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to impose an economic blockade on Zheng by renewing the ban on overseas trade and forcing much of the population along the southeast coast to move inland. The Zheng regime continued to hold out thanks to its control of the thriving clandestine trade between China and Japan until the Qing mounted a successful invasion and takeover of Taiwan in 1683. But the embargo and the relocation policy clearly wounded southeastern China’s commercial economy.

By 1683 the Qing had quelled all armed resistance to its rule. In the following year the ban on maritime trade ended, and record numbers of Chinese ships flocked to Nagasaki. The slow recuperation of population and agricultural recovery brought an end to the Kangxi depression. A long era of domestic peace and prosperity began that would endure until the final years of the eighteenth century.

**Fiscal governance under Manchu rule**

By 1683 the Manchus had secured control of the former Ming territories, although the Manchu Empire was greatly enlarged during the eighteenth century through conquests of Mongolia, Tibet, and the “New Frontier” (新疆 新疆) carved out of Uighur- and Mongol-populated Central Asia (Map 8.3). Like earlier Chinese dynasties, the first priority of the Qing state was to restore a stable agricultural base. The Qing government sponsored migration and agricultural development in frontier regions, mobilized labor for major flood control projects, and sharply curtailed the tax exemptions and other privileges of the patrician elite. Like the Ming before it, the Qing state was ideologically committed to easing the burden of state exactions while relying on direct taxation of land as the mainstay of its fiscal system. The Qing state can perhaps be described as a *provisioning state*, one dedicated to improving the people’s livelihood through, for example, investments in famine relief and flood control. Yet in contrast to the activist conception of the state that prevailed in the Song, Qing governance was predicated on minimal intervention in the economic life of its subjects. Much of the actual responsibility for popular welfare was ceded to local public and private initiatives. The laissez-faire policies toward commerce adopted by the Qing rulers encouraged Smithian dynamics of market expansion, division of labor, and regional specialization. But at the same time the limited fiscal capacity of the Qing state deterred investments in public goods that would help sustain economic growth.

The Manchus introduced a number of new political institutions derived from their own heritage, but by the eighteenth century the Qing state had largely become assimilated to Chinese forms of bureaucratic governance. Manchu rule in China initially depended heavily on military control based on standing
armies known as banners (twenty-four altogether, separated into Manchu, Mongol, and Han Chinese divisions) stationed at strategic points throughout the empire. Sizable tracts of land were set aside to support the banners. The Manchus also created a new agency staffed by Chinese mandarins, the Imperial Household Department (Neiwufu 内務府), to manage the affairs and finances of the emperor and the imperial family. The Imperial Household Department was intended to curb the usurpation of imperial authority by palace eunuchs that had plagued the Ming court. Its activities ranged from managing the banner lands and various monopolies (such as salt, Manchurian ginseng, the copper trade with Japan, and the imperial silk and porcelain factories) to printing official editions of scholarly works. For the most part the Qing preserved the governmental structure of the Ming dynasty both at the capital and in the provinces. But the Ministry of Revenue and its provincial-level-intendants strengthened central control over fiscal resources; in addition to enacting more rigorous accounting procedures, the central government claimed more than 80 percent of revenues collected at the local level.

As R. Bin Wong has observed, the Qing rulers displayed for greater solicitude in matters of social and economic welfare than their European contemporaries. But in comparison to the earlier Han and Song dynasties the state's presence at the village level was minimal. The Qing government never conducted a universal land survey, nor did it update earlier records in any comprehensive way. Instead, it continued to rely on the Ming land survey of 1581-82 in allotting tax quotas. By the end of the Ming most labor service obligations had been converted to payments in silver, although these payments continued to be assessed on individual adult males (ding). In 1712 the Qing established permanent quotas for the ding labor service levy based on the 1711 census returns, and in 1713 the Kangxi emperor, in an act of imperial magnanimity, declared that the land tax quotas would be permanently frozen at the level of the 1711 assessments. In 1729 the ding levy was formally merged into the land tax on an empire-wide scale. Henceforth individual landowners paid a single lump-sum tax in silver. This step completed the process of shifting taxation (and by extension the state's control over society) from persons to land. At the time the Qing enjoyed substantial budget surpluses. By the end of the eighteenth century, however, the inability of the state to capture new revenues greatly weakened its ability to respond to political and economic crises.

The early Qing tax reforms obviated the need to compile detailed information about the composition of households. Indeed, the family as a social unit no longer was a unit of taxation. In 1669 the Qing suspended the compilation of yellow registers, which had served as the basis of the Ming land and labor

The maturation of the market economy

taxes. In their place local officials were expected to conduct quinquennial surveys known as bianzhen 買斷. Unlike the yellow registers, which included data on all members of the household, the bianzhen surveys merely gathered information on those liable for the ding labor service levy. The merging of the ding levy into the land tax in 1729 rendered the bianzhen surveys obsolete, although they were formally ended only in 1772.

Although the conjugal family remained the fundamental socio-economic institution in Chinese society, it had achieved unprecedented autonomy from the attenuated reach of the imperial state.

Lijia units continued to exist in name under the Qing dynasty, but the primary mechanism of rural social control was a revamped baoguan system of local policing modeled on the earlier Song institution. As in the Song, the Qing baoguan system gradually absorbed tax collection duties and other civil responsibilities, such as famine relief. In 1740 the government officially transferred responsibility over population registration from the lijia units to the baoguan headmen. But since the population registers no longer had any fiscal purpose, compiling population data became an empty bureaucratic exercise. As G. William Skinner has shown, from the early nineteenth century local officials simply adjusted older figures with routine additions (since a growing population was taken as a sign of prosperity), leading to vastly inflated population statistics by the end of the century.

In 1766 the land tax generated nearly three-quarters of state income, with 16 percent coming from the salt monopoly and inland customs excises (Table 8.3). Nominally voluntary "contributions" (juanmai 請納) were a unique feature of the Qing revenue system. These funds derived from three sources: officials who were obliged to remit a portion of their salaries to provincial governments; individuals who purchased examination degrees and titles (and, on some occasions, actual offices) to secure higher social status; and wealthy merchants who received special favors bestowed by the state (primarily the cartels of salt merchants and the Cohong merchants who from 1757 gained monopoly privileges to trade with European merchants at Guangzhou).

Although the Qing state, like the Ming, derived the bulk of its revenues from land taxes, it had converted most of the land revenues formerly assessed in grain to money payments. Moreover, the population boom of the eighteenth century, following the freezing of land tax quotas in 1713, sharply reduced the

35 Hinton 1966: 88-91. Tables 8.7 and 8.8 below are based on data collected from these bianzhen surveys.
36 Skinner 1986.
38 It should be noted that although tax assessments were demonstrated in silver, a substantial portion of these taxes were paid in bronze coin, especially following the sharp increase in mint output in the mid-eighteenth century. See Yeh-chien Wang 1973: 20-31.
Table 8.3 Central government revenues, 1766
(all revenue figures in millions of silver taels)

<table>
<thead>
<tr>
<th>Revenue source</th>
<th>Revenue</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land taxes, rents, and grain tribute</td>
<td>31.06</td>
<td>73.8</td>
</tr>
<tr>
<td>Salt gabelle</td>
<td>5.75</td>
<td>1.3</td>
</tr>
<tr>
<td>Internal and maritime customs</td>
<td>5.42</td>
<td>1.3</td>
</tr>
<tr>
<td>Tax surcharges</td>
<td>3.20</td>
<td>0.8</td>
</tr>
<tr>
<td>Regular contributions</td>
<td>2.00</td>
<td>0.5</td>
</tr>
<tr>
<td>Miscellaneous local taxes</td>
<td>0.86</td>
<td>0.2</td>
</tr>
<tr>
<td>Stamp taxes</td>
<td>0.19</td>
<td>0.0</td>
</tr>
<tr>
<td>Brokers and pawnshop licenses</td>
<td>0.16</td>
<td>0.0</td>
</tr>
<tr>
<td>Maches and fishing excises</td>
<td>0.15</td>
<td>0.0</td>
</tr>
<tr>
<td>Mining excises</td>
<td>0.08</td>
<td>0.0</td>
</tr>
<tr>
<td>Tea excise</td>
<td>0.07</td>
<td>0.0</td>
</tr>
<tr>
<td>Total</td>
<td>69.55</td>
<td></td>
</tr>
</tbody>
</table>

*Portion of land tax collected in grain, converted to silver based on 1755 rates in Yeh-chien Wang 1973: 70.

Sources: Chan Peng 2008: 369, table 6-3.

per capita burden of taxation. In 1766 the real per capita land tax levy – measured in grain – was 70 percent below the modest level of the mid-fifteenth century (Table 8.4). Although estimating total national income for any period of imperial Chinese history is necessarily speculative given the limitations of our sources, it seems likely that during the Qing period the proportion of government revenue as a share of the national economy was substantially lower than in the Song, which relied heavily on taxation of commerce and consumption, and perhaps below the Ming level as well.

Compared to its predecessors, the Qing state exercised a relatively light hand in managing the domestic commercial economy. Apart from the salt monopoly, operated under the franchise system inherited from the Ming, the government interfered little in the production and distribution of goods. Even in the case of the salt monopoly, merchants handled the production, transport, and sale of salt, while the state merely collected an excise levy. Merchants and craftsmen assumed a greater degree of self-governance. Guilds, typically organized on the basis of native place identity rather than trade before the nineteenth century, proliferated in commercial cities throughout the empire. While guilds had broad authority to regulate membership fees and duties, wages and prices, and the terms of apprenticeship, they were forbidden to restrict access to their trade.58 A few great merchants, such as the Huizhou salt

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merchants in Yangzhou, amassed enormous fortunes thanks to their monopoly privileges. But the vast majority of merchants and artisans inhabited a highly competitive market economy.

The Qing approach to economic management was exemplified by the brokerage system. Since the Song dynasty, the government licensed brokers (yuhang) who served as intermediaries between local merchants and long-distance traders, assisting the latter in finding customers, negotiating deals, acting as guarantors, and arranging transportation, lodging, credit, and warehousing services. In the Qing period, brokers increasingly acted in lieu of magistrates in recording transactions, policing trade, adjudicating disputes, and collecting various commercial taxes. In return, the government restricted the number of licenses within a locality, guaranteeing brokers a comfortable income. The state charged only nominal fees for brokerage licenses; its chief interest was to ensure the smooth operation of commerce, not to raise revenue. In some areas (notably in Shandong) local notables, lineage leaders, or merchants obtained rights to create “free markets” (yiji 藥集) by paying the requisite commercial tax quotas out of private funds (for example, a lineage huyao or guild assessments). The ostensible reason behind “free markets” was to eradicate nethouse exactions by predatory brokers, but the institution readily allowed entrenched elites to exert power and patronage over local commerce. Both the brokerage system and the “free markets” essentially became forms of tax-farming that limited the reach of the state into local commerce. The common practice whereby taxpayers used intermediaries to deliver payments to the authorities, known as “proxy remittance” (baodian 代辦), also constituted a form of tax-farming.

The Qing government also assumed a laissez-faire posture towards foreign trade, severing the link between tributary diplomacy and commercial privileges devised by the Ming founder. The Qing banned maritime trade in 1662 as part of its campaign against the outlaw Zheng regime in Taiwan. Following the conquest of Taiwan in 1683, the Kangxi emperor repealed the imperial proscription, reopening Chinese ports to foreign merchants and allowing Chinese merchants to venture overseas, which they did in great numbers. A vigorous trade between China and Japan recommenced, but by this time the Tokugawa regime had implemented stringent restrictions on the export of silver, prompting Chinese merchants to shift to purchasing large quantities of Japanese copper (2,600 tons annually in 1685–1715) to supply the Qing mints. In 1715, however, the Japanese authorities enacted even more rigid controls on foreign trade that sharply reduced copper exports. During the eighteenth century trade between China and Japan tailed off sharply. Japanese demand for silk fabrics, porcelain wares, and sugar was increasingly satisfied by domestic producers who displaced Chinese imports with native products.

Trade with European merchants also revived after 1683, but in the early eighteenth century the bulk of China’s maritime trade was conducted with Southeast Asia. The value of cargoes carried by Chinese ships to Southeast Asia in the first half of the eighteenth century has been estimated at 6–14 million taels (equivalent to 22–52 metric tons) annually. Emigrant Chinese from Fujian and Guangdong settled in Thailand, the Malay Peninsula, Java, and the Philippines, creating a web of trade networks spanning South China and Southeast Asia and turning the seas around the Indonesian archipelago into, in the words of one historian, “a Chinese Mediterranean.” By the second half of the eighteenth century, émigré Chinese merchants, laborers, and financiers had become the dominant force in the commercial economy of Southeast Asia (see Chapter 9).

Direct trade between Europeans and Chinese was relatively modest around 1700, but grew steadily throughout the eighteenth century. In 1757 the Qing court, in retaliation against European merchants’ complaints about customs officials, restricted European traders’ access to the Chinese market to the single port of Guangzhou. Furthermore, European merchants were required to conduct business through a cartel of twenty-odd Chinese merchant houses who became known as the Cobong. These restrictions slowed the growth of trade with the Europeans, which stagnated for several decades. In the 1780s, however, Western trade again surged, fueled by explosive growth in exports of tea, which was becoming the staple beverage of the English population, and massive imports of Spanish silver coin from Mexico. Unable to sell European manufactured goods in the Chinese market, British merchants turned to

60 Technology transfer enabled Tokugawa Japan to pursue a policy of “import substitution,” developing its domestic industries such as silk manufacture and sugar processing in order to sever its dependence on imported goods from China. See Kawakatsu 1991.
61 Kishimoto 1997: 186. During 1716–29, at the instigation of the Kangxi Emperor (who feared that the diaspora population harbored seditionist elements), the Qing suspended maritime trade with Southeast Asia. Gang Zhao (2013: 153–68) sees this episode as an abortive political decision that deviated from what he describes as the “open-door policy” that prevailed after 1600.
62 Lombard 1990, 1–13. On the trade network linking Xiamen (Amoy) in Fujian with Taiwan and Southeast Asia, see Ng 1983. For an overview of Chinese emigration to Southeast Asia, see Kahn 2008.
63 Gang Zhao (2013: 169–85) contends that the restriction of European traders to Guangzhou in 1757 to a significant degree was promoted by provincial interests in Guangzhou who feared competition from other Chinese ports. On commercial institutions and the conduct of foreign commerce at Guangzhou, see Van Dyke 2005.
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welfare, including public works, irrigation projects, public security, famine and poor relief, schools, and temples. This trend accelerated during the eighteenth century. The Qing period also witnessed the proliferation of a wide range of new intermediate social institutions — including corporate lineages, merchant and artisan guilds, native-place associations, communal water control leagues, and an array of religious, fraternal, and philanthropic societies — to which the imperial state entrusted managerial responsibilities within local society. Although local leaders operated independently of magistrates and the state bureaucracy, they often held examination degrees and many were retired officials. State officials and local patrcians shared essentially similar agendas of social control, popular welfare, and moral leadership. Thus K. Bin Wong has argued that the expanded role of local elites in civil governance constituted a delegation, not a devolution, of public power that may have limited the imperial state’s range of action but did not erode its authority. Still, the managerial roles assumed by local elites allowed for a broadening of the pursuit of private interests in the guise of public welfare.

Water control epitomized the struggle between private and public interests. For example, rice farmers in South China steadily encroached upon and enclosed low-lying lakes to reclaim land for cultivation. But deforestation, dike construction, and the loss of reservoirs intensified the flow of rivers and increased sedimentation, raising the risks of catastrophic flooding. In late Ming Jiangnan local officials sought to establish rules that would apportion the responsibilities for dike maintenance and repair equitably among tenant cultivators (who provided labor) and landowners (who contributed money, supplies, and provisions for laborers). In the Middle Yangzi region, however, private initiative held sway, and cooperation was more difficult to achieve. The government attempted to intercede more forcefully in managing water control with the aim of restricting pillaging and rehabilitating the natural ecology. But Qing officials expected local communities to bear the costs of water control. Not surprisingly, private interests vested in maximizing land reclamation — buoyed by population growth and sharply rising food prices — usually triumphed. The fragility of the region’s ecology was exposed in the nineteenth century, when the Middle Yangzi repeatedly suffered devastating floods.

One arena of public welfare in which the Qing government did vigorously intervene was food supply and famine relief. The Qing established a comprehensive network of “ever-normal granaries” (changping chang 平倉) in each county whose reserves were used not only to provide famine relief but also to

importing cotton and opium obtained from its colonial empire in India into China. After gaining independence from the English East India Company’s monopoly on commerce with Asia, merchants from the fledgling United States also rushed to tap into the China trade and became the principal suppliers of silver to the Chinese market.

At times — chiefly at the instigation of the Yongzheng Emperor (r. 1722–36) — the Qing state aggressively pursued an activist agenda of tax reform, public investment, and expansion of the state’s presence at the local level. But Yongzheng’s long-lived successor Qianlong (r. 1736–95) resided or retreated from many of his father’s initiatives. Under the rubric of “storing wealth among the people” (cangfu ya ren guanyu 依靠人民), Qianlong’s government strove to ensure that any increase in the wealth of the empire accumulated in the hands of the people rather than be siphoned off by the state and its agents. Scholars have characterized Qianlong’s regime as “non-interventionist,” or even as a turning point toward the emergence of “economic liberalism” in Chinese fiscal ideology, if not policy. Certainly Qing policymakers displayed a more positive attitude toward the benefits of market forces in enabling a more optimal distribution of goods and resources, and by extension in protecting popular welfare. But it is surely an overstatement to claim, as William Rowe does in his study of the influential minister Chen Hongmou (1696–1771), that “storing wealth among the people . . . meant first and foremost doing everything possible to augment their per capita economic productivity.” Not only was the idea of continuous growth in output and productivity inconceivable within the intellectual milieu of Qing political economy, but Qing officials remained resolutely focused on the efficient use of land and labor resources, the elimination of waste (especially in the form of luxury consumption), and largely rhetorical efforts to promote the diffusion of best practices in agriculture. The non-interventionist stance that prevailed at Qianlong’s court left little scope for the state to promote economic development.

Consequently, the Qing imperial government wielded at best indirect control over local society, relying on mediation by local elites. Since the final decades of the Ming dynasty, local patricians had steadily expanded their responsibilities in managing many aspects of local governance and social

66 On Yongzheng’s effort to rationalize tax collection and place local government finance on sound footing, see Zehn 1984.
67 Rowe 2001: 45–51, 251–52. To the best of my knowledge the idea of “storing wealth among the people” was coined by the fifteenth-century statesman Huizong of the Jin dynasty. See Duffey 2002.
69 Rowe 2001: 287.
70 On these points I draw Will’s (1994) characterization of eighteenth-century Chinese political economy more persuasively than those of Rowe (2001) or Dunstan (2006).
stabilize grain prices at affordable levels. The state’s target for ever-normal granary stockpiles reached as high as 58 million shi (enough to feed 85 million adults for a month) in 1740. State purchases and stores directed the flow of grain supplies from surplus to deficit areas, but officials recognized the limits of bureaucratic intervention in grain markets and generally were disinclined to interfere with the private grain trade. Evidence from the mid-eighteenth century suggests that the state’s famine relief policies achieved success in moderating the volatility of grain prices and containing subsistence crises during years of dearth. The efficient operation of the state granary system and famine relief policies no doubt contributed to China’s sustained prosperity and demographic growth during the eighteenth century.

The economic boom of the eighteenth century

Between the pacification of Taiwan in 1683 and the outbreak of the White Lotus rebellion in 1796, China enjoyed a century of remarkable domestic tranquility. The economic boom of the eighteenth century rested on a foundation of steady growth in population and agricultural output. By the end of the eighteenth century, China’s population had returned to its Ming peak of 150 million. Over the course of the eighteenth century the empire’s population doubled, with the most pronounced increase occurring during the first half of the eighteenth century (Table 8.5). While economic growth in the late Ming had been concentrated in the southeastern coastal provinces, during the early and middle Qing period the most striking increases in population and agricultural production were found in the interior provinces of the south (Hunan, Hubei, and especially Sichuan), the Central Plain, and the southwestern frontier provinces. Much of this increase resulted from the advance of Chinese settlement and agriculture into the remote upland regions of the interior.

77 On famine relief policies and the operation of the Qing granary system, see Will 1990; Will and Wong 1991; Rowe 2001: 120–87; Darrin 2010.
78 Lillian Li 2007: 221–49.
The agrarian regime of the Qing period represented a culmination of the post-Song trend toward labor-intensive, small-scale farming based on legally free households with strong tenurial rights. In the early years of the Qing, a large percentage of cultivated land was owned by the state, members of the imperial household, and the banner garrisons. By the early eighteenth century, however, most of these lands had reverted to private ownership. A competitive and highly dynamic market for land already existed at the beginning of the dynasty. Some restrictions limited the full alienability of land: the law recognized the household, not the individual, as the unit of ownership, and both legal statutes and customary practices granted kinfolk certain proprietary rights. The long-standing principle of equal inheritance ensured that private landholdings would be dispersed among surviving sons, inhibiting the concentration of landownership over time.

One of the most important institutions affecting the alienability of land was the development of permanent rights of tenancy. Rice cultivation required substantial investment in building and maintaining irrigation systems; investments that tenant farmers would not make without some guarantee that they would reap the long-term benefits. Tenancy contracts did not specify the length of tenure, and usufruct rights were conventionally regarded as hereditary. The widespread practice of conditional sales of land reserving the right of redemption (dianlun; also known as huomai 活卖, or "live sale") rather than outright sale also fostered permanent tenurial rights. The multiple tiers of ownership resulting from the practice of landowners selling usufruct rights (known as the "bones" of the soil (tiaogu 田骨)) while retaining legal ownership (the "skin" (tianqi 天基) — known as "one field, two masters" (yijian liangzhi) — had already appeared in the Song (see Chapter 7). The holders of usufruct rights also might sublease the land to tenant farmers, creating a third tier of possession rights. By ensuring security of tenure, multilayered landownership created incentives for cultivators to preserve and enhance the productivity of the land. This arrangement also allowed ready transfer of ownership rights (both "skin" and "bones") within a competitive market economy, providing farming families greater flexibility to expand or contract their holdings in response to changes in their labor force or other economic circumstances. Although multiple ownership was found in almost every corner of the Qing Empire, it flourished most abundantly in the coastal regions of Fujian, Guangdong, and the Yangzi Delta, areas characterized by absentee landlordism, strong demand for land, and high overhead costs of farming.

Shi Zhihong (1994: 25) reports that public lands constituted only 7 percent of the total cultivated land in 1729. Li Wenchui and Jiang Taixu (2005: 266) give figures of 10.6 percent in 1812 and 12.9 percent in 1857; the higher figures in the nineteenth century resulted from the expansion of school lands and inclusion of more categories of public lands in the later data.

For example, of a total of 418 contracts from Quanzhou in Fujian dating from 1600 to 1900, 23 percent involved sale of rights within multilayered landownership. Similarly, in Huizhou — a more remote but highly commercialized region — 30 percent of land sales contracts and 29 percent of tenancy contracts from the Qing period involved transfers of either "bones" or "skin." The prevalence of trading in multilayered landownership rights was much higher in cases of entrepreneurial landowners who frequently bought and sold land. Of forty-two land transactions contracted by the Sun family in Huizhou between 1662 and 1795, two-thirds involved multilayered rights, and twenty of thirty-nine land transfers contracted by the Wang family between 1710 and 1843 involved multilayered rights. The interests of both investors seeking a reliable source of income and farmers desiring secure claims to the land they cultivated. Tenurial systems varied significantly from region to region in eighteenth-century China. The most striking trend was the shift from sharecropping arrangements to fixed rents, whether paid in grain or money. Fixed rents in grain predominated in all regions except North China, which had a much higher incidence of rents paid in money (Table 8.6). This high proportion of money rents perhaps reflected the prevalence of absentee owners of noble and banner estates in Hebei and Shandong. Overall, rates of tenancy were much lower in North China than in the south, and in contrast to the trend toward permanent tenancy in the south, in North China tenancy contracts were short, often only for one year. The bianzhen survey records from Huo county, a relatively poor region near modern Shijiazhuang in Hebei, display a pattern of extremely fragmented landholding among numerous small farms. Four-fifths
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Table 8.6 Regional variation in tenancy systems

<table>
<thead>
<tr>
<th>Region</th>
<th>Number</th>
<th>In-kind sharecropping (%)</th>
<th>Fined-in-kind rents (%)</th>
<th>Money rents (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>North China</td>
<td>158</td>
<td>23.2</td>
<td>29.2</td>
<td>47.6</td>
</tr>
<tr>
<td>South/Southeast</td>
<td>506</td>
<td>7.9</td>
<td>71.9</td>
<td>20.2</td>
</tr>
<tr>
<td>Henan/Hubei</td>
<td>97</td>
<td>7.2</td>
<td>57.7</td>
<td>35.1</td>
</tr>
<tr>
<td>Southwest</td>
<td>110</td>
<td>10.0</td>
<td>56.4</td>
<td>33.6</td>
</tr>
<tr>
<td>Total</td>
<td>881</td>
<td>11.9</td>
<td>60.3</td>
<td>28.7</td>
</tr>
</tbody>
</table>

Source: Data from legal cases in the Ministry of Justice archives from the Qianlong era (1736–95) reported in Shi Zhihong 1994: 71, table 2.3.

Table 8.7 Registered households and landholdings, HuoLu county (Hebei), 1706–1771
(figures in percentages except for last column)

<table>
<thead>
<tr>
<th>Year</th>
<th>Households</th>
<th>Landholdings</th>
<th>0–10</th>
<th>11–20</th>
<th>21–50</th>
<th>51–100</th>
<th>100+</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>1706</td>
<td>18</td>
<td>37</td>
<td>23</td>
<td>16</td>
<td>5</td>
<td>1.2</td>
<td>7,520</td>
<td></td>
</tr>
<tr>
<td>1726</td>
<td>22</td>
<td>42</td>
<td>18</td>
<td>11</td>
<td>5</td>
<td>1.5</td>
<td>5,592</td>
<td></td>
</tr>
<tr>
<td>1746</td>
<td>26</td>
<td>38</td>
<td>16</td>
<td>12</td>
<td>6</td>
<td>1.8</td>
<td>11,713</td>
<td></td>
</tr>
<tr>
<td>1771</td>
<td>16</td>
<td>45</td>
<td>17</td>
<td>16</td>
<td>5</td>
<td>1.8</td>
<td>1,483</td>
<td></td>
</tr>
</tbody>
</table>

Source: Li Wenzhi and Jiang Taixin 2005: 304–05, tables 7–9, 7–10.

Regional differences in agrarian regimes remained pronounced. In North China, landownership was more universal and more uniform, with few great landowners and few tenant farmers. A substantial class of poor and landless men worked as hired laborers. Although subsistence farming was prevalent in much of the north, new cash crops such as sorghum (distilled to make liquor), cotton, tobacco, and peanuts adapted well to the region's ecology and drew farming households into commodity production. In some parts of the Central Plain 20–30 percent of the land was planted in cotton, although cotton did not account for as large a portion of the region's total agricultural production as has been sometimes suggested.87

Although high rates of tenancy prevailed in Jiangnan and southern coastal provinces such as Fujian and Guangdong, many tenant farmers owned some land of their own. As Table 8.6 shows, the trend toward fixed rents that developed during the late Ming accelerated, ensuring that tenants would reap the rewards of improved productivity—and bear greater risk in the event of harvest failure. Since rents generally were calculated on the basis of the expected yield of the autumn rice crop, tenants also had strong incentive to practice double-cropping. The double-cropping regime combining winter crops (wheat, beans, and oil-seed plants) with paddy rice became much more widespread, and in the tropical parts of Fujian and Guangdong farmers could plant two or even three rice crops in a single year.

In Jiangnan, the intensive labor invested in rice farming was augmented by new fertilizers such as soybean cake, resulting in a 50 percent increase in yields compared to the late Ming. But overall rice production in Jiangnan

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86 Li Wenzhi and Jiang Taixin 2005: 302–32.

87 Li Jian 2007: 100–1. Claims that 20–30 percent of all agricultural land in North China was planted in cotton (Napian and Rawski 1987: 143) are wildly exaggerated.
diminished as rural households devoted more of their labor to agriculture, cotton cultivation and manufacture, and other cottage handicrafts. Textile manufacture, performed almost exclusively by women and children, generated a substantial share — and perhaps even the largest portion — of household income. In the mid-eighteenth century rural households in Jiangnan cultivated only 10 or fewer mu of land, but household income rose thanks to the proceeds of cottage industry (for more details on Jiangnan agriculture in this period, see Chapter 9).

Commercial agriculture also accelerated in the coastal regions of Fujian and Guangdong. The Pearl River Delta in Guangdong experienced a dramatic surge in agricultural productivity, population increase, and commercial growth after 1550. Reclamation of the delta’s swamps and sandy coastal land, through the construction of polders and irrigation channels greatly expanded the amount of arable land. Ready access to domestic and overseas markets encouraged market-oriented production. Many delta farmers forsook rice cultivation to plant sugarcane as a cash crop. Already in the early seventeenth century Guangdong was exporting sugar to Japan and other parts of maritime East Asia, and even — before the takeoff of the Caribbean sugar economy — to Europe. In contrast to the colonial sugar plantations in the Americas, which were both capital-intensive and dependent on slave labor, sugar cultivation in Guangdong and Fujian remained in the hands of small-scale family farmers. Growers typically negotiated advance contracts with mill owners from whom they borrowed capital. In some cases sugar cultivators leased mills, or formed cooperatives to operate a mill collectively. After processing and refining the sugar, merchants sold it in Jiangnan and returned with raw cotton to supply rural spinners and weavers.

By the early eighteenth century, much of the cultivated land in Guangdong was planted in commercial crops. The introduction of American food crops facilitated the conversion of rice paddies to cane fields in Guangdong and Fujian. Peanuts complemented sugar cultivation by restoring fertility to soils sorely depleted by nitrogen by sugar cane, and peanut meal also could be used as fertilizer. Extraction of peanut oil involved similar milling technology as crushing sugarcane, and mill owners often combined sugar and peanut oil refining. Sweet potatoes, like peanuts, flourished in the sandy soils of the delta and required only minimal labor. A gazetteer published in 1612 observed that sweet potatoes had been introduced to southern Fujian from Guangdong only five or six years before, but already had become the main staple food of the poor.

The interior provinces of southern China and the new frontier regions of Taiwan and the southwestern provinces of Guizhou, Guangxi, and Yunnan experienced substantial immigration and new settlement. The expansion of farming into the rugged terrain of these regions was made possible by the introduction of American food crops such as maize and sweet potato along with timber cutting and tea planting. In many areas entrepreneurs acquired titles to large tracts of virgin land and then recruited tenants to clear the forests for cultivation. But the rapid agricultural development of the interior provinces exacted substantial ecological costs. Deforestation and erosion increased the risk of floods in lowland areas. As noted earlier, the central basins of the Yangzi valley around Lake Dongting and Lake Poyang, where farmers had constructed polders to reclaim the fertile soil of the lakebeds for rice cultivation, became especially vulnerable to flooding. Landowners and tenant farmers combined their resources to build elaborate dikes and drainage systems to redirect the flow of rivers that previously fed into the now shrunken lakes.

Sichuan typified this pattern of rapid population growth and agricultural expansion in the interior. Much of Sichuan, a key economic region in earlier times, had been laid waste by the Mongol invasions in the thirteenth century and peasant rebellions in the seventeenth century. Laws granting homesteaders perpetual rights to lands they brought into cultivation, the subjugation and relocation of non-Han peoples, and poor harvests and natural disasters in the 1740-50s that particularly afflicted the central Yangzi region encouraged migrants from Hunan and Hubei to move westward. Sichuan experienced the highest rate of demographic growth in the eighteenth century: a six-fold increase in population from 3 million in 1673 to 17 million in 1776, rising to over 23 million by 1820. The resettlement of Sichuan also initiated a gradual shift in the region’s commercial core away from its traditional center in the Chishui Plain to Chongqing in the Yangzi River valley. The surge in China’s population that began in the late seventeenth century continued uninterrupted down to 1850 (Figure 8.3). As Figure 8.4 shows, between 1776 and 1820 the rate of increase was significantly higher in the sparsely inhabited provinces in the west (Sichuan and Shaanxi above all), and yet even densely populated Jiangnan recorded impressive growth. Contemporary observers fully recognized this remarkable population increase, and as early as 1748 leading statesmen expressed fears that population growth — which had always been seen as a sign of good governance — was outstripping food production, creating a disequilibrium that drove up prices and posed an endemic threat to subsistence and survival. Certainly, the eighteenth century

also was marked by a secular rise in the price level. The sharpest increases occurred in rice-deficit areas such as Jiangnan and Guangdong in 1730–58; but prices moderated thereafter, and even fell in the 1790s. The most comprehensive evidence for price inflation comes from rice prices (Figure 8.5), but the prices of other grains, cotton, silk, and various consumer goods (clothing, fuel, liquor, medicine, and paper) also exhibit similar trends during the eighteenth century. Thus relative prices remained fairly stable. Data from Guangdong show that rice prices denominated in bronze coin and silver remained closely synchronized between 1740 and 1780. Subsequently silver prices trended lower, no doubt because of the surge in imports of foreign silver (Figure 8.6). The price inflation of the eighteenth century most likely reflected the substantial growth of the total money supply (Figure 8.2) rather than the stress of overpopulation. China did not yet face a Malthusian subsistence crisis.

*Note:*

107 For Jiangnan prices, see Yeh-chien Wong 1992; for Guangdong, see Marks and Chen 1995. Wheat prices in Zhili (Lillian Li 1992) and rice prices in Hunan (Wong and Pefuan 1992) rose very gradually from 1740 to 1790.


109 This is the conclusion in Peng Kaixiang 2006, the most sophisticated study of Qing price history.

Population pressure on the food supply was mitigated by the flow of grain through long-distance trade networks. Suzhou emerged as the hub of a well-integrated rice marketing system that encompassed the entire Yangzi River drainage basin, and to some degree extended northward along the Grand Canal corridor as well. In the second half of the eighteenth century, on average 17 million shi of rice (over 3 million tons) passed each year through Fengqiao, the great rice emporium on the outskirts of Suzhou, more than a quarter of the total of 62 million shi estimated to have entered long-distance trade (Map 8.4). Separate grain trade networks supplied chronically rice-deficient areas along the southern coast: Guangdong imported 3 million shi yearly, mostly from Guangxi to the west, while Fujian imported 1 million shi from Taiwan, where Chinese settlement spread rapidly in the eighteenth century.
The Grand Canal artery supplied Beijing and its environs with 1 million tons of rice per year (half of which was delivered as tribute rice), and also served as the route for shipping large quantities of wheat and soya beans to the Yangzi Delta. Because of these integrated regional and interregional grain markets, harvest failures had only modest impact on grain prices, at least in urban areas.\footnote{Cheng (2008: 23–25) argues that grain prices at major Shandong commercial cities such as Qingdao and Jinan display only weak correlation with Suzhou prices. Lillian Li (2007: 217–19), in contrast, finds a strong correlation in grain prices between Zhili (Hebei) and Suzhou.}
areas. The state’s granary stores also helped to minimize supply shocks on
grain prices; but after 1750 the state shifted away from maintaining large
stockpiles and instead supplied funds to ever-normal granary administrators
to purchase grain on the open market. Recent comparative study of grain prices
in the late eighteenth century indicates that long-distance trade in China
operated more efficiently than in Europe. Although the Yangzi Delta
region lagged behind England in overall market efficiency, it achieved levels
comparable to or surpassing continental Western Europe.

The sophisticated commercial networks that linked major commercial
centers and most cities in eighteenth-century China bypassed rural commu-
nities in many areas, however. Rural periodic markets proliferated during the
Qing – by one estimate, there were more than 22,000 local markets by the end
of the eighteenth century – but the great majority of these markets handled
only petty merchandise, with few or no wholesale traders and little connection
to interregional trade networks. High transport costs hindered integration of
town and countryside. In parts of North China that lacked access to water
transport, no trend toward market integration can be discerned, and indeed
the degree of integration appears to decline after 1800. G. William Skinner,
drawing on nineteenth-century data, argued that before the advent of railroads
and steamships the Chinese economy was only weakly integrated at the
national level. Instead, Skinner proposed that the economic structure of the
Chinese empire conformed to a series of eight physiographic macroregions
principally defined by water transport routes. Each macroregion engendered its
own hierarchy of cities, trade routes, and patterns of resource extraction.
Commercial development was concentrated in the core areas of the macro-
regions, while population, exchange, and wealth increasingly thinned in
peripheral areas (Map 8.5). Skinner’s model is flawed, especially in its
slighting of the powerful centrifugal effects of interregional trade. But the
impressive degree of interregional trade and market integration achieved in
the early Qing began to wane by the final decade of the eighteenth century.
The onset of political and economic crises in the nineteenth century reversed
the impetus toward integration on an empire-wide scale. As the century

104 This conclusion was reached by Marks (1999: 268–74) for Guangdong and Lillian Li (1992:
88–95) for Hebei.
105 shine and Keller 2007. Marks (1999: 271) found that there was less volatility in the yield-price
106 For the estimate of periodic markets, see Fang Xing et al. 2007, 2: 718.
107 Lillian Li 2007: 207–13. Xu Tian (2003) has been the staunchest proponent of the view that an
integrated national market penetrated deeply into the countryside in the Qing. But Li’s
skeptical view is much more solidly grounded.

wore on, the economic structure of the Qing Empire increasingly resembled
Skinner’s macroregional construct.

In sum, the efficiency of domestic markets, regional specialization of
production, and an expanding money supply stimulated economic and demo-
graphic expansion in early Qing China. The steady rise in prices across the
eighteenth century corresponded closely to the increase in population,
suggesting that agricultural and industrial output kept pace with rapid
population growth without any appreciable decline in per capita income. Yet the prosperity engendered by the quantitative growth in output masked the lack of significant innovation in productive technologies.

**Business organization and credit markets**

In Chinese agriculture, independent family farms persisted as the basic units of production, even when landownership was aggregated in the hands of large landowners. Commercial enterprises also primarily took the form of family firms that drew exclusively on the family’s labor, capital, and technical expertise. Nonetheless, in Ming-Qing times it became increasingly common for multiple investors to form partnerships to pool resources, reduce risks, and extend the spatial range of their commercial activities. Many of these ventures, such as the commenda type of partnership, were short-lived. But new forms of partnership that institutionalized the enterprise as a permanent corporation independent of its individual investors also emerged. The lineage trust, as we have seen, developed from the sixteenth century as a permanent, incorporated business entity. In addition, joint-share partnerships began to evolve beyond the constraints of the family firm. The development of permanent partnership firms was facilitated by the emergence of share capital. Some scholars have argued that share capital enterprises already appeared in the Song, but conclusive evidence is available only from the sixteenth century. Dividing a partnership into shares contributed to the longevity of firms by enabling investors to withdraw without jeopardizing the firm’s capital assets and by allowing multiple heirs (a frequent occurrence under Imperial China’s legal principle of equal inheritance) to preserve their individual stakes. It also facilitated the formation of partnerships in which managers provided only their expertise and labor but no capital. By the eighteenth century there was ample testimony to the buying and selling of shares. However, no stock market emerged from this trading in shares, which rested largely on personal relationships and contacts.

In conventional practice, partnerships (hebao 合夥, 合伙) could take a variety of forms, such as: (1) the commenda arrangement; (2) joint-share partnerships (also known as heben 合本 or hegai 合夥); and (3) agency partnerships. Under the commenda partnership, one partner invested a sum of money as capital while the “active” partner undertook the actual work of traveling to distant markets and negotiating transactions. The active partner contributed his skills – his expertise in evaluating the quality and value of goods; his knowledge of clients, brokers, and shippers; and his familiarity with markets and trade routes – as well as his time. The investor, by placing his capital at the disposal of the active partner, assumed even greater risk, and usually reaped the greater share of the profit, although in many cases the partners divided their profit equally. Commenda partnerships usually endured only for a single trading venture.

In joint-share ventures, multiple investors contributed capital and received shares (fen 分) in proportion to the amount they invested. Managerial authority was retained by one or more principal partners, while common partners had no role in decision-making. In agency partnerships, professional managers – like the active partner in the commenda – and in some cases other managerial staff received partnership shares (their expertise and labor earned them certain equity rights). In contrast to the commenda, joint-share and agency partnerships were intended to be long-term arrangements. No strict legal definition of partnerships existed in imperial China, nor was there a body of civil law that governed their organization and activities. Partnerships were established through the use of contracts, which as we have seen were essential to economic life in imperial China. Customary commercial practices embedded in contracts were sanctioned and enforced by magistrates as long as they did not conflict with the provisions of statutory law. To be sure, murky areas remained, especially since imperial law recognized only households, not individuals, as bearers of property rights (and, by extension, debts). Business disputes generally were settled through private mediation rather than in a court of law. Bankruptcy proceedings, for example, typically operated outside the formal legal system through customary forms of negotiation; magistrates intervened only to compel parties to cooperate in mediation or to punish fraud.

The lineage trust, as we have seen, provided one mechanism for establishing a permanent business corporation. Of course, lineage trusts differed from modern capitalist corporations in significant ways. The purposes of lineage trusts were fundamentally ritual and moral ones: to maintain the ancestral hall and gravesites and sustain the bonds of solidarity among kinsmen. Their resources derived from contributions of members, who became shareholders in the trust. Although lineage members obtained income from their shares in such trusts, they exercised no ownership rights and could not freely dispose of their shares. David Faure likens the lineage trust to a holding corporation rather than a commercial partnership. Faure insists that the

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109 All three types of business organization were employed by Shunzi and Huihao merchants, although the agency type was more common in Shunzi and the joint-share enterprise in Huihao. See Terada 1972: 265–83; Zhang Huiqin and Wang Tingya 1995: 68–82.
110 The Chinese term (hebao) broadly encompassed all of these types of partnership, and even were used to refer to cases where a proprietor hired salaried employees. See Liu Qigang 2007: 187–49.
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ritual character of lineage trusts sharply distinguished them from profit-driven corporations. Nonetheless, lineage trusts displayed a keen interest in profit maximization. Paure mentions a 1745 contract whereby fifty-five households from a single lineage each contributed 55 tael to establish a marketplace in the Pearl River Delta. The pooled funds were used to construct walls, gateways, a pier, a temple, and thirty-eight shops. The property was divided into eleven shares held by groups of five families. The shareholders themselves were responsible for finding tenants and negotiating leases for the commercial real estate. In Paure’s words, “the close involvement of lineages in business activities renders meaningless any hard distinction between merchants and gentry.”

The joint-share partnership provided the means not only to raise additional capital but also to establish an enterprise on permanent footing independent of its founders or investors. It became common practice for the principal investors to exercise managerial authority and responsibilities. Common investors were limited partners with no voice in day-to-day business decisions, but could readily join or withdraw from the partnership at will (at the time of the annual settlement of accounts on the eve of the New Year holiday). Given the constraints of the capital market, this relative ease of entry and exit gave the firm flexibility to raise new investments. But it also could cause serious financial difficulties if investors withdrew precipitously.

The potential for a firm to assume a permanent corporate existence is well illustrated by the case of the Wanquantang medicine shop, founded in Beijing at the turn of the eighteenth century by Yue Fungyi, scion of a family of physicians. Yue Fungyi and his successors managed the Wanquantang as a family business, but in the 1760s the shop encountered financial difficulties and fell into debt. In 1746, the Yue were obliged to bring in a certain Suo to manage the store under an agency partnership (Table 8.9). The firm’s fortunes revived under Suo’s guidance and the Yue were able to clear their debts, but in 1751 Suo received an official appointment and resigned from the business. After a fire damaged the shop in 1755 the Yue enlisted four new partners—all proprietors of their own medicine shops—under a fifteen-year partnership agreement with Yue Yulin as general manager. The partnership was renewed in 1772 with Yue Yulin’s brother Yuxin as manager, but following Yue Yuxin’s death in 1792 the general manager position passed to one of the outside investors. In 1810, for reasons left unexplained, the Wanquantang partnership was dissolved. The five partners sold the business and their stock to new owners, a partnership created by two Shanxi merchant consortia from the Jiang and Han families, putting an end to the Yue family’s century-long association with the firm. The partnership between fellow countrymen was by no means an amicable one, however. In 1817 the Jiang withdrew from the partnership, complaining that Han family members, who held the majority of the shares, allowed them little voice in decision-making. The Han resorted to a conditional sale of the shop to make up the deficit in capital funds. Shortly afterward, the Han persuaded Jiang Shengyuan (who was related to the Han by marriage) to resume the partnership, although with a more modest investment, only one-quarter of the total. Thereafter the partnership remained under Han family control. Although its fortunes rose and fell and new investors

<table>
<thead>
<tr>
<th>Original owner</th>
<th>Contribution</th>
<th>New Investor(s)</th>
<th>Contribution</th>
<th>Profit share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yue family</td>
<td>Shop, inventory, brand name</td>
<td>Suo</td>
<td>2,724 tis.</td>
<td>Equal</td>
</tr>
<tr>
<td>Yue Yulin</td>
<td>3,251 tis.</td>
<td></td>
<td>Jian, Sun</td>
<td>2,390 tis.</td>
</tr>
<tr>
<td>Yue, Jian</td>
<td>Brand name</td>
<td>Jiang, Sun</td>
<td>5,000 tis.</td>
<td>Yue, Jian: 30%</td>
</tr>
<tr>
<td>Yue, Jian, Jiang, Sun</td>
<td></td>
<td></td>
<td></td>
<td>Jiang, Sun: 70%</td>
</tr>
<tr>
<td>1772 Yue, Jian, Jiang, Sun</td>
<td></td>
<td></td>
<td></td>
<td>Sun et al.: 60%</td>
</tr>
<tr>
<td>1810 -</td>
<td>-</td>
<td>Jiang</td>
<td>8,200 tis.</td>
<td>Yue: 20%</td>
</tr>
<tr>
<td>1817 Han Jiang, Jiang, Shengyuan</td>
<td></td>
<td></td>
<td></td>
<td>Han: 12,000 tis.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Jiang</td>
<td>5,000 tis.</td>
<td></td>
</tr>
</tbody>
</table>

Source: Lin Yongchong and He Zhiqu 1983.

115 Paure 2006: 33-44. Despite the durability of lineage institutions, these kin groups often were beset with internal conflict. As McDermott (2013a, 365-68) observes, the main long-term problem confronting lineage trusts was sustaining control and cooperation among increasingly numerous and distant related members.
116 Paure 2007: 231-32. 117 Lin Yongchong and He Zhiqu 1983. Yue Fungyi’s older brother had opened his own medicine shop in 1702; Fungyi’s shop probably opened for business not long afterwards (certainly it was in existence by 1709).
118 In 1742 a branch shop was transferred to a pair of businesses in a conditional sale that netted 2,000 tais. The Yue continued to operate the branch store, but after several attempts to find a suitable partner failed they subletted the store to new managers.

120 The new shareholders were groups of kinship operating, as David Paure said of lineage trusts, as a holding company.
joined and left, the Wanquantaung enterprise flourished in the early twentieth century prior to the nationalization of enterprises under the People’s Republic of China.122

The 250-year history of the Wanquantaung medicine shop demonstrates the flexibility of the business partnership form of enterprise. It allowed firms to expand their capital resources and recruit expert managers and to obtain a permanent existence that did not depend on the interests, skills, or personal financial condition of the founders or their heirs.123 The relative ease of entry and exit in such partnerships can also be seen in the account books of the Wanquantaung silk goods shop, which was owned by members of the Ma lineage of Huizhou (Table 8.10). Our information largely comes from the ledgers held by one branch of the lineage (the Hua), and thus is incomplete.124 Initially the firm was jointly owned by three branches of the Ma lineage. In 1746 two members of the Hua branch, Ma Mingzhou and Ma Kanghui, became independent shareholders, holding one share between them (these two individuals also appear as general managers of the firm, a position that rotated annually). After 1748 two of the original branches (designated B and C here, since their actual names are unknown) exited the partnership. The B branch and Ma Junli shifted their investments to a separate silk goods shop, the Rishengtang. At the same time four new segments of the Hua branch jointly obtained one share in the Wanquantaung. By 1756 the firm began to suffer losses, and the partnership was reorganized with four shareholders who agreed to cover its debt; the Hua branch, two of its segmented sub-branches (the Jia and Feng), and Ma Mingzhou and Ma Kanghui again as joint shareholders. Although the Wanquantaung was wholly owned by members of the Ma lineage, it was not rigidly bound to the lineage organization, and the ownership structure could readily adjust to the changing economic priorities of its shareholders.

We lack details on the earnings of these firms, but such business partnerships usually paid its shareholders annual fixed dividends, with the managing shareholder receiving a supplemental payment. If the firm had an especially prosperous year, bonuses were paid both to investors and managerial staff. In general the dividends were proportional to the investors’ share in the firm’s equity, but in some cases (as happened with the Wanquantaung in 1746, 1751, and 1810; see Table 8.9) partners received equal shares even though they invested unequal amounts of capital. In the case of the Wanquantaung, shareholders generally received identical annual dividends even though their equity shares were unequal.125 In addition, both the Wanquantaung and Wanquantaung firms followed the common practice of granting investors the right to withdraw funds for alternative purposes, which could range from wedding and funeral expenses to purchases of real estate or brevet official titles. Such withdrawals, which eroded the firm’s equity and posed a significant threat to its long-term financial health, reveal that – from an investor’s perspective, at least – there was little distinction between the firm’s capital and their personal assets. The freedom of investors to exit the firm or withdraw capital at will hindered the capacity of firms to accumulate capital over the long term, and often was the cause of bankruptcy.126

The lack of a formal market for trading shares and the endemic problem of peremptory withdrawals of capital – even though contracts routinely forbid such withdrawals – imposed constraints on the long-term viability of individual firms. Business partnerships often remained vulnerable to the whims of individual investors. The trend toward agency partnerships based on professional managers in the Qing period reduced the role of investors in business operations. At the same time, since professional managers often received a substantial equity stake, their interests coincided with those of the investors.

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122 The Tongzhuang medicine shop founded by Yue Pengzi’s elder brother in 1702 also acquired outside investors over time, but in 1820 the Yue family recovered sole ownership. Unlike the Wanquantaung, the Tongzhuang granted dividend shares to its managerial personnel. In 1818 the twenty-five equity shareholders (with a total investment of 43,800 taels) held 38.5 shares, while the managers and personnel held 10 shares (21.5 percent of the total). See Liu Yongheng and He Zhong (1983: 12).

123 Penrose (1997) finds a similar evolution from a family firm to a multiple partnership relying on professional managers in the history of the Yutang processed foods company, founded in Jinling (Nanjing) in 1779. But in 1905 one of the two principal investors – whose predecessors had been partners dating back to 1807 – bought out his partner and the common investors and renounced Yutang as a family-owned firm, which it remained until it was nationalized in 1956.


125 Liu Qiugan and Xie Xianli 2005.
Another feature of business organization in late imperial China—one that has attracted scant notice by scholars—was the formation of "linked-firm" (guanhao 賴號) enterprises. Successful firms often expanded through the multiplication of branch firms under independent management rather than centralized control. This loose structure allowed branch managers to exercise operational autonomy, and probably also served to limit the financial liability of the parent firm. Pawnbrokers widely employed this type of organization, but it also was adopted by commercial firms, as we can see in the case of the Cai merchant empire in Fujian and Taiwan.

In 1725, Cai Daguang, a silversmith by trade, persuaded various Cai families who previously lacked any formal kinship organization to create a single Cai lineage to pool their resources for the purpose of building—in concert with other local lineages—port facilities at Dongshigang (near Guangzhou in Fujian). The new port featured a 2-kilometer harbor channel lined with sixteen wharves (most belonging to individual lineages, including six owned by the Cai, with one large public wharf) and warehouses. At its peak in the late nineteenth century, Dongshigang numbered more than fifty shipping firms that deployed over 200 ships. The Cai family alone owned thirty of these firms, the largest of which had over thirty ships.

At the time the Dongshigang port was first developed, the upstart Cai lineage organized itself into three branches and ten sub-branches. In the 1750s-40s, many members of the Cai family joined the wave of migration to Taiwan, including Cai Jizhao’s two brothers. The Taiwan immigrants became farmers, but kept close ties with their mainland relatives. Cai Jizhao, who continued to manage a shipping business in Dongshigang, formed three separate partnerships with his relatives in Taiwan to develop fish farms, while his commercial fleet expanded to twenty-one ships, each of which was independently financed (one ship was underwritten by women of the Cai family who pooled together their dowries). Eventually Cai Jizhao’s commercial empire included rice paddies, saltworks, oil presses, pawnbrokers, and retail stores. Other branches of the Cai lineage likewise flourished by investing in the Fujian-Taiwan trade, developing correspondence relationships and linked-firm partnerships with their migrant kinmen in Taiwan to trade in Taiwan exports such as grain, sugar, leather, maritime products, sulfur, wax, camphor, bezoar, rattan, and fruits while importing Fujian goods such as medicine, tobacco, paper, tea, porcelain, and construction materials.

Despite the prosperity of the Cai family businesses—which lasted to this day—they were not immune to the vicissitudes of business cycles, such as the economic depression of the 1820s–40s (see Chapter 9). During periods of commercial expansion, the Cai sought to consolidate ownership by buying out partners, especially when fresh capital investment was needed. But household division as well as adverse market conditions resulted in the dissolution of partnerships and dispersal of assets. (Because ships were substantial assets, property division testaments often divided them into shares to be distributed among heirs.) Even as the social distances among geographically dispersed kin grew over time, family connections proved invaluable to continued business success. Linked-firm enterprises provided a crucial institutional mechanism for maintaining these family-based business networks.

A common feature of the partnerships discussed above was their reliance on equity investments rather than credit markets as a source of capital. Indeed, the proprietors of the Wanquanzhang prided themselves on their financial independence from pawnbrokers and creditors. The frequent resort to partnerships in commercial enterprise itself attested to the absence of well-developed credit markets as an alternative source of capital. Despite the development of transfer banking through bills of exchange since the Song dynasty, banks—in the sense of institutions providing long-term credit—did not emerge before the nineteenth century.

As the examples of the Wanquanzhang and Wanquanzhou show, debt-ridden commercial firms—like family farms—tended to return to conditional sales of real property assets. In these cases the firm leased back the shop from the new owner, but retained the right to redeem the property within a specified period, although it was common to grant extensions. For example, when the Han family sold the Wanquanzhang shop via conditional sale in 1817 the contract called for redemption (i.e., repayment of the principal) within two years, although in fact the shop was redeemed only in 1830. Shareholders were another source of short-term capital. The ledgers of the Cheng-Wu dyeworks (operated by a partnership of seven Huizhou merchants) dating from 1591 to 1604 show that on average only 48 percent of the firm’s capital came from equity investments by the partners; the remainder was obtained through short-term loans from partners, kinfolk, pawnbrokers, and credit associations.

The return on investments—both for partners and outside investors—was in the range of 1.2–1.5 percent per month, or roughly 20 percent per year. It remains unclear how widely this type of financing was practiced.

The principal sources of credit in late imperial China, of course, were pawnbrokers. In the countryside pawnbrokers mostly made short-term loans (one to six months) to farmers, either to provide funds for purchases of seeds, tools, and draft animals or for subsistence purposes. Credit from
pawbrokerages was vitally important to the sericulture industry in Jiangnan, where rural silk producers depended on such loans to finance purchases of mulberry leaves or raw silk.129 Pawbrokerages charged high rates of interest and required substantial collateral — when issuing loans, reflecting the poor creditworthiness of borrowers and the high frequency of defaults. In addition, a wide range of groups — including lineage trusts, mutual aid societies, and religious associations — also engaged in moneylending, either as a service to members of the group or as a profit-making activity through loans to the public at large.

Pawbroking was very much a growth industry in the early Qing period. The number of pawbrokerages rose from 7,695 in 1685 to 23,139 in 1812.130 As in commerce in general, the regional merchant groups from Shanxi and Huizhou dominated pawbroking in North and South China respectively. Shanxi and Huizhou merchants drew on their substantial profits from the salt trade and other commercial ventures to capitalize pawshops in both urban and rural areas. Pawbrokerages also accepted interest-bearing deposits from individuals, lineage and temple trusts, and charitable foundations; in addition, during the Qing dynasty government officials occasionally deposited monies such as payroll funds in pawshops. Pawbroking was a retail enterprise: large commercial cities often had more than 100 pawbrokerages (Beijing c. 1740 had more than 200), and individual merchants might own a dozen or more pawbrokerages in the same city through a linked-firm network. Capital assets varied considerably — 1,000 taels sufficed for pawshops in rural areas, while those in major cities generally required at least 5,000–10,000 taels, and 20,000 taels was considered the minimum requirement in Beijing.

Qing law decreed that lenders charge no more than 3 percent interest per month and total accrued interest not exceeding the amount of principal. Actual interest rates were lower than the law permitted, but still relatively high: in the range of 20–30 percent per annum (Table 8.11). Loans contracted in silver generally charged interest rates of 1.5–2 percent per month (with some rising to the legal maximum of 3 percent). Interest rates on loans of grain fluctuated more erratically (based on price trends), but on average carried lower nominal rates than loans in silver, reflecting greater confidence that farming families could produce the grain needed to repay the loans. The broad trend shows that annualized interest rates offered by pawbrokers declined from roughly 30 percent in the seventeenth century to 20 percent by the nineteenth century.131 The decline in interest rates was most marked in Jiangnan, where in the late eighteenth century reputable borrowers could obtain commercial loans for 0.8–1 percent per month, or 10–12 percent on an annualized basis.132

Table 8.11 Pawbrokerage interest rates, seventeenth–nineteenth centuries

<table>
<thead>
<tr>
<th>Region</th>
<th>Silver</th>
<th>Grain</th>
<th>Silver</th>
<th>Grain</th>
<th>Silver</th>
<th>Grain</th>
<th>Silver</th>
<th>Grain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Huizhou</td>
<td>20.00</td>
<td>20.30</td>
<td>30.00</td>
<td>14.35</td>
<td>24.00</td>
<td>24.00</td>
<td>13.00</td>
<td></td>
</tr>
<tr>
<td>Anhui</td>
<td>19.99</td>
<td>19.99</td>
<td>6.00</td>
<td>18.52</td>
<td>10.88</td>
<td>7.67</td>
<td>10.71</td>
<td></td>
</tr>
</tbody>
</table>


Still, the costs of capital as reflected by the interest rates charged by pawbrokers and other lending institutions remained high, far higher than in Europe. As the above examples show, merchant and kinship networks functioned as internal credit markets, dampening the demand for commercial credit.133 The tardy development of banking in China also reflected the absence of sovereign debt — in contrast to European states, the Chinese government never borrowed money, but instead financed itself entirely through current tax revenues. But the growth of long-distance trade in eighteenth-century China did generate new demands for capital. At the end of the eighteenth century there was a proliferation of local banks known as qianhuang 萬商 that financed commercial ventures through short-term loans. From the 1820s large-scale remittance banks (pianshuo 進貢) — a consortium of twenty-odd banks based in Shanxi province — provided a range of financial services to private merchants and the imperial government (see Chapter 9).

Conclusion
By the sixteenth century, long-lasting domestic peace and stability had engendered rising agricultural production and a revival of trade. From 1550, the pace of commercial expansion quickened. Expanding international markets for...
Chinese silks and porcelains stimulated industrial production, and the massive inflow of Japanese and New World silver lubricated the wheels of commerce. Urban growth was most conspicuous in the flourishing Jiangnan cities of Suzhou, Hangzhou, and Nanjing, whose inhabitants engaged in hundreds of artisanal crafts to satiate the swelling hunger for luxury goods and new consumer staples. The gravitational pull of these great cities radiated throughout the Jiangnan countryside, where hundreds of satellite market towns emerged that linked rural industries – chiefly, but not exclusively, textiles – to urban markets both near and far. In the eyes of contemporary patricians, the growth of cities and towns, and the wealth that accumulated in them, bore ill for public morality and social order. "In my father’s day," wrote Ma Yilong (1499–1571) in the preface to his treatise on husbandry, "people subsisted on the fruits of their own labor, and tradesmen and shopkeepers were spread across the countryside... Nowadays people live off the toil of others, and rural inhabitants have flocked to the towns and marketplaces, scurrying to and fro without stable employment, palms open and tongues jabbering, resorting to any chicanery to sell their wares." The insinuation of money into all spheres of social life indeed would have profound cultural as well as economic repercussions. The military and political crises that ushered in the abrupt collapse of the Ming dynasty in 1644 and the Manchu conquest of China dealt only a short-term setback to the economic forces unleashed during the late century of the Ming, which continued to prevail well into the nineteenth century.

The maturation of the market economy was the signal feature of the economic history of the late imperial era. Long-distance trade networks extended to every corner of the empire, even though the circulation of commodities bypassed large swaths of rural China. The growth of long-distance trade was made possible by the development of a wide range of institutional innovations, including lineage trust, native-place networks and trade specialization, joint-share partnerships, and linked-firm enterprises. In contrast to the Song period, when state procurement was a key catalyst in the creation and articulation of long-distance trade networks, private enterprise was the dynamic force fostering market growth in the late imperial era. Unfettered development of private commerce promoted a pattern of "Smithian growth" in which greater economic efficiency was achieved through market expansion and specialization of labor.

By the same token, the fiscal role of the state diminished compared to the Song dynasty. The commutation of taxes to silver payments and the elimination of nearly all labor service duties in the early Qing period reduced the relationship between the state and the household to a monetary transaction.

But the Qing state, like the Ming before it, remained dedicated to the Confucian principle of minimal taxation, which constricted its capacity to make infrastructural investments or provide public welfare. The aggressive state activism promoted by the Yongzheng Emperor in the 1720s–30s receded under his successor Qianlong, who favored benign laissez-faire policies. Even if they had the will to do so, Qing leaders lacked the fiscal resources to stimulate economic development.

Beginning in the late seventeenth century, China underwent a surge in demographic growth – a tripling of the population between 1680 and 1850 – virtually unprecedented in the history of the premodern world. This remarkable demographic expansion was propelled by prolonged domestic peace and a sustained rise in economic output made possible by the efficiency of markets, regional specialization of production, and an expanding money supply.

Yet the prosperity engendered by the quantitative growth in output masked the lack of significant innovation in productive technologies that would have lessened the pressure on increasingly scarce resources – land, water, food, and energy. Even contemporary Chinese statesmen were alarmed by the rapid pace of population growth and the mounting pressures on the agricultural base of the economy. The outbreak of the White Lotus rebellion in western China in 1796 not only shattered domestic tranquility but also starkly exposed the state’s unpreparedness to subdue civil disorder. In the following decades the Chinese economy tumbled into a lengthy economic depression that would fan the flames of social discontent. At the same time Qing sovereignty came under siege by industrializing Western powers seeking to throw open Chinese markets.