

The Chinese way to modern economy ---- Merchant organizations and commercial institutions in Imperial China, what legacy for today?

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It is my honor to have this opportunity visiting this famous Institute amidst such a beautiful city. Many thanks for Jerome, Professor Seizelet, Frederic, Stephane, Shi Lu, Christine, Francois, and other colleagues here for all the help and care I have received. I really appreciate it. Here and now I will take this precious chance to introduce what the studies I am doing related to the crux of “the Chinese way to modern economy” in order to exchange with and learn from all of you.

Mainly based on the resources of steles erected by both the financial support from many merchants and the official support from local authoritative orders in Qing China (1644-1911), various interesting organizational activities related to commerce and industry which occurred and developed in the eighteenth and nineteenth century Suzhou, Shanghai, and other Lower Yangtze cities could be identified and scrutinized. Thanks to the valuable information contained in these steles and later on the archive of Suzhou Chambers of Commerce I have paid much effort to delve into the merchant organizations attributed to different types from the “traditional” associations of merchants and master-craftsmen which often named Huiguan (會館) or Gungso (公所) to the “modern” and “western” type of the Chambers of Commerce (商會). Instead of supporting that scholarship for setting up a false dichotomy between Chinese traditional and modern merchant organizations, I bring these organizations into their differing commercial institutions and hence this approach constitutes my main study.

Linking organization with institution is indeed a challenging academic work. Enlightened by some brilliant researches from the New Institutional Economics and economic anthropology, I try to reveal and highlight the significance of the “embeddedness” lied between those Chinese commercial institutions and merchant organizations. While on approaching the changing content of the “embeddedness” in Chinese own economic trajectory from the 16th to 19th century, I found that there are at least three interwoven topics intriguing my most concern: institutional innovations in markets, embedded linkages that shaped exchange mechanisms, and the formation of categorical frameworks.

Institutional innovations that affected markets include economic organizations that can supply the transaction services, accessible legal protection to enhance the safety of property rights, effective juridical procedures to settle contracts and torts in commercial conflicts, and the accumulation and spread of commerce and related legal knowledge. I have written some articles analyzing how the institutional innovations such as the cotton and silk industrial organizations within putting-out system had improved the economic performance and established some leading cases for the legal procedure which could benefit merchants in eighteenth-century Suzhou and Shanghai.

The following topic centers on the social bonds, including those of family, lineage or ethnicity, can reinforce and provide needed credit in market exchanges. Not just cost-benefit economic calculation but also credit-engendering social relations help make markets work, and social relations articulating exchange can be seen as embedded in and contributing to the development of markets. I have paid attention to the role of these embedded linkages in exchange, and arguing that the traditional type of merchant organizations such as Huiguan and Gungso had once smoothly employed social bonds to create needed credit and hence successfully provided transaction services.

And the last topic is the shaping and appropriating of categorical frameworks, including those used in the evaluation of commerce in state policy, constructing criteria for singling out “public interests” from the activities of private business, promoting the contribution of the wealthy to the poor, and those discourses about the meaning of work being constructed along the criteria of gender, ethnic group or other social boundaries. All these categorical frameworks not only having been introduced to the economic field for reshaping merchant’s identity and social status but also having affected the legal field by means of either ruling commercial cases or issuing economic regulations. One of my recent papers has shed light to the debt and negligence discourses in the 18th century Chinese economic-cum-legal field.

Back to the crux of whether there exists “the Chinese way to modern economy”. I do not think that at this time we may properly declare that there is a distinct Chinese way to “modern economy” in comparison to the capitalist trajectories having evolved in England, France, United States, Japan, and other economically advanced countries during their modern period. However, based on the historical experience of the development of Chinese market economy from the 16th to 19th century, I do think that there was a prototype of market economy reoccurred as Communist China tried to recover its free market system after the late 1970s.

The period from 1950s to late 1970s was actually a severe interruption to Chinese long-term evolution of market economy. Even there have been added many new apparatus as Chinese communist government backed to the saddle for recovering a limited free market system, within which we could still find many basic features similar to the market evolution in China after the 16th century.

There existed considerable and significant achievements while the Chinese economic development proceeded along its own trajectory from the 16th century on. Among them there were two most important achievements to my understanding. One is the emergence of the national market which mainly thanks to the endowments among different macro-regions having gradually grown into a well-integrated division of labor from the sixteenth to eighteenth century. Along the growth of this national market there had emerged an important industrializing area mainly composed of both the cotton and silk handcrafts in the Yangtze delta. There also had accompanied a transformation of work habit and work-discipline in either cotton or silk industry under the putting-out system in this industrializing area. The second achievement is the long-term empowerment of those merchants in dozens of specific districts in either south or north China. These merchants had grouped themselves, accumulated wealth, and above all aggregated the business know-how including investing strategies and risk-managing skills into a valuable commercial legacy inherited by their descendants. Hundreds of merchants even became the boss in the putting-out system either in cotton or silk industry and having made thousands of wage-labors under indirect supervision in armfuls of cities and towns in the Yangtze delta.

During the latter half of the nineteenth century Chinese economy had begun to incur a calamity. The devastating forces came from at least two different origins. One was from the interior warfare which particularly devastated the most prosperous Yangtze delta, and the other was the overwhelming competition from foreign commodities having pervaded China under a very low tariff ratio while Chinese native merchants were being levied by various taxes to trade within their home country. However, even under the tremendous pressure of these devastating forces both the late Qing and Republic government still had struggled to maintain a system of free economy. Cohorts of Chinese merchants from the end of 19th to the first half of 20th century had not only inherited their commercial legacy but also copied the technological and managerial skills from foreign enterprises. Either fought through or cooperated with those foreign enterprises prevailing over the Chinese market then, the commercial legacy from the 16th century had evolved and advanced fearless of both the warfare and foreign competition. Basically the Communist government just resumed this long-term commercial legacy after a stormy detour in the name of the

so-called socialist reforms to both commerce and industry.

Chinese economy also had benefited from millions of families not hesitating to invest money on the education of their children whose goal for climbing success ladder had replaced passing the bureaucratic examination with getting a degree abroad in Europe, United States or Japan. This dominant mechanism for the formation of human capital had fostered the commercial legacy from the late 19th century, and there were even more elites began to set the priority of their career in the commercial affairs. However the shift for elites taking their career choice as a merchant actually had began in some Chinese districts from the 16th century; since then, the relationship between officials and merchants had gone through a very interesting transformation. This transformation both provided the useful flexibility and laid the hidden crisis in Chinese way to market economy.

Contrary to the cliché that merchants were not protected by the traditional government, there were actually much more public discussions about whether and how the wealthy people do contribute to the public good. Many officials had agreed to enhance the protection for merchants because more and more officials did observe that there were many peasants having benefited from the flow of goods, food and the silver which the central government had adopted after the sixteenth century as the critical means for peasants to pay their tax. If merchants do not arrive in a specific county then many people could be sunk into the lack of goods, food and silver for paying tax. Protecting merchants was the means of relieving material lives of peasants all over the nation, hence the political slogan such as “the wealthy constitutes the vitality of the nation”（富人乃國家元氣）¹ turned out one of the popular tenets of many officials after the 16th century.

Besides this causation for protecting merchants, there certainly arose the fiscal aim to reform the inadequacy of tax mainly from agrarian sector; although, this fiscal aim is just for covering the gap of agrarian tax to support the regular budget of governmental operations, but not for enlarging the spending for building up a belligerent state. Mainly because of this financial reason, some merchants in Yangzhou（揚州） did get their privileges via an institutional channel such as in the field of salt monopoly. The salt merchants in Yangzhou had become kinds of millionaire since the sixteenth century. And after the eighteenth century a kind of special brokers

¹清嘉慶九年(1804),某位江西按察使下達一份通行全省的公文書,其中有云:「夫欲保全富戶,必使窮民明白其中利害,方可加以懲勸,蓋富乃貧之母,為國家元氣,富戶凋敝,不僅貧民失依,元氣亦傷」(《西江政要》(按察司本),卷43,頁6)。

monopolized the trade with foreigners had also created this kind of institutional channel in Canton. It is proper to say that the Chinese merchants who got their power of monopoly both in salt and foreign trades were the wealthiest in the eighteenth century not only in China but also in the world. Nevertheless, either the contribution of merchant to peasants admitted by many officials or the institutional channel bestowed for privileged merchants was actually limited in a very small corner.

Many officials were indeed willing to protect and settle down business disputes for merchants but the generosity was not broad enough to spill over to really create a privilege system for endowing the selected merchant to monopolize a specific business. The salt merchant in Yangzou and the Canton broker are really in the form of an exceptional existence. Nonetheless, many officials, and in some cases even the Emperor, actually invested money in the business of salt merchants; however, this "connection" was always under the table. It will be severely criticized by the public opinion if officials' investment happened to be unraveled. The Emperor also hesitated very much to let his investment or loan to salt merchant being discussed by the public. Because doing business was thought as the field of private interest, and officials should behavior themselves for the public good; and most importantly, in Chinese native point of view, fostering the private interest of merchant may not be articulated into the public good through any mercantile propaganda such as the belief that national wealth aggregated via the trade could help surpass other countries in the world. Chinese officials were fine with protecting merchant's business, however, fostering or even privileging the investment of any merchant will be considered as a taboo.

There existed many institutional innovations in economic field, such as putting-out system both in cotton and silk industries, flexible methods for enlarging the range of possible shareholders, sustainable accounting and information system for a national banking system, etc., but all these innovations were created hardly with any intentional support from the government. There were two best strategies for a Chinese merchant to adopt in that period, one was to get the promise from higher officials for endorsing them away from any possible hurt from non-economic factors, the other was to make officials become, privately and only privately, their partners. To speak frankly, merchants and officials had skillfully deal with each other under the table from the 16th century on.

Almost until the beginning of 20th century, the Chinese merchant-cum-official relationship ushered in a brand-new stage. Under the prior goal set for competing or

even defeating foreign enterprises had the Chinese government be allowed to take the obligation for fostering Chinese merchants in the public sphere. It staged a totally new scheme for the first time Chinese officials had got to enlarge the facilities for Chinese merchants doing their business. Chinese people also started to appreciate a new ideology which praises the priority of economic development with little reservation. In general, the Chinese governments from the late Qing to the Republic really had opened their minds to copy the projects about fostering national economy from Japan, Western Europe, and United States. A series of wars and the imperialist invasions did not deter the Chinese governments; however the task for appropriating the ins and outs about how government could empower a selected merchant under a not-too-unfair system is certainly no easy. After all, the goal for competing and defeating foreign enterprises may initiate government to foster native merchants, but among the native merchant who is the selected being empowered with the monopoly privilege in some critical business area still ask for a sound institution to lower the rent-seeking behaviors such as corruption, bribe, and all other prevailing skills under the table. Although the Communist government has more established roadmaps which could be copied from Hong Kong, Taiwan, Japan, Europe, United States or other countries, this appropriation for setting a public-debatable boundary and coordinating private and public interest between officials and merchants is still at stake.

To take a long look at the market evolution in China, I do think that Chinese current economic advancement has rooted on its commercial legacy from the 16th century on. Whether it should be labeled as “the Chinese Way” to modern economy or to Capitalism needs much more studies to validate. Nonetheless, I would doubt very much there will emerge a transitional model unique for the market evolution in current Chinese reform if the mainstream relationship still prevailing between merchants and officials cannot be upgraded from the level of various skills under the table to the realm of legally arguable for the public. The impending challenge lies ahead.