¹ As Canton became the lead port for China's developing trade with the West, the formerly itinerant Chinese traders began to settle there, along with returning overseas Chinese traders with close ties to the Philippines and Batavia. The seaport was in flux. Newcomers were rising to prominence in Canton's trade with the West, notably Puankhequa I (Pan Zhencheng of the Tongwen Hong) who had lived and worked for years in Manila.⁸² The foreign trading community took root and grew up on the west side of Canton, in the area where the trading ships offices of the former Song and Ming dynasties had been located. These establishments became famous as the Thirteen Hongs and the Foreign Factories, the business premises of the Chinese and Western traders respectively.⁸³

In the early 1700s, China's trade from Canton with Western merchants was managed through a series of chief merchants -- notably Hunsunquin, Cawsanqua (Cudgin), and Suqua (Cumshaw). Each had close ties with officials and used those ties to control or to obtain advantage in trade.⁸⁴ In the early years monopoly trading rights were sometimes purchased by an individual or group from the Canton officials.⁸⁵ The favored purchaser might in turn subcontract trading rights with particular ships to other merchants.⁸⁶ Individuals who traded under the name "Emperors Merchant" appeared at several foreign trade ports, seeking to enforce monopoly trading rights said to have been acquired from the Kangxi Emperor's fourth son, the future Yongzheng Emperor. The Emperor's Merchant who arrived at Canton in 1704 was an unsuccessful salt merchant who had acquired a monopoly of that season's trade for 42,000 taels (\$58,333).⁸⁷ He sought to assert a general monopoly of Canton's foreign trade, but was rebuffed through the joint efforts of the European and Chinese merchants.⁸⁸

To secure a collective monopoly of the Chinese side of the trade, a combination of the hong merchant body was attempted at Xiamen (Amoy) in 1704, at the behest of the local Emperor's Merchant. The organization did not last long.⁸⁹ In the course of the 1700s, the hong merchants tried on several other occasions to organize as one body that could negotiate on a more equal footing with the European trading corporations. In December 1720, a three-tiered guild of sixteen hong merchants known as the Cohong was organized at Canton with the support of the Hoppo and other officials. As described by Weng Eang Cheong:

"The members were graded into three groups of five, five and six merchants according to their wealth and ability. Admission to the third and lowest grade cost 1,000 taels; presumably the price for entry to the other grades was higher. Outsiders, known as shopkeepers, had to pay a levy of 40 per cent and 20 per cent respectively, to participate in the tea and porcelain trades monopolized by the Hong merchants; newly arrived merchants were required to observe the guild's practices and prices."⁹⁰

The Cohong monopolized the tea and porcelain trades at Canton and set practices and prices which had to be observed by all foreign trade merchants. Establishment of the guild seems to have been motivated by the desire of the incumbent traders to control their rising local competitors (the former itinerants), as well as to manage external trade with the increasingly powerful European chartered companies.⁹¹ Although the organization was promptly dissolved in July 1721 under

British East India Company pressure, its three tiered organization and the distinct functions of each tier governed the conduct of trade for many years thereafter.⁹²

As Canton's maritime trade grew, official management of these outer seas merchants (the *waiyang hang* or *yang hang*) was separated from management of the junk trade merchants. Business with Western traders was monopolized in the hands of the outer seas hong merchants. The junk trade merchants were distinctly organized as the native ports hong and as the Guangdong and Fujian hong. The business of the merchants of the native ports hong (*bengang hang*) was international, specialized in trade with and tribute from Southeast Asia. The business of the merchants of the Guangdong and Fujian hong (*fuchao hang*) (Fu-jian, Chao-zhou hong) was regional, specialized in trade north up the coast. The history of these two sea trading hong organizations is obscure, but these hong merchants did business with the merchants of the outer seas hong, and appear to have been regulated in a similar manner.⁹³ Many other guild organizations existed at Canton during this period, and were subject to government regulation. Popularly known as the "seventy-two hang," the actual number of regulated guild organizations is said to have numbered ninety-seven firms.⁹⁴

Virtually all of the Western firms doing business in China in this era were themselves state-chartered monopolies. Major European trading firms included the Dutch (*Vereenigde Oost-Indische Compagnie*) ("VOC"),⁹⁵ French (*Compagnie Française des Indes Orientales*),⁹⁶ and Swedish (*Svenska Ostindiska Companiet*)⁹⁷ East India Companies, as well as the aggressive and ultimately dominant British East India Company.⁹⁸ Each of these companies had monopoly rights in their home market, granted by the state. Lesser players included the Danish East India Company (*Asiatiske Kompagni*),⁹⁹ and private merchants operating under "flags of convenience," including the Imperial or Ostend Company (*Ostender Compagnie*) (operated by private traders under a charter purchased in 1717 from the Austrian Emperor),¹⁰⁰ the Prussian or Emden company,¹⁰¹ and companies chartered by Genoa and by Tuscany.¹⁰² These entities attempted to avoid monopoly rights existing in their promoters' respective European home countries. Private Spanish traders from Manila initially enjoyed privileged access to the important Chinese ports of Quanzhou and Xiamen [Amoy], granted early in the Qing period.¹⁰³ The various European East India companies competed among themselves, in Europe and in Asia,¹⁰⁴ and repeatedly sought to use their individual and collective power to seek economic advantage in trading with the licensed merchants of Canton. The scale of their operations grew strongly during the eighteenth century. While historical measurements of international trade are imprecise, various estimates have been offered. Trade between Canton and Europe is said to have grown "at the rate of 4 percent a year between 1719 and 1806, meaning that the volume of trade doubled every eighteen years."¹⁰⁵

2C. Official Roots of Collective Responsibility

The orderly conduct of maritime foreign trade at Canton was of direct personal importance to the Emperor at Beijing. Tax revenues from the trade were an important source of income for the Imperial Household Department (*neiwufu*), which funded court operations. The Emperor used Imperial Household Department personnel, posted to Canton, to monitor affairs at the port. While the procedures used to control and tax trade at Canton were distinctive, they were

hardly unique. Elements of this system are similar to the structure of other monopolized businesses which were managed by the Imperial Household Department for the benefit of the Court, notably the important salt and ginseng monopolies. Each of these monopolies licensed merchants to trade in the monopolized matter, and held these merchants collectively responsible for unpaid taxes and other financial obligations to the state. The Chinese hong merchant scholar Liang Jiabin quotes his hong merchant grandfather as having said that “The licensed merchants of the hong system were much like the Salt Merchants.”¹⁰⁶ Liang was right.

The Imperial Household Department (*neiwufu*) was at once the Emperor’s personal treasury, the principal landlord, primary employer of workers and artisans, and the ultimate recipient of much national tax revenue collection.¹⁰⁷ Its key purpose was to maintain control of resources and enterprises to assure the financial stability of the imperial court.¹⁰⁸ Most of the Department’s personnel were Manchu.¹⁰⁹ It was largely made up of bondservants (*baoyi*), a hereditary class organized in banners under the Manchu system. The significance of bondservant status varied by banner and ethnicity and changed over time. Many of the non-Manchu *baoyi* had come into the organization as captives and were originally held in slave-like conditions. At all times all bondservants owed a duty of service to the Court.¹¹⁰ Jonathan Spence calls the Department the Emperor’s “personal bureaucracy.” Spence’s invaluable study of the service of the bondservant Cao Yin to the Kangxi Emperor shows that communication within this bureaucracy could be direct and frank.¹¹¹ “The bondservants worked for the Emperor only; just because they were his servants, he protected them and appointed them to lucrative office, so that at some indeterminate point servility became prestige.”¹¹² Spence posits that a significant purpose of the Emperor’s use of this bureaucracy was to keep close watch on his household funds.¹¹³ From the early 1700s, the major customs and salt administration offices were usually held by Imperial Household Department bondservants, who were regularly moved from one post to another.¹¹⁴ The Hoppo often had prior experience elsewhere as a superintendent of customs or salt censor.¹¹⁵

The Imperial Household Department operated several schools which educated the sons of bondservants of the upper three banners for service in the Department.¹¹⁶ A small *baoyi* elite stood at the head of the Department, holding high office in Beijing or important financial positions in the provinces.¹¹⁷ While the Department worked with other units of the government under a policy called “Government and Imperial Household working in unison” (*gongfu yiti*), little about it was known to contemporary Chinese. Its affairs were kept secret.¹¹⁸

Taxes were collected by the Qing government under a quotum system. At Canton, customs taxes were assessed and collected as regular quotum (*zheng’e*) or as surplus quotum (*yingyu*).¹¹⁹ Regular quotum proceeds went to the Ministry of Revenue (*Hu Bu*). Surplus quotum went to the Imperial Household Department (*neiwufu*), bypassing the provincial government and the Board of Revenue.¹²⁰ While the assessment of regular quotum did not formally change from 1686 to 1843, the amounts collected as surplus quotum and related charges increased substantially over the years.¹²¹ Surplus quotum revenue from the Canton customs averaged 855,500 taels (\$1,188,194) annually during the period 1796-1821, representing 38% on

average of national annual surplus quatum collection during that period (2,261,301 taels [\$3,140,695]).¹²² These revenues represented a significant part of the court's annual budget. Regular quatum revenue from the Canton customs exceeded 1,000,000 taels (\$1,388,889) annually by 1796.¹²³

The process by which the growing maritime trade of the port of Canton was taxed for the benefit of the Qing state was quite complicated, evolved over many years, and was a continual subject of vexation to Western traders who bemoaned the lack of a uniform customs table.¹²⁴ Such a table did exist, an official list of import and export goods and applicable duties charged per unit (not by value), but these charges had been fixed as of 1727 and represented a small part of the total duties payable by any given ship.¹²⁵ The Hoppo sought to maintain an equivalent balance between import and export duties charged. An excess of one over the other, such as heavy export duties contrasted with minimal import duties, might indicate smuggling.¹²⁶ The largest charges in terms of cash outlay were "anchorage" or "measurement" fees (assessed per vessel based on length and width measurements against which a uniform 20% discount was applied) and "cumshaw" or port charges (including the "emperor's present" which was 1,950 taels [\$2,708] for English ships).¹²⁷ Surtaxes and supplements proliferated over time, ultimately exceeding the basic duty many times over.¹²⁸ The most prominent added charge was the tax imposed on the trade in 1780 to support the Consoo Fund (the *hangyong* levy), which ranged from as little as three percent to as much as seven percent depending on the exigencies of the moment.¹²⁹ Other significant charges, such as "native tribute" of 55,000 taels (\$76,389) due to the Emperor, as much as 100,000 taels (\$138,889) annually for singsong curiosities sent to Beijing, and the expense of forced purchases of ginseng which the Imperial Household Department had sent to the Hoppo for sale, all were deducted from the Consoo Fund.¹³⁰ To encourage the importation of rice, a significant import duty discount was given to vessels carrying large rice cargoes. Western traders made creative use of this rule in the open waters at Lintin Island, offloading inbound cargoes of opium onto waiting storeships and taking on waiting rice cargoes for a short and tax-advantaged last leg of their voyage into Chinese waters.¹³¹

Customs duties were not collected on a current basis by the Qing government. They were required to be paid annually on the last day of the fiscal year of the Canton customs, a date that fell sometime between September and early November. In 1794, for example, the fiscal year ended on September 18th (the 25th day of the 8th moon), triggering the collapse of Gonqua's tax-delinquent Eryi hang.¹³² Many financially troubled hong merchants took advantage of customs tax funds which were not due to be paid for up to twelve months, either by diverting them to other uses or by the expedient of "purchasing the privilege" of paying duties owed by others. When a hong merchant "purchased the privilege" of paying duties he received a discounted (smaller) sum from a third party and accepted in return the legal obligation to pay the customs duties due from the third party to the government in full on the due date. In reality this was a high interest rate short term loan, from a powerful and unforgiving involuntary lender (the Qing government).¹³³ The consequences of treating duties as an interest-free loan from the state were frequently disastrous for the weak hong.

Tax collection performance was an important criterion for evaluating the work of Qing officials¹³⁴ The *quotum* system provided a motivation to understate or delay actual proceeds so as to avoid creating a new benchmark and a higher *quotum* for the following year which might prove impossible to pay.¹³⁵ Under the Qing statutes, if customs revenues came in at 10% (or more) below prior year revenues in any given year, the responsible officials could be held personally liable for the deficiency and also subjected to severe beating for the offense.¹³⁶ This discouraged custom collections by the Hoppo in peak years of the trade. During the 1780s, for example, trade surged. Gross stated collections from the customs (*shizheng*) increased from 450,000 taels (\$625,000) in 1780 to 750,000 taels (\$1,041,667) in 1786, and might have been greater than that.¹³⁷ The Hoppo regularly halted trade at Canton once the tax *quotum* was reached during these years, lest increased trade generate a higher *quotum* target for future years.¹³⁸ These revenues, and other fees and charges that were levied on foreign trade, contributed to the reputation of Canton postings among Qing officials as opportunities to grow rich. Officials who had built up personal debts to the Imperial Household Department for failure to meet required tax quota at other postings were often appointed to the Canton customs. The Canton position was viewed as an opportunity to pay down existing debt, the post rich enough on its own that existing debt was unlikely to get worse.¹³⁹

The ginseng monopoly, closely monitored by the Imperial Household Department, was an important traditional source of income for the Manchu rulers. To protect their homeland source of prized wild ginseng, the Qing closed Manchuria to immigration from China in 1668 and built "the famous willow palisade which stretched for several hundred miles in a great arc from the Wall at Shanhaiguan to the north of Kirin and southeastward to the Yalu river."¹⁴⁰ Wild ginseng production was organized for the benefit of the court, and bondservant officials of the Imperial Household Department were required to act as monopoly product salesmen. Starting in 1757, a quantity of prime ginseng was sent annually to the officials in charge of the Lianghuai and Changlu salt monopolies, the Superintendents of the Imperial Silk Factories, and the Hoppo in charge of the maritime customs at Canton. Each was responsible to sell his allocation, and to return cash proceeds to Beijing.¹⁴¹

The ginseng monopoly was run by licensed merchants, who sent diggers into the Manchurian woods to find and return with the increasingly scarce fragile wild ginseng. Overharvesting caused ginseng yields to decrease sharply through the 1700s and into the early 1800s. As of 1739, the Court imposed collective responsibility on the ginseng merchant group. The body was made collectively liable for the actions of any one member of the merchant group, and was forced to guarantee that both the quality and quantity of ginseng collected would meet an overall *quotum*. As official quota were set high, it was hard to meet them.¹⁴² Where a given *quotum* was not met, the guarantor had to pay an amount set by the Court as equivalent to the value of the shortfall. To the extent he was unable to do so, the other merchants had to pay the deficiency.¹⁴³ As of the early 1800s, diggers who failed to meet *quotum* were charged a penalty assessment of fifty ounces of silver for each ounce of ginseng by which they failed to meet *quotum*. Few diggers could pay. The Court directed the officials to collect, when necessary, from the merchants who had guaranteed the diggers.¹⁴⁴ Shortfalls became so severe that the officials were personally charged for failing to meet *quotum*, together with the ginseng

merchants. The quality of the ginseng received by the Court in 1811 was so poor that the officials and merchants were made to purchase that entire crop, as the Imperial Household Department could not sell it at a premium price.¹⁴⁵ These strictures applied up to and through the process of receipt and grading of harvested ginseng in Beijing. As Van Jay Symons relates:

“Government directives regarded all those involved in grading ginseng and transporting the root to the court to be guarantors of the quality of the harvest. Punishments established were so stringent that if cultivated ginseng was found in the tribute-grade ginseng sent to the court, even the Manchu Generals-in-Chief, Lieutenant-Generals . . . , Civil Governor of the Manchurian Province of [Fengtian] . . . , and the Vice President of one of the Six Boards . . . who was specially sent to assist in the grading process were subject to three step demotions in rank and transference to another post. They might also be required to make good any loss suffered by the court due to the poorness of the quality of the ginseng.”¹⁴⁶

The wholesale value of the annual ginseng harvest, which is estimated to have stood at between 128,000 taels (\$177,778) and 208,000 taels (\$288,889) in 1709, had plunged to 20,000 taels (\$27,778) by the mid 1800s. More than half of the licensed ginseng merchants had been rendered insolvent by the first half of the nineteenth century. Of the 400 ginseng merchants in Shengjing in 1800, fewer than 150 remained in business as of 1847.¹⁴⁷

The enormous wealth of the licensed salt merchants was well known in Qing China. In a directive to the Canton officials, the Qianlong Emperor stated that “there is no comparison between [the wealth of] these [Guangdong hong] merchants and that of the Liang-huai salt merchants.”¹⁴⁸ Tax revenues generated from the salt administration were far greater than those from the Canton customs. Ping-ti Ho in his study of the salt merchants states that taxation of the Lianghuai merchants generated 36,370,968 taels (\$50,515,223) for the imperial treasury during the period 1738-1804, nine times as much as the 3,950,000 taels (\$5,486,111) paid by the hong merchants during the period 1773-1832.¹⁴⁹ Lianghuai, in east central China, was the most important salt administration region, far exceeding all other regions in production, sale and revenue. Ho states that the salt merchants “owed their wealth and power to the monopoly which was granted to them by the government.” The salt monopoly was abolished in 1831.¹⁵⁰

Tax revenues from the salt administration were assessed on a *quotum* basis in accordance with general Qing policy.¹⁵¹ The salt merchants were divided into two categories, factory merchants who produced salt, and transport merchants who distributed and sold salt. A group of about thirty leading merchants were chosen as head merchants of each, and these head merchants were held collectively responsible to pay taxes that were not paid by individual licensed salt merchants.¹⁵² These individual merchants were guaranteed by the head merchants, and were required to register annually with the Lianghuai salt administration under the name of their head merchant guarantor.¹⁵³ The Lianghuai salt merchants contributed to a substantial “common box” fund which was used to pay various fees assessed by the salt administration officials.¹⁵⁴ This resembles the Consoo Fund of the Canton hong merchants, although it was not supported by a tax on trade and it is not known

whether collective responsibility to the officials for unpaid salt taxes was paid from the Lianghuai “common box.”

The common thread among these various Imperial Household Department enterprises was the bondservant administrators that shuttled between them. The Department was a small bureaucracy. Many of these administrators, particularly the leaders, would have been familiar with each others' work, reputation and ideas. This personal familiarity began with early training in Department schools and continued as bondservant administrators worked together with or succeeded each other in office. For example, many Hoppo were appointed to Canton for a one year term. Of necessity that service closely tracked the policies and procedures of preceding Hoppo.

As discussed at above, at pages 25-26, 28-30, collective responsibility to pay money to the state was imposed on the head merchants (*zongshang*) of the salt, ginseng and foreign trade monopolies run by the Imperial Household Department.¹⁵⁵ We may be sure that these merchants did not welcome this additional liability. The hong merchants certainly did not in 1780. The Department was more closely involved in ginseng administration than in salt affairs,¹⁵⁶ presumably because the salt business was thriving -- in its “golden age” in Ping-ti Ho's words¹⁵⁷ -- while the ginseng business was in decline. Whatever the reason, we know more about collective responsibility in the ginseng business. It was imposed on the head ginseng merchants in 1739, as a mutual responsibility to pay the state the value of any deficiency in quality or quantity of collected ginseng. This predates the practice at Canton by about fifteen years. The date of imposition of collective liability for unpaid taxes among the salt merchants is uncertain.

We do not know how Imperial Household Department managers judged the experience of collective liability in the ginseng monopoly in the years after 1739. It appears to have been seen as a successful risk control measure, for it was continued and tightened in practice over the next hundred years. It is therefore possible that the practice of collective liability in monopoly administration was first tested in the ginseng business (and possibly the salt business as well), and introduced at Canton only after it was judged to have been successful. The sudden appearance of collective liability in three aspects of administration of the Canton maritime customs in 1754-1755 suggests that these practices were specific innovations by Li Yongbiao, a bondservant who was first appointed to Canton as Hoppo in 1752.¹⁵⁸

2D. Collective Responsibility in Chinese Tradition

Collective responsibility dates from early Chinese history and has its roots in military organization. The practice of penalizing soldiers for the failures of comrades within defined groups can be traced back to the unifying first Emperor Qin Shi Huang Di. This practice developed into the registration of household units which were held mutually responsible for conscription, policing and taxation duties owed to the state. As a large part of the tax revenues of the primitive state were used to support the military, there was an immediate early connection between personal military service and the collection of taxes needed to support the military forces that defended the state. Whether mustered in person or in the form of taxes paid, the early Chinese state based its defense on principles of collective

responsibility laid equally on all of its subjects. Modern Chinese financial collective responsibility thus finds its origins in the taxation policies of the primitive state.¹⁵⁹

The best known example of collective responsibility in Chinese tradition was the *baojia* system. This ancient program of social registration and responsibility was continued during the Qing Dynasty and is a near relative of the *hukou* system of household registration still in use in modern China.¹⁶⁰ Collective responsibility was observed in other ways as well. Among urban merchants, the concept of group liability to the state to pay something like taxes was recognized in the practice of *hangyi* payments. The government allowed a trade to be monopolized or controlled. The merchants in return accepted collective responsibility to pay *hangyi* to the state, dues in lieu of goods or services, plus other sums sought by the officials.¹⁶¹

The Western traders encountered collective responsibility in its raw form in Qing criminal cases, and spoke harshly about it.¹⁶² When they encountered the concept in its commercial aspect -- the enforced collective responsibility of Chinese subjects for illegal hong debts due to foreigners -- most embraced it warmly.

Kung-chuan Hsiao, a leading scholar, describes the *baojia* system of Qing China as a device the state used "to watch and check the number, movements, and activities of the people, through agents selected from the local inhabitants themselves." Like the Canton System, it was designed to address public order concerns. In a 1757 edict, the Qianlong Emperor stated that the system had been instituted to suppress sedition and maintain peace among the law-abiding.¹⁶³ Under the *baojia* system, Qing households were registered in succeeding decimal units (groups of ten) up to the level of a *bao*, of which a *baozhang* was appointed head.¹⁶⁴ All adult males were required to register and to report crimes and criminals. Failure to report brought punishment not just on the individual, but also on all of his neighbors in the ten person registered group.¹⁶⁵

In its original concept, the *baojia* system involved social registration and monitoring, but not financial matters. A separate *lijia* system, intended to be distinct but in practice often overlapping, registered households in groups for tax purposes.¹⁶⁶ According to a popular Chinese story, the god of wealth had originally been a *lijia* tax gatherer.¹⁶⁷ The *baojia* and *lijia* systems were inconsistently administered, were sometimes confused in practice, and declined through the course of the Qing dynasty.¹⁶⁸ Efforts to reinvigorate the systems were occasionally made, notably the Qianlong Emperor's 1757 direction to the Governors-General and Governors to report on and improve local *baojia* compliance.¹⁶⁹ To improve reporting, as of the early 1800s, *baojia* heads had to sign written pledges of mutual responsibility.¹⁷⁰ The precise meaning of such pledges is uncertain. A pledge of mutual responsibility was required from relatives of the defaulted *bengang* hong merchant Wayqua in 1777, which was a promise that the hong's foreign creditors would be repaid.¹⁷¹ Pledges later became a key part of drug trade suppression efforts in the years leading into the Opium War. Household *baojia* groups were required to sign pledges in 1838 that members were not involved with opium, which became antecedents of the bonds Lin Zexu sought to obtain from British merchants soon thereafter.¹⁷²

The Qing used a modified version of the *baojia* system to register seagoing vessels. This system followed Ming Dynasty practice by organizing vessels in

decimal groups under appointed headmen. Under a 1707 regulation the groups pledged to guarantee each other and were mutually responsible for their conduct and activities while at sea. If any ship in the group was involved in piracy all were punished unless the errant vessel was denounced. Ship owners were also required to have their vessels guaranteed by a firm recognized by the officials at the port of departure.¹⁷³ Relatives, neighbors of crew members, and even members of the crew of the vessel itself could be required to be guarantors of a merchant ship, a situation Gang Zhao calls “a sort of financial hostage-taking.”¹⁷⁴ As Andrea McElderry correctly notes, “[s]ecurity concerns, fears that supplies might go to potential rebels overseas, and worry over domestic grain shortages” lay behind this strong regulation.¹⁷⁵ These concerns carried over into the regulation of merchants who traded overseas. Head merchants were appointed among groups of merchants involved in trade with Japan and the Southern Seas (*nanyang*) from various Chinese ports in the years after 1728, and these leaders were held mutually responsible for enforcing various government regulations and guarding against piracy.¹⁷⁶

Licensed brokers (*yahang*) played a vital role in local markets in the Qing period, and were required to guarantee due completion of transactions in which they were involved including financial responsibility in case of default. To be licensed, brokers were required to have guarantors of their solvency and personal conduct. These guarantors could be held liable along with the brokers if a problem arose. Guarantors who reported misdeeds by brokers whom they had guaranteed might escape punishment.¹⁷⁷

Collective responsibility was also enforced among Qing officials. Among some officials, like the three commissioners who managed the imperial textile factories in Nanjing, Suzhou and Hangzhou, it was imposed on the basis of status. Without fixed rank and having been specially appointed by the Emperor, the textile commissioners were considered to be bound in a special relationship of mutual responsibility and surveillance.¹⁷⁸ Otherwise officials were subject to “joint liability” (*lian-zuo*) under Qing administrative law, which implies a mutual obligation. Officials could be held liable for the actions or omissions of their subordinates -- whether or not they were involved and whether or not they had knowledge -- for failure of their overall duty of supervision.¹⁷⁹ In this light, we may surmise that Qing officials considered application of collective responsibility among the monopoly merchants to be entirely fair. The officials themselves were subject to collective responsibility with their colleagues. They were also subject to the tax penalty rule that made them personally liable to pay any deficiency in the tax quatum established for their term in office. To fund these respective exposures, Qing officials had only their salary and the various fees and exactions they were able to collect while in office. By contrast, the head merchants could draw on the presumably bountiful profits of the trade from which the liability arose, and could cushion collective liability by spreading it out among the entire responsible group. The Qing officials likely reminded the merchants that many of them had sought out and purchased official rank, and that some burdens came with the honor of an official title.

The topic of collective responsibility leads directly into that of guaranty; i.e., exactly what the group members were held responsible for. Here the records become somewhat obscure. This uncertainty may result from vagaries in records of

actual practice, is perhaps also one of translation, and may just as well reflect defenses or justifications asserted after the guaranteed affairs went awry. Assurances freely offered on a sunny day are often found to be riddled with conditions -- not plainly expressed until after the skies have darkened. As Sybille van der Sprenkel notes, a gradation of meaning existed in China between a guarantee that was in the nature of a promise to exercise suasion and a guarantee which meant that cash would be paid following default by the primary obligor.

“The two forms of guarantee existed side by side -- no doubt varying also with locality -- and care had to be exercised (as European merchants found when they came up against the system in the nineteenth century) to know what was intended. Sometimes the responsibility of the guarantor was limited to bringing pressure on the debtor to pay up, as is indicated by a saying current in Hupei, ‘A go-between cannot undertake to produce children, a guarantor cannot undertake to repay money.’”¹⁸⁰

The word “guaranty” also has multiple and nuanced meaning in the English language and legal tradition. It can mean a firm commitment to pay money, the subject matter of this study. It can also mean something less definite, an offer to vouch or confirm. For this and other good reasons, a “guaranty” must usually be in writing and signed before it has legal effect in Anglo-American law. “Guaranty” (*bao*) has a similar gradation of meaning in Chinese, but what may seem to be one word -- *bao* -- in Pinyin romanization may yet be one of three different words distinguished by separate characters and tones. As analyzed by Lien-sheng Yang, three characters must be distinguished:¹⁸¹

“(1) Bao (保) (third tone), meaning ‘security, guarantee of no failure.’ This character is used in the Chinese term *baojia*, and also in the Canton trade terms which are translated in English as ‘security merchant’ (*baoshang*) (保商) and ‘security merchant system’ (*baoshang zhidu*) (保商制度).

(2) Bao (包) (first tone), meaning ‘to contract, to guarantee certain achievement.’

(3) Bao (報) (fourth tone), meaning ‘reciprocity, retribution, etc.’”

Lien-sheng Yang states that the first character *bao* (保), defined as meaning “guarantee of no failure,” was used throughout Qing political, social and economic life. “Taking civil service examinations, entering officialdom, securing a loan, applying for a passport, to name only a few examples, all required guaranty from persons of certain standing or from shops or firms . . . up to a certain grade.”¹⁸² In most of these cases, however, default did not trigger an unconditional obligation of financial performance by the ‘guarantor,’ either individually or on a collective basis. Over two centuries have passed since the high years of the Canton Guaranty System, and we know little of the original content of Chinese promises of guaranty to foreigners. It does seem clear, as Van der Sprenkel states, that confusion existed as to the content of guarantees, and that there were more than a few ways such confusion might have arisen.

Elements drawn from both Manchu and Chinese traditions were used by the Qing government in framing the regulatory structure of the Canton System and of

the system of collective liability for foreign debt (the Canton Guaranty System) during the period 1684 through 1780. When the Kangxi Emperor decided to open Southern China to maritime trade in the years after 1683 he drew on Manchu experience that regional trade, properly regulated, could both promote general prosperity and advance state objectives. Public order concerns, much on the mind of the new rulers in the wake of the forty year struggle to conquer Southern China, dictated that overseas trade would need to be closely regulated. The trade regulations which were promulgated in the century after China was opened to foreign trade in 1683 drew on Chinese and Manchu traditions, and were administered by a Qing bureaucracy which was comprised of Han Chinese and ethnic Manchu officials.

1 William T. Rowe, China's Last Empire: The Great Qing (Cambridge: Belknap Press of Harvard University Press, 2009), pp. 19 and 22.

2 Elliott, The Manchu Way, pp. 48-50; Rowe, China's Last Empire, p. 14; Gertrude Roth Li, "State Building Before 1644," pp. 9-72 in Willard J. Peterson, ed., The Cambridge History of China, Vol. 9, The Ch'ing Dynasty to 1800, Part I (Cambridge: Cambridge Univ. Press, 2002), p. 9.

3 Elliott, The Manchu Way, p. 52.

4 Elliott, The Manchu Way, pp. 39-42, 57-63 and 70; Rowe, China's Last Empire, p. 15; Frederic Wakeman, Jr., The Great Enterprise: The Manchu Reconstruction of Imperial Order in Seventeenth-Century China (Berkeley: Univ. of Calif. Press, 1985), Vol. 1, p. 55.

5 Rowe, China's Last Empire, p. 14; Van Jay Symons, Ch'ing Ginseng Management: Ch'ing Monopolies in Microcosm (Tempe, Arizona: Arizona State Univ. Press, 1981), pp. 9-10 and 73; Elliott, The Manchu Way, p. 50-1; Li, "State Building Before 1644," p. 50.

6 Zhao, "Shaping the Asian Trade Network," p. 110.

7 Rowe, China's Last Empire, p. 14; Symons, Ch'ing Ginseng Management, pp. 3, 9 and 71-2; Zhao, "Shaping the Asian Trade Network," pp. 113-118.

8 Zhao, "Shaping the Asian Trade Network," pp. 110 and 120; Rowe, China's Last Empire, p. 14; Symons, Ch'ing Ginseng Management, pp. 9-10 and 72-4; Wakeman, Great Enterprise, Vol. 1, pp. 47-8.

9 Symons, Ch'ing Ginseng Management, pp. 24 and 72-73.

10 Elliott, The Manchu Way, pp. 1-2; Rowe, China's Last Empire, pp. 15-16; Wakeman, Great Enterprise, Vol. 1, pp. 1, 262-6 and 314-6.

11 Rowe, China's Last Empire, pp. 22-23 ("Han men . . . not only saw their traditional hairstyle as reflective of their cultural identity (a point the Qing understood) but also viewed shaving their foreheads as a form of self-mutilation and a breach of filial obligation owed to the parents who had bequeathed them their bodies."); Wakeman, Great Enterprise, Vol. 1, pp. 646-55 and 659.

12 Elliott, The Manchu Way, pp. 187-191 (vivid description drawn from the surviving excerpts of a campaign memoir kept by a banner soldier named Dzengseo); Dzengseo, The Diary of a Manchu Soldier in Seventeenth-Century China (Nicola di Cosmo, tr.) (Abington: Routledge Books, 2006); E. C. Bowra, "The

Manchu Conquest of Canton" (Part One), *China Review*, Vol. 1, pp. 86-96 (1872), p. 91; Zhao, "Shaping the Asian Trade Network," pp. 36-37.

13 Jerry Dennerline, "The Shun-chih Reign," pp. 73-119, in Willard J. Peterson, ed., *The Cambridge History of China, Vol. 9, The Ch'ing Dynasty to 1800, Part I* (Cambridge: Cambridge Univ. Press, 2002), pp. 94-95; Wakeman, *Great Enterprise*, Vol. 2, p. 738.

14 Dennerline, "The Shun-chih Reign," p. 101; Robert B. Marks, *Tigers, Rice, Silk, and Silt: Environment and Economy in Late Imperial South China* (Cambridge: Cambridge Univ. Press, 1998), p. 149; Wakeman, *Great Enterprise*, Vol. 2, pp. 767-8 and 893.

15 Quoted in Bowra, "Manchu Conquest of Canton," pp. 91-3 (the spelling of the name of Shang Kexi has been changed to Pinyin romanization).

16 Zhao, "Shaping the Asian Trade Network," p. 161.

17 Leonard Blussé, *Visible Cities: Canton, Nagasaki, and Batavia and the Coming of the Americans* (Cambridge: Harvard Univ. Press, 2008), p. 25-6; Arthur Hummel, ed., *Eminent Chinese of the Ch'ing Period* (Washington, D.C.: U.S. Govt. Printing Office, 1943), pp. 108-10; Zhao, "Shaping the Asian Trade Network," pp. 54, 59, 86-7, 209 and 231; Jane Kate Leonard, *Wei Yuan and China's Rediscovery of the Maritime World* (Cambridge: Harvard Univ. Press, 1984), pp. 66-9; Marks, *Tigers, Rice, Silk, and Silt*, pp. 151 and 156; Ng Chin-keong, *Trade and Society: The Amoy Network on the China Coast 1683-1735* (Singapore: Singapore Univ. Press, 1983), pp. 48-55.

18 Ng, *Trade and Society*, p. 52.

19 Zhao, "Shaping the Asian Trade Network," p. 129; Rowe, *China's Last Empire*, p. 27; Wakeman, *Great Enterprise*, Vol. 2, pp. 1046-9.

20 Ng, *Trade and Society*, pp. 52-53.

21 Blussé, *Visible Cities*, p. 25; Cheong, *Hong Merchants*, pp. 21 n.14 and 66 n.2; Lawrence D. Kessler, *K'ang-hsi and the Consolidation of Ch'ing Rule 1661-1684* (Chicago: Univ. of Chicago Press, 1976), pp. 39-46; Donald F. Lach and Edwin J. Van Kley, *Asia in the Making of Europe, Vol. III (A Century of Advance), Book Four (East Asia)* (Chicago: Univ. of Chicago Press, 1993), pp. 1697-9; Leonard, *Wei Yuan*, p. 69; Marks, *Tigers, Rice, Silk, and Silt*, p. 151-3 and 167; Zhao, "Shaping the Asian Trade Network," pp. 132-3 and 170-1; John E. Wills, Jr., *Embassies and Illusions: Dutch and Portuguese Envoys to K'ang-hsi, 1666-1687* (Cambridge, Mass.: Harvard Univ. Press, 1984), pp. 16-17, 86-89 and 116-144; John E. Wills, Jr., *Pepper, Guns and Parleys: The Dutch East India Company and China 1622-1681* (Cambridge, Mass.: Harvard Univ. Press, 1974), pp. 86-89.

22 Marks, *Tigers, Rice, Silk, and Silt*, p. 167.

23 Quoted in Sucheta Mazumdar, *Sugar and Society in China: Peasants, Technology and the World Market* (Cambridge: Harvard Univ. Press, 1998), p. 205.

24 Quoted in Basu, "Asian Merchants and Western Trade," p. 47; White, "Hong Merchants," p. 31.

25 Jonathan D. Spence, "The K'ang-hsi Reign," pp. 120-229 in Willard J. Peterson, ed., *The Cambridge History of China, Vol. 9, The Ch'ing Dynasty to 1800, Part I* (Cambridge: Cambridge Univ. Press, 2002), at 146; Ng, *Trade and Society*, p. 52.

26 Hummel, Eminent Chinese, pp. 879-880; Leonard, Wei Yuan, p. 68; Marks, Tigers, Rice, Silk, and Silt, p. 156; Cheong, Hong Merchants, p. 30; Wakeman, Great Enterprise, Vol. 2, pp. 1099-1127.

27 Blussé, Visible Cities, p. 28; Zhao, "Shaping the Asian Trade Network," pp. 100-1; Wills, Embassies and Illusions, p. 13; Thomas Metzger, "Ch'ing Commercial Policy," Ch'ing-shih Wen-t'i, Vol. 1, pp. 4-10 (1966), p. 10; William T. Rowe, "Domestic Interregional Trade in Eighteenth-Century China," pp. 173-192 in Leonard Blussé and Femme Gaastra, eds., On the Eighteenth Century as a Category of Asian History: Van Leur in Retrospect (Aldershot, England: Ashgate Publishing Ltd., 1998), p. 184 ("In the light of the current state of knowledge, the Qing seems perhaps the most pro-commercial regime in imperial Chinese history."); Lien-sheng Yang, "Government Control of Urban Merchants in Traditional China," Tsing Hua Journal of Chinese Studies, Vol. 8, new series, pp. 186-206 (1970), p. 188 ("Reviewing the overall picture of government control of urban merchants in the first two hundred years of the Ch'ing period, one is struck by the lack of obstacles preventing merchants from improving their status, the limited checks applied to their business activities, the relatively light (or not exceptionally heavy) taxation and extortion imposed on them, and whenever control was attempted, the reliance on two old key concepts of security and guaranty.").

28 Blussé, Visible Cities, p. 28; Li, "State Building Before 1644," p. 24 (substantial trade profits accumulated outside of the tribute system); Zhao, "Shaping the Asian Trade Network," p. 139.

29 Blussé, Visible Cities, p. 28; Zhao, "Shaping the Asian Trade Network," pp. 160, 164-6 and 168-9 ("tong shang yu min"); Leonard, Wei Yuan, pp. 71-2; Marks, Tigers, Rice, Silk, and Silt, pp. 166-7; Ng, Trade and Society, pp. 189 (objective "to facilitate commercial intercourse in order to benefit the populace" [tongshang bianmin], particularly with reference to trading in rice) and 191 ("The court always instructed officials 'to assist the merchants' [xu shang] not only 'to enrich the revenue' [yuke] but also 'to enrich the people' [yumin]."); Metzger, "Ch'ing Commercial Policy," p. 7; Pengsheng Chiu, "The Discourse on Insolvency and Negligence in Eighteenth-Century China," pp. 125-42 in Robert E. Hegel and Katherine Carlitz, eds., Writing and Law in Late Imperial China: Crime, Conflict, and Judgment (Seattle: Univ. of Washington Press, 2007), p. 129 ("provide equal benefit to merchants and their customers' (tongshang bianmin)").

30 Zhao, "Shaping the Asian Trade Network," pp. 165 ("xu shang") and 168; Angela Schottenhammer, "The East Asian Maritime World, 1400-1800: Its fabrics of power and dynamics of exchanges - China and her neighbors," pp. 1-83, in Angela Schottenhammer, ed., The East Asian Maritime World, 1400-1800: Its Fabrics of Power and Dynamics of Exchanges (Wiesbaden: Harrassowitz Verlag, 2007), p. 32.

31 "The phrase li-shang pien-min (make conditions materially advantageous for the merchants and the common people) . . . expressed a common official attitude with roots going back at least to Mencius and Hsun-tzu." Thomas A. Metzger, "The Organizational Capabilities of the Ch'ing State in the Field of Commerce: The Liang-huai Salt Monopoly, 1740-1840," pp. 9-45 in W. E. Willmott, ed., Economic Organization in Chinese Society (Stanford University Press, 1972), p.44; Jennifer Cushman, Fields from the Sea: Chinese Junk Trade with Siam during the Late Eighteenth and Early Nineteenth Centuries (Ithaca: Cornell Southeast Asian

Program, 1993), p. 121 ("Such expressions as [anmin tongshang] (pacify the people and encourage and facilitate the activities of merchants) and [yuguo xushang] (enrich the state while acting with sympathy for merchants) were common in the writings of Ch'ing officials.").

32 Yang, "Government Control of Urban Merchants," p. 199.

33 Zhao, "Shaping the Asian Trade Network," pp. 164 and 267; Ramon H. Myers and Yeh-chien Wang, "Economic Developments, 1644-1800," pp. 563-645 in Willard J. Peterson, ed., The Cambridge History of China, Vol. 9, The Ch'ing Dynasty to 1800, Part I (Cambridge: Cambridge Univ. Press, 2002), pp. 564-565. This period is sometimes referred to as the "Kangxi Depression." Mio Kishimoto-Nakayama, "The Kangxi Depression and Early Qing Local Markets," Modern China, Vol. 10, pp. 227-56 (1984).

34 Zhao, "Shaping the Asian Trade Network," pp. 3, 216 and 257-8; Marks, Tigers, Rice, Silk, and Silt, p. 157; Cheong, Hong Merchants, pp. 10, 17, 21 n.14, 26, 50-53, 66 n.2 and 192.

35 Ng, Trade and Society, p. 188.

36 Zhao, "Shaping the Asian Trade Network," pp. 175-6.

37 Cheong, Hong Merchants, pp. 28-9 and 34 (the hong merchant Anqua told French traders at Canton, in 1699, that he had been sent to Batavia in 1694 by the Viceroy and other officials, to urge the Dutch to resume trade at Canton); Zhao, "Shaping the Asian Trade Network," p. 136 ("In 1709, a Manchu general stationed in Amoy wrote to European traders in India to drum up renewed interest in an area where trade had slumped. In his letter, he promised that local policies would be reformed to ensure the smooth development of overseas trade."); Van Dyke, Canton Trade, p. 10; White, "Hong Merchants," pp. 35-6.

38 White, "Hong Merchants," p. 32.

39 Wolfram Eberhard, A History of China (4th ed. Berkeley: Univ. of Calif. Press, 1977), pp. 282-3; Marks, Tigers, Rice, Silk, and Silt, p. 163 ("What the evidence points to is a sudden, substantial increase in foreign and domestic seaborne trade beginning in 1684 and continuing, albeit with some important changes, right through to the middle of the nineteenth century, driving economic growth and the commercialization of agriculture.").

40 Leonard, Wei Yuan, p. 69; Zhao, "Shaping the Asian Trade Network," p. 61.

41 Quoted in Zhao, "Shaping the Asian Trade Network," pp. 168-9; Cushman, Fields from the Sea, p. 122.

42 Zhao, "Shaping the Asian Trade Network," pp. 215 and 221 ("although Kangxi and his court were no longer concerned with tribute as an economic issue, they continued to stress the centrality of tribute in handling official relationships with other countries."); Wills, Embassies and Illusions, pp. 166-7.

43 Zhao, "Shaping the Asian Trade Network," pp. 225 and 233-234.

44 Zhao, "Shaping the Asian Trade Network," p. 219. The Chinese tael was equivalent to one ounce (liang) of monetary silver. Frank H.H. King, Money and Monetary Policy in China 1845-1895 (Cambridge: Harvard Univ. Press, 1965), pp. 27-8 ("The ideal nature of one tael being satisfied by one liang of monetary silver is based on the fact that 'liang' in Chinese was used both for the unit of account (tael) and for the weight of silver (Chinese ounce or liang) used to satisfy it.") and 47. On its accounts, the British EIC treated the Spanish dollar as equal to 0.72 tael. Morse,

Chronicles, Vol. I, p. xxii. That ratio has been used in preparing the tael (dollar) equivalents which appear throughout in this study. In practice, these calculations could become more complicated, given debasements, regional tael conventions, etc. King, pp. 47-50 ("The foreigner expected to find or thought he ought to find a unified national monetary system. Instead he found a system he might more usefully have compared with those of the Italian city states than with that of contemporary Britain."); Lien-sheng Yang, Money and Credit in China: A Short History (Cambridge: Harvard Univ. Press, 1952), p. 47. As a result, shroffs (money changers) were customarily used to test and validate the metal used in commercial transactions. King, pp. 32 and 87.

45 Leonard, Wei Yuan, pp. 34, 65, 69 and 73; Cheong, Hong Merchants, pp. 50-53; Wills, Pepper, Guns and Parleys, p. 188.

46 Cheong, Hong Merchants, pp. 50-53; Schottenhammer, "East Asian Maritime World," pp. 29 and 31-32; Ng, Trade and Society, pp. 186-7.

47 Ng, Trade and Society, p. 57.

48 Frederic Wakeman, Jr., The Fall of Imperial China (New York: The Free Press, 1975), p. 129; Morse, Chronicles, Vol. I, pp. 22-30.

49 Cheong, Hong Merchants, p. 221.

50 Cheong, Hong Merchants, p. 205.

51 Morse, Chronicles, Vol. I, p. 284.

52 R. Randle Edwards, "Ch'ing Legal Jurisdiction Over Foreigners," p. 238.

53 Michael Greenberg, British Trade and the Opening of China 1800-42 (Cambridge: Cambridge Univ. Press, 1951), pp. 21-22; Liu Yong, "The Dutch India Company's Tea Trade with China, 1757-1781" (Ph.D. dissert., Leiden University, 2006), pp. 111-7; Morse, Chronicles, Vol. II, pp. 63-5.

54 Morse, Chronicles, Vol. II, pp. 149-50.

55 Joanna Waley-Cohen, Exile in Mid-Qing China: Banishment to Xinjiang, 1758-1820 (New Haven: Yale Univ. Press, 1991), p. 86; Austin M. Coates, Macao and the British, 1637-1842: Prelude to Hong Kong (Hong Kong: Hong Kong University Press, 2009), pp. 94-99.

56 Morse, Chronicles, Vol. IV, pp. 352-3; Greenberg, British Trade, p. 33 n.2; Downs, The Golden Ghetto, pp. 73-75.

57 Edwards, "Ch'ing Legal Jurisdiction Over Foreigners," pp. 222-269; Liu, "Dutch India Company," p. 55.

58 John E. Wills, Jr., "Maritime Europe and the Ming," in John E. Wills, Jr., ed., China and Maritime Europe, 1500-1800: Trade, Settlement, Diplomacy, and Missions (Cambridge: Cambridge Univ. Press, 2011), p. 34.

59 Ng Chin-keong, "Gentry-Merchants and Peasant-Peddlers -- The Response of the South Fukienese to the Offshore Trading Opportunities 1522-1566," Nanyang Univ. Journal, Vol. 7, pp. 161-174 (1973), pp. 168-9 (quoted text); Charles W. MacSherry, "Impairment of the Ming Tributary System as Exhibited in Trade Involving Fukien" (Ph.D. dissertation, University of California, Berkeley, 1952), p. 117; Sung, "A Study of the Thirteen Hongs," pp. 66-67 n. 1 ("In the Ch'ing [Dynasty] Ku Ying-tai compiled the Ming Wo-ko shih-mo [A Complete Account of Japanese piracy in the Ming Dynasty] (published in the hsueh-hai lei-pien [A Cyclopedic of Historical Studies], with no chuan numbers) which says, 'In Chia-ching 25 [1546] Japanese pirates invaded Ning-chou and T'ai-chou. Since the abolishment of the

[Office of] Trading Ships (Chia-ching 2 [1523], whenever barbarian goods arrived [Chinese] merchants played host. These merchants were liable to make profit in an illicit way. They owed the barbarians debts, the largest amount of debt was about 10,000 taels, and the least was no less than several thousand taels. When pressed hard [for their debts] they moved elsewhere. Later the influential families played host [to the barbarians], but their debts became more than that of the merchants. Meanwhile the barbarians came to the nearby islands and waited there demanding repayment. However, after waiting for a long time without having their debts settled and having nothing for livelihood, they turned to piracy and appeared and disappeared in the sea.'").

60 Wills, "Maritime Europe and the Ming," p. 34.

61 Quoted in Ch'en, Insolvency, pp. 188-9; Cheong, Hong Merchants, p. 262; White, "Hong Merchants," pp. 68-9; On-cho Ng, "Ch'ing Management of the West: A Study of the Regulations, Homicide Cases and Debt Cases, 1644-1820" (M.A. Thesis, Univ. of Hong Kong, 1979), p. 146, available at:

<http://hub.hku.hk/bitstream/10722/32944/1/FullText.pdf>

62 Cheong, Hong Merchants, p. 31.

63 White, "Hong Merchants," p. 15-16; Sung, "A Study of the Thirteen Hong," p. 24-5 and 73 (it is included in Chu's "poems on Canton," the Guangzhou Zhuzhici).

64 Cheong, Hong Merchants, pp. 29, 32-4, 36-7, 41-2, 44-6 and 48; Zhao, "Shaping the Asian Trade Network," pp. 49-50, 55 and 86 (under the Ming dynasty, after imperial rejection of a Spanish proposal for legal direct trade between China and the Philippines, Chinese private traders became the main channel through which this substantial trade continued to flow).

65 Cheong, Hong Merchants, p. 36.

66 Cheong, Hong Merchants, pp. 45, 49-50, 223 and 243 n.128.

67 Cheong, Hong Merchants, pp. 38, 45, 53 and 60; Li Tana and Paul A. Van Dyke, "Canton, Cancao, and Cochinchina: New Data and New Light on Eighteenth-Century Canton and the Nanyang," Chinese Southern Diaspora Studies, Vol. 1, pp. 1-28 (2007), p. 15.

68 Van Dyke, Merchants of Canton and Macao, p. 80.

69 Van Dyke, Merchants of Canton and Macao, p. 80.

70 Ch'en, Insolvency, pp. 43-88, 102-3 and 251.

71 Cheong, Hong Merchants, p. 102; Van Dyke, Merchants of Canton and Macao, p. 17.

72 Cheong, Hong Merchants, pp. 99, 114-6 and 283; Ch'en, Insolvency, pp. 170-1.

73 Ch'en, Insolvency, pp. 183, 307 and 432 n.199; Cheong, Hong Merchants, pp. 157-8, 171, 253 and 187 n.126; Morse, Chronicles, Vol. V, p. 74.

74 Cheong, Hong Merchants, pp. 254 and 278.

75 Yang, Money and Credit in China, pp. 73-74 (statistics drawn from Qing statutes); T. S. Whelan, The Pawnshop in China (Ann Arbor, Mich.: Center for Chinese Studies, Univ. of Michigan, 1979), p.10; George Thomas Staunton, Ta Tsing Leu Lee: Being the Fundamental Laws, and a Selection from the Supplementary Statutes of the Penal Code of China (London: T. Cadell and W. Davies, 1810), p. 531.

76 Chung-li Chang, The Income of the Chinese Gentry (Seattle: Univ. of Wash. Press, 1962) p. 171; T. S. Whelan, Pawnshop, p.10; Yang, Money and Credit in China,

pp. 74 and 98-99. The Imperial Household Department (*neiwufu*) lent money to salt merchants in Changlu and Lianghuai, invested in pawnshops under its direct control, and loaned money at interest. Chang, "Economic Role of the Imperial Household," p. 268; Jonathan Spence, *Ts'ao Yin and the K'ang-hsi Emperor, Bondservant and Master* (New Haven, Conn.: Yale University Press, 1966), p. 103; Yang, "Government Control of Urban Merchants," p. 189; Yingcong Dai, "Yingyun Shengxi: Military Entrepreneurship in the High Qing Period 1700-1800," *Late Imperial China*, Vol. 26, No. 2 (2005), p. 11.

77 Elisabeth Kaske, "Fund Raising Wars: Office Selling and Interprovincial Finance in Nineteenth-Century China," *Harvard Journal of Asiatic Studies*, Vol. 71, pp. 69-141 (2011), p. 80 ("commercial borrowing was nonexistent").

78 Staunton, *Ta Tsing Leu Lee*, p. 531.

79 Ch'en, *Insolvency*, pp. 170-1.

80 Basu, "Asian Merchants and Western Trade," pp. 351-2 ("I have hitherto been benefited by loans from your Company so that I was able to meet the payment of government duties . . . the Viceroy has ordered that all the Hong no later than the twentieth of this month remit the [gongjia] (tribute to the Court) and the [sengjia] (ginseng duty). The total ginseng duty of this year is 68,712.2 taels and my share is 6,247.2 taels. As for [gongjia] the total is 61,400 taels and my share is 2,707.8192 taels. My total remittance thus amounts to 8,955 taels. I thought it over and over but could not find a way to raise the sum. My business is small in scale and being often deficient in capital, no one will help me with a loan . . . normally since your Company already helped me several times to pay off my duties, I should not have made this appeal again. Although I think hard, I can find no way out. In recent years, I have been relying on your Company for loans to pay off my share of duties, I therefore appeal to you gentlemen once more . . . "); Ch'en, *Insolvency*, pp. 19 and 41.

81 See Wills, *Embassies and Illusions*, pp. 196-7 ("And as the tea trade began to grow rapidly in the early eighteenth century [Dutch reliance on middlemen] proved disastrous: the English and even the Ostenders, trading directly to Canton, got consistently better quality in their tea and avoided the effects of a layover in a damp tropical warehouse.").

82 Cheong, *Hong Merchants*, pp. 29, 32-4, 36, 40-2, 48, 50, 52, 54, 56-8 and 63; Ng, *Trade and Society*, pp. 178 and 201; Basu, "Asian Merchants and Western Trade," p. 354.

83 Sung, "A Study of the Thirteen Hong," pp. 88-91

84 Cheong, *Hong Merchants*, pp. 33-5, 37, 46 and 95-6.

85 Cheong, *Hong Merchants*, pp. 219-20; White, "Hong Merchants," pp. 40-41; Morse, *Chronicles*, Vol. I, pp. 119-142.

86 See Morse, *Chronicles*, Vol. I, p. 141.

87 Morse, *Chronicles*, Vol. I, pp. 137-138; Cheong, *Hong Merchants*, p. 33.

88 Morse, *Chronicles*, Vol. I, pp. 137-138; Cheong, *Hong Merchants*, p. 33.

89 Morse, *Chronicles*, Vol. I, pp. 132 and 142.

90 Quoted from Cheong, *Hong Merchants*, p. 37 (footnotes omitted).

91 Cheong, *Hong Merchants*, pp. 37, 41, 92 and 220; J. Y. Wong, *Yeh Ming-ch'en, Viceroy of Liang Kuang* (Cambridge: Cambridge Univ. Press, 1976), pp. 71-72.

92 Cheong, *Hong Merchants*, pp. 37, 42, 47, 61, 92 and 103.

93 Ch'en, Insolvency, pp. 6 ("According to a palace memorial by Hoppo [Jieshan], by 1799, there were three subgroups of 'yang-hang' in the port of Canton. The division of functions among them was as follows: the 'wai-yang-hang' (high seas hong) was in charge of the business of 'foreigners who shipped merchandise to Canton for sale'; the 'peng-kang-hang' (same-port hong) was in charge of the foreign trade conducted by fellow Chinese from the port of Canton and the business of the 'Siamese tribute-bearers'; and the 'Fu-Ch'ao-hang' was in charge of the coastal trade to the prefecture of [Chaozhou] in northeast [Guangdong] and to the province of [Fujian]."), 7 and 11; Cushman, Fields from the Sea, pp. 29 (the Fuchao hang had previously been known as the Hainan hang), 31 (the continuing inability of the bengang hang to meet its obligations led to its dissolution in 1795) and 107 ("The secondary literature is of equally little value in identifying these merchants more fully."); White, "Hong Merchants," p. 54. See Zhao, "Shaping the Asian Trade Network," p. 232 ("very few materials about the Qing regulation of Chinese private trade have survived").

94 Kato Shigeshi, "On the Hang or the Associations of Merchants in China," Memoirs of the Research Dept. of the Toyo Bunko, pp. 45-83 (1936), pp. 75 and 58 ("In China at present they use such an expression as 36 hang, 72 hang, or 360 hang, when they want to refer to the great varieties of trades.").

95 Blussé, Visible Cities; Cheong, Hong Merchants, pp. 8-9, 50, 54, 56, 57, 109 and 332; Femme S. Gaastra, The Dutch East India Company: Expansion and Decline (Zutphen, The Netherlands: Walburg Pers, 2003); Els M. Jacobs, Merchant in Asia: The Trade of the Dutch East India Company During the Eighteenth Century (Leiden: CNWS Publications, 2006); C.J.A. Jörg, Porcelain and the Dutch China Trade (The Hague, Netherlands: Martinus Nijhoff, 1982), pp. 15-45; Earl H. Pritchard, "The Crucial Years of Early Anglo-Chinese Relations, 1750-1800," Research Studies of the State College of Washington, Vol. 4, Nos. 3-4 (Washington: Pullman, 1936), pp. 186-9 and 194.

96 Cheong, Hong Merchants, pp. 9, 27, 29, 57 and 109; Pritchard, "Crucial Years," pp. 186-90 and 194.

97 Christian Koninckx, The First and Second Charters of the Swedish East India Company (1731-1766) (Kortrijk, Belgium: Van Ghemert Pub. Co., 1980), p. 65 (the Swedish company went into receivership in 1809, being followed by company activities under a 5th and final charter which expired with its trading monopoly in 1813); Cheong, Hong Merchants, pp. 9, 50, 57, 111 and 145; Pritchard, "Crucial Years," pp. 186-90 and 194; Basu, "Asian Merchants," p. 355.

98 Cheong, Hong Merchants, pp. 9, 80, 108-9, 111-3 and 279; Michael Greenberg, British Trade, p. 18.

99 Cheong, Hong Merchants, pp. 9, 50, 57, 110, 111, 112, 145 and 283; Pritchard, "Crucial Years," pp. 186-7, 190 and 194.

100 Cheong, Hong Merchants, pp. 29, 57 and 145; Greenberg, British Trade, p. 25; Pritchard, "Crucial Years," pp. 186 and 190; Zhuang Guotu, "The Impact of the International Tea Trade on the Social Economy of Northwest Fujian in the Eighteenth Century," pp. 193-216 in Leonard Blussé and Femme Gaastra, eds., On the Eighteenth Century as a Category of Asian History: Van Leur in Retrospect (Aldershot, England: Ashgate Publishing Ltd., 1998), p. 196.

101 Pritchard, "Crucial Years," pp. 186-7 and 190-1 (of six ships which traded under the Prussian flag at Canton between 1783 and 1791, "two of which were certainly on Dutch account"); Liu, "Dutch India Company," pp. 25 and 156 n.22; Greenberg, British Trade, pp. 25 and 27.

102 Cheong, Hong Merchants, pp. 112; Pritchard, "Crucial Years," pp. 186-7 and 190-1 ("Expeditions were generally fitted out under these foreign flags [i.e. Imperial, Prussian, Genoese and Tuscan] by disgruntled English or French who hoped to profit by war-time conditions or by the smuggling trade into England. The ships under Genoese, Tuscan, and Prussian colors between 1787 and 1794 belonged without exception to [private British] Country traders who were attempting to avoid the regulations of the British Company."); Greenberg, British Trade, p. 28.

103 Cheong, Hong Merchants, pp. 6-7, 26 and 51; Pritchard, "Crucial Years," pp. 186-7, 191 and 194; Greenberg, British Trade, p. 47 (this "right was merely nominal, because Chinese junks could transport goods to and from the Philippines much more cheaply"; only one Spanish vessel came in to Amoy during the period 1810-1830).

104 Pritchard, "Crucial Years," p. 186.

105 Myers and Wang, "Economic Developments, 1644-1800," p. 587.

106 Sung, "A Study of the Thirteen Hong," pp. 78-9 and 31.

107 Chang, "Economic Role of the Imperial Household," pp. 251-4 (landlord operations), 254-6 (tribute revenue), 256-9 (customs revenue), 259-63 (ginseng and fur monopoly), 263-6 (incomes from fines against officials) and 266-8 (confiscations); Spence, Ts'ao Yin, p. 32.

108 Symons, Ch'ing Ginseng Management, pp. 79-80.

109 Chang, "Economic Role of the Imperial Household," p. 250; Spence, Ts'ao Yin, pp. 16-17 and 104.

110 Torbert, Ch'ing Imperial Household Department, pp. 53-80; Chang, "Economic Role of the Imperial Household," pp. 243-74, p. 245 (every banner had its combat units and bondservant units).

111 Spence, Ts'ao Yin, pp. xii, 17, 32, 184-9, 213, 227, 228, 234, 254 and 255.

112 Spence, Ts'ao Yin, pp. 17-18.

113 Spence, Ts'ao Yin, p. 191.

114 Ch'en, Insolvency, pp. 132-3; Chang, "Economic Role of the Imperial Household," pp. 249 and 256; Spence, Ts'ao Yin, p. 16.

115 Ch'en, Insolvency, pp. 132-3.

116 Torbert, Ch'ing Imperial Household Department, pp. 37-39.

117 Torbert, Ch'ing Imperial Household Department, pp. 67, 77 and 81.

118 Chang, "Economic Role of the Imperial Household," pp. 243, 250 and 271.

119 Chang, "Economic Role of the Imperial Household," pp. 256-7; Cheong, Hong Merchants, pp. 197 and 213-4.

120 Chang, "Economic Role of the Imperial Household," p. 257.

121 Cheong, Hong Merchants, p. 215.

122 Chang, "Economic Role of the Imperial Household," p. 258; Cheong, Hong Merchants, p. 215.

123 Torbert, Ch'ing Imperial Household Department, pp. 98-99.

124 See, for example, John Phipps, A Practical Treatise on the China and Eastern Trade (London: William H. Allen, 1836), p. 149.

125 Cheong, Hong Merchants, pp. 197 and 214.

126 Van Dyke, Canton Trade, p. 136.

127 Cheong, Hong Merchants, pp. 197, 214, 217 and 234 n.15 ("Cumshaw is the pidgin English phonetic of the Cantonese version of 'thank you' in [Fujianese]. Collected with but separate from the anchorage fee (measurage), the 1,950 taels provided supplementary funds to most of the main offices in the port; more than three-quarters went to the Emperor."); Cushman, Fields from the Sea, p. 37; Van Dyke, Canton Trade, pp. 10 and 27-8 and Table 1, p. 27.

128 Cheong, Hong Merchants, pp. 214-5.

129 Ch'en, Insolvency, p. 91 ("The rate of Consoo charges laid down by the authorities, three per cent., was not, however, strictly observed. For example, at three per cent., the charge on Bohea would be 0.3 tael, and that on other teas 0.6 tael only. But as early as 1781, Puan Khequa (the head merchant) had informed the English supercargoes that the body of Hong Merchants had decided to charge 0.62 tael on a picul of Bohea and 1.2 taels on the other varieties."); Cheong, Hong Merchants, p. 232; Morse, Chronicles, Vol. III, p. 193; Greenberg, British Trade, p. 52 and n.3; Phipps, Practical Treatise, p. 151.

130 Ch'en, Insolvency, pp. 98-9; Cheong, Hong Merchants, pp. 97-8, 225 and 227; Phipps, Practical Treatise, p. 152.

131 Van Dyke, Canton Trade, pp. 135-7.

132 Ch'en, Insolvency, pp. 300-1; Van Dyke, Canton Trade, p. 131.

133 Ch'en, Insolvency, p. 176 ("The Hong Merchants' loss on account of this way of fund-raising was extremely large. As observed by the Select Committee [of the British EIC] in 1824, in the article of camlets imported by the Americans, some of the Hong merchants, in order to obtain an immediate payment of 10 dollars per piece, had rendered themselves responsible for 17 or 18 dollars per piece, payable in twelve months or so. The loss of the Hong merchants was about 70 per cent to 80 per cent, similar to a high interest loan of the same rate. Many of the Hong merchants who failed in the nineteenth century had more or less to do with such kinds of practice. Ponqua, Kinqua and Fatqua [also known as Manhōp II] were the most notorious. But Conseequa, Pacqua, Poonequa and Manhōp [I] were also all involved in the same kind of conduct."). See Morse, Chronicles, Vol. III, p. 195.

134 Cheong, Hong Merchants, pp. 202 and 213-14.

135 Cheong, Hong Merchants, pp. 213-14.

136 William C. Jones, tr., The Great Qing Code (Oxford: Clarendon Press, 1994), Art. 148, § 2, pp. 159-60; Staunton, Ta Tsing Leu Lee, § 148, p. 157; Susan Mann Jones and Philip A. Kuhn, "Dynastic Decline and the Roots of Rebellion," pp. 107-62 in John K. Fairbank, ed., The Cambridge History of China, Vol. 10, Late Ch'ing, 1800-1911, Part I (Cambridge: Cambridge Univ. Press, 1978), p. 129.

137 Cheong, Hong Merchants, pp. 213-5 and 228.

138 Cheong, Hong Merchants, p. 228 n.152.

139 Ch'en, Insolvency, pp. 133, 135 and 99 (Xiangshao, who served as Hoppo from 1813 to 1818, had incurred tax collection arrearages in his prior service as salt censor of Changlu and Superintendent of the Huaian Customs, which he paid off during his service at Canton).

140 John K. Fairbank, Trade and Diplomacy on the China Coast: The Opening of the Treaty Ports 1842-1854 (Cambridge: Harvard Univ. Press, 1953), Vol. 1, pp. 40-1.

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- 141 Symons, Ch'ing Ginseng Management, pp. 66-7 and 78.
- 142 Symons, Ch'ing Ginseng Management, pp. 14 and 21-22.
- 143 Symons, Ch'ing Ginseng Management, pp. 60-62.
- 144 Symons, Ch'ing Ginseng Management, p. 22.
- 145 Symons, Ch'ing Ginseng Management, p. 23.
- 146 Symons, Ch'ing Ginseng Management, p. 37.
- 147 Symons, Ch'ing Ginseng Management, pp. 20 and 24.
- 148 Quoted in White, "Hong Merchants," p. 61.
- 149 Ho Ping-ti, "The Salt Merchants of Yang-Chou: A Study of Commercial Capitalism in Eighteenth-Century China," Harvard Journal of Asiatic Studies, Vol. 17, pp. 130-69 (1954), pp. 153-4 and 168 n. 109; Ch'en, Insolvency, pp. 92-5 and Table 2.6. The discrepancy may actually be greater. As Ping-ti Ho notes in footnote, the Guangdong statistics include revenues derived from the salt administration in that province, together with hong merchant revenues. Kuo-tung Ch'en rightly observes that "light as it was, it was burdensome enough to the body of hong merchants." Ch'en, p. 92.
- 150 Ho, "Salt Merchants," pp. 130-1.
- 151 Spence, Ts'ao Yin, pp. 167, 181 and 208; Metzger, "Organizational Capabilities," p. 18.
- 152 Spence, Ts'ao Yin, pp. 180 and 199; Ho, "Salt Merchants," pp. 137 and 141; Metzger, "Organizational Capabilities," p. 25.
- 153 Metzger, "Organizational Capabilities," p. 25.
- 154 Spence, Ts'ao Yin, p. 189; Ho, "Salt Merchants," pp. 142-3 and 147-8.
- 155 Andrea McElderry, "Guarantors and Guarantees in Qing Government-Business Relations," pp. 119-37 in Jane Kate Leonard and John R. Watt, eds., To Achieve Security and Wealth: The Qing Imperial State and the Economy (Ithaca: Cornell Univ. Press, 1991), p. 122.
- 156 Symons, Ch'ing Ginseng Management, p. 79.
- 157 Ho, "Salt Merchants," p. 152 ("A study of official data reveals that it was due to the unusually good selling conditions that the eighteenth century is deservedly called the golden age of the Liang-huai salt merchants.").
- 158 Cheong, Hong Merchants, pp. 205-7 (Li Yongbiao served as Hoppo from 1752 to 1759); Torbert, Ch'ing Imperial Household Department, p. 60. The author has been unable to establish any prior direct connection between Li Yongbiao and either the salt or ginseng administrations.
- 159 Derk Bodde, "The State and Empire of Ch'in," pp. 20-102 in Denis Twitchett and Michael Loewe, eds., The Cambridge History of China, Vol. 1, The Ch'in and Han Empires, 221 B.C. - A.D. 220 (Cambridge: Cambridge Univ. Press, 1986), pp. 36-37 and 58; Dewey, "Russia's Debt to the Mongols," pp. 255-258; Kung-chuan Hsiao, Rural China: Imperial Control in the Nineteenth Century (Seattle: Univ. of Washington Press, 1960), pp. 26-28; Joanna Waley-Cohen, "Collective Responsibility in Qing Criminal Law," pp. 112-131 in Karen G. Turner, James V. Feinerman and R. Kent Guy, eds., The Limits of the Rule of Law in China (Seattle: Univ. of Washington Press, 2000), pp. 112-114. Horace Dewey states that "Chinese administrators had devised a system of mutual guarantee for fiscal purposes as early as the fourth century B.C." Dewey, "Russia's Debt to the Mongols," p. 258.

160 Chin-chih Chen, "The Japanese Adaptation of the Pao-Chia System in Taiwan, 1895-1945," *Journal of Asian Studies*, Vol. 34, pp. 391-416 (1975), p. 393; Hsiao, *Rural China*, pp. 26-28; Fei-ling Wang, *Organizing Through Division and Exclusion: China's Hukou System* (Stanford: Stanford Univ. Press, 2005), pp. 32-35 and 40-42.

161 Sybille van der Sprenkel, *Legal Institutions in Manchu China: A Sociological Analysis* (London: The Athlone Press, Univ. of London, 1962), p. 90; Kato Shigeshi, "On the Hang," pp. 62-3, 67 and 69-70.

162 Edwards, "Ch'ing Legal Jurisdiction Over Foreigners," pp. 235 ("The fact that these statutes had never been applied to Westerners did not lessen the Westerners' distaste for the principle and their fear that it might be applied to them in the future.") and 245; Waley-Cohen, "Collective Responsibility," pp. 116-117. See Waley-Cohen, *Exile in Mid-Qing China*, pp. 79, 85 and 221-2 (Appendix One, "The Application of [Criminal] Collective Responsibility under the Qing"). Waley-Cohen notes that the majority of the women who were ordered banished to Xinjiang "were convicted by virtue of collective responsibility, and as such were guilty of crimes too serious to be avoided by monetary redemption." Waley-Cohen, *Exile in Mid-Qing China*, p. 73.

163 Van der Sprenkel, *Legal Institutions in Manchu China*, p. 47.

164 Hsiao, *Rural China*, pp. 28 and 43-83; Van der Sprenkel, *Legal Institutions in Manchu China*, pp. 46-7.

165 Hsiao, *Rural China*, p. 45; Van der Sprenkel, *Legal Institutions in Manchu China*, pp. 46-7.

166 Hsiao, *Rural China*, pp. 31-6 and 84-143.

167 Hsiao, *Rural China*, p. 119.

168 Hsiao, *Rural China*, pp. 33-36, 46, 55 and 60-61.

169 Hsiao, *Rural China*, pp. 49 and 82; Van der Sprenkel, *Legal Institutions in Manchu China*, pp. 46-7.

170 Hsiao, *Rural China*, pp. 53-4.

171 White, "Hong Merchants," p. 67.

172 Fairbank, *Trade and Diplomacy*, Vol. I, p. 78; Hsiao, *Rural China*, pp. 58-9; Frederic Wakeman, Jr., *Strangers at the Gate: Social Disorder in South China, 1839-1861* (Berkeley: Univ. of California Press, 1966), p. 32.

173 Richard James Aston, "The Merchant Shipping Activity of South China 1644-1860" (M.A. Thesis, Univ. of Hawaii, 1967), pp. 119-120; Basu, "Asian Merchants and Western Trade," p. 32; Cushman, *Fields from the Sea*, p. 50; Dian H. Murray, *Pirates of the South China Coast 1790-1810* (Stanford: Stanford Univ. Press, 1987), pp. 106-7; Ng, *Trade and Society*, pp. 153-4; Andrea McElderry, "Guarantors and Guarantees," pp. 123-6; MacSherry, "Impairment of the Ming Tributary System," pp. 202-3.

174 Zhao, "Shaping the Asian Trade Network," p. 255.

175 McElderry, "Guarantors and Guarantees," p. 125.

176 McElderry, "Guarantors and Guarantees," p. 123.

177 McElderry, "Guarantors and Guarantees," pp. 120-2.

178 Spence, *Ts'ao Yin*, pp. 82-3.

179 Waley-Cohen, "Collective Responsibility," pp. 114-115.

180 Van der Sprenkel, *Legal Institutions in Manchu China*, pp. 108-9.

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- 181 Yang, "Government Control of Urban Merchants," pp. 188-9.
182 Yang, "Government Control of Urban Merchants," p. 189.