Boundaries and Beyond

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CHAPTER 10

Liturical Services and Business Fortunes:
Chinese Maritime Merchants
in the Eighteenth and Early Nineteenth Centuries

The Elevated Place of Commerce and Merchants

Discussions about Chinese merchants often begin with the familiar image of their low status in the Confucian social hierarchy that ranked them after scholars, farmers and artisans. In traditional China, the Confucian purists held merchants in low esteem because they believed that the latter:

... tended to be cunning and crooked and interested only in profit.
Their speculation and manipulation of prices and hoarding of commodities or currency were ... harmful not only to consumers (especially the helpless peasants) but also to the whole economy.
Such activities were contrary to the principles of justice and stability and had to be controlled.¹

This perception of merchants has led many scholars to assume that trade conflicted with Confucian values and a profession in commerce was disdained in traditional China as dishonorable, even detrimental.

However, the theoretical social hierarchy, as Yang Lien-sheng asserts, "is at best an over-simplification".² In late imperial China, the attitude toward merchants was ambivalent and "a policy combining restriction, taxation, and utilization of merchants was consciously adopted".³

2. Ibid.
3. Ibid., p. 188.
Although the fate of merchants might have been rather uncertain in the past, their contributions were certainly better appreciated by both the government and society at large during Ming-Qing times (1368–1911). A case in point is the 1683 Qing policy objectives dealing with maritime trade that were economic and political rather than ideological. The Kangxi Emperor (r. 1662–1722) was fully aware of the heavy dependence of the coastal population on maritime trade for their livelihood and the great contribution made by the maritime traders to the economic well-being of the region. As a consequence, maritime trade was considered a key factor in social stability. Therefore the image of merchants in the High Qing era was a positive one.

During late imperial times, Confucian scholars began to adopt a more appreciative attitude toward commerce that was viewed as facilitating the proper functioning of the agrarian economy. These scholars called for a greater emphasis on commerce and better treatment for merchants. As Yü Ying-shih puts it, this view points to a significant development in the social thinking of neo-Confucianism.

In reality, since the supposedly valued profession of farming did not offer as good an opportunity as trade to increase income and wealth, society showed no contempt for those who engaged in the latter activity. Ho Ping-ti and others have noted that there were few legal and social obstacles to prevent merchants from improving their status. Merchants could purchase certain official titles should they wish to enjoy social prestige, or educate their talented sons to become scholars and bureaucrats. In fact, their wealth gave their children better access to education that led to successes in imperial examinations. As Yang Lien-sheng concludes, in a relatively fluid society, “not only did the wealthy merchants become influential and prestigious, even the ordinary merchants found their status improved.” The improved status of merchants became even more conspicuous in Qing times when, in Ho Ping-ti’s words, “the social distinction between officials and rich

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merchants was more blurred than at any other time in Chinese history except for the Mongol Yuan period.\(^8\)

The change in attitude of the literati and the state is not difficult to understand. With the increase in population density during the Ming and Qing periods, the traditional mode of agricultural production and the economy as a whole had to undergo some adjustments. In Dwight Perkins’ estimates, the population grew about six-fold between the fourteenth and nineteenth centuries,\(^9\) and by 1850 the population probably exceeded four hundred and ten million. The population pressure compelled rural households to engage in the production of non-agricultural goods for the market. Another response as interregional trade expanded was the conversion to commercial agriculture. For the coastal communities in Fujian and Guangdong, the engagement in maritime activities had become an essential part of their socioeconomic traditions. They looked to the sea as their “paddy-field”, in the words of a sixteenth-century analogy.

Commercialization during late imperial times was one important factor that effected a change in the Confucian concept of trade and the traditional image of merchants. The period brought expanding interregional and overseas trade. The demand for agricultural and handicraft products stimulated substantial commercialization and regional specialization. The commercial boom “created new layers of rural markets that linked villages more firmly than ever before to the commercial economy”.\(^10\) Trade in such bulk consumer goods as grain, tea, cotton and silk increased. Chinese merchants from the southeast coast travelled to ports in Southeast Asia and Japan on junks, taking with them ceramics, cotton, silk, textiles, medicines and copper cash that they exchanged for Mexican silver, scented woods, pepper and rice.\(^11\) All these ventures enlarged the scope of commercial activities and capital accumulation among the merchants.\(^12\) These dynamic changes in late imperial China stimulated the imagination of mainland Chinese scholars who, beginning in the mid-1950s, made commendable efforts to document the spread of commerce in Ming-Qing China and contribute

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8. Ho Ping-ti, *Ladder of Success*, p. 82.
11. Ibid., p. 102.
to the scholarship on what they viewed as the development of “incipient capitalism”. The commercial expansion led to the rise of prominent regional merchant groups in such places as Anhui, Shansi, Jiangsu, Zhejiang, Fujian and Guangdong.

The rub was that commercialization might also have been seen by the literati class as a challenge or even a threat to the Confucian social order and therefore would have strengthened their ideological resistance to it. As a matter of fact, the merchants were able to justify their need for profit-making by using their wealth for public welfare. In so doing, they played an indispensable role in a society that was still compatible with the Confucian values. The following discussion will examine this aspect of the merchants’ role in order to arrive at an understanding of how the merchants were able to reconcile the conflict between profit maximization and the Confucian concept of benevolent economic and proper social behavior. The Hong (hang) merchants who involved themselves in coastal or foreign trade in one way or another in Amoy, Taiwan and Guangzhou during the eighteenth and the early nineteenth centuries will be mentioned as examples.

Government and Merchants: Toward a Modus Operandi

Private maritime trade, both coastal and overseas, burgeoned in southeastern China during the sixteenth century and, despite the


14. Some of these groups are described in Fu Yiling, Ming Qing shidai shangren 中国古代商人的生活 [Ming-Qing period merchants’ life], see also Chang Pin-tsun, “Chinese Maritime Trade: The Case of Sixteenth-Century Fuchien (Fukien)”, PhD diss., Princeton University, 1983.

15. This topic is discussed best in Chang Pin-tsun, “Chinese Maritime Trade”.
imposition of prohibitory laws from time to time, continued to thrive throughout the following three centuries. By the eighteenth century, China's coast had witnessed expansion in several maritime sectors. Sino-British trade illustrates the more regular and intensified activity of European traders in China. Guangzhou was their preferred port of call, not only because of the port's long experience with foreign trade, but also because of the presence of reliable, trustworthy merchants there. The Sino-Siamese junk trade was another important branch of Chinese maritime trade in the Eastern Seas. The import of Siamese rice to the grain-deficient southeast coast was especially welcomed and encouraged by the Chinese authorities. The Sino-Siamese junk trade reached its apogee in the late eighteenth and the first half of the nineteenth centuries. In Fujian, Amoy emerged as the most flourishing home-port for the Chinese junks trading with Taiwan and Southeast Asia. Even more striking was the rapid expansion of Amoy's coastal trade during the eighteenth century. Several major sea-routes extended from Amoy to various points along the China coast. The major stimulus to this bustling maritime activity was the rapid development of frontier land in Taiwan and the highly commercialized economy in the island that bolstered the high volume of trade on the coast. Most families of the merchants and landowners in Taiwan had come from the two southern Fujian prefectures of Quanzhou and Zhangzhou. Quan-Zhang migrants also provided the bulk of the labor force for both agricultural and commercial developments.

Profitability served as the main motivation for expansionist activities. Lin Renchuan estimates that smuggling activities during the sixteenth century when the maritime ban was in force yielded a “ten-fold” profit. In coastal Fujian, the poor depended on fishing and salt production for their livelihood. However, as the profits were meager, only “the weak” depended on these activities. More enterprising people boarded seagoing

19. Ibid.
junks and made ten times as much profit in foreign countries. In the seventeenth century, prior to the pacification of Taiwan, the profit in the overseas trade between Taiwan and Japan in commodities such as sugar, deerskins, raw silk and the like is estimated to have been around 250 per cent on average. The export of raw silk to the Spanish Philippines and Dutch Batavia yielded a 100 per cent profit. Another source indicates that the profit from sugar shipped from Taiwan to Batavia in 1682 was around 210 per cent. Overseas trade remained highly profitable during the pre-Opium War period. In the early nineteenth century, for instance, a hundred per cent gross profit was the norm in the Sino-Siamese trade; and in the Sulu trade, profits were “three times” greater. Amoy’s junk trade with Luzon, Sulu, Singapore and Batavia was also highly lucrative. Responsiveness to new opportunities, willingness to take risks and an interest in profit-seeking all indicate the existence of an entrepreneurial spirit among the maritime merchants.

The Qing authorities did not bother to interfere in the level of profit that the merchants could make in overseas trade, apparently because it only affected foreign buyers. However, any attempt at profit-maximization in domestic trade was a different matter. The authorities considered it their responsibility to control the prices of daily necessities because profiteering in such essential items would affect the livelihood of the general populace and stir up social disorder. When the grain price soared, it certainly alarmed the local authorities who could intervene using mechanisms such as the sale of “price-stabilization rice” from the public granaries at less than the market price.

The rice trade between Taiwan and Fujian in the 1720s is a case in point. During most of this period, the price level for rice in Taiwan remained relatively stable and lower than that in southern Fujian, indicating the availability of abundant supplies in Taiwan. Differences in price levels between the two places normally yielded merchants a gross profit of no more than 30 per cent, although at times they just broke even, at other times severe shortages on the mainland pushed up the gross profit margin to more than 50 per cent. The price margin between Taiwan and Fujian, even when it remained narrow, was still commercially profitable,

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21. Ibid., p. 271.
given the volume of the rice trade. The trade would have been even more lucrative if shipments had gone directly to Amoy from the areas of production, where prices were much lower than the urban market rates. Supply, demand and price differentiation allowed room for manipulation. Owing to shipments from Taiwan, Amoy had abundant supplies, and the rice merchants there could reap handsome profits without being accused of profiteering when there were shortages in other provinces. On the contrary, the authorities appreciated their efforts in preventing famine by shipping rice to the mainland. For example, when Taizhou in southern Zhejiang, which was normally a surplus area, suffered a bad year in 1733, the Fujian merchants secured special official permits to transport rice from Amoy to sell in Taizhou. Another example is that in May 1727, where rice prices in Chaozhou in eastern Guangdong rose as high as four taels per tan but were only 1.9 to 2.1 taels in Quanzhou and 2½ taels in Zhangzhou. The prices in Amoy, that was a central rice market, were even lower. Therefore, moving south from Amoy and Chaozhou, the price levels became progressively higher. The rice merchants were able to make a profit from the price variation because there was always a large stock of rice in Amoy for them to trade in the southern areas.

In the frontier region of Taiwan, where government control was less effective, the local rice merchants were not slow to manipulate prices. The majority of these merchants lived either in administrative seats or coastal towns. Many were landowners. They controlled much of the harvest and were in a good position to hoard it while awaiting higher prices. Another group of rice dealers consisted of millers who resided on the coast. In fact, the distinction between landowners and millers was not always clear-cut. Often, a landowner was simultaneously both a miller and a grain dealer. The millers organized themselves effectively as a professional group, at least on the local level. They often hoarded stocks until they were able to obtain good offers. In 1727 this led Fujian Governor Mao Wenquan to propose moving all the millers to the prefectural capital in order to break their power-base and allow the authorities to exert tighter control over them. However, this proposal was deemed impracticable because the removal of the millers would have resulted in higher rice prices as the grain would then have to pass through more middlemen before reaching its final destination. Governor Changlai, who succeeded Mao as the Governor in 1727, considered that

25. Ibid., p. 129.
the presence of rice dealers on the coast near the areas of production in fact facilitated shipments, thereby benefiting the customers and the travelling merchants who served them.26 Apparently, Governor Changlai preferred to view the issue in a broader context and allow a certain amount of profit-seeking in the hope that, as rice was abundant in Taiwan, competition would eventually bring prices down.

As Yang Lien-sheng indicates, another mechanism of government control applied to merchants during the Qing period relied on the traditional concept of “guaranty of no failure”.27 For example, guilds established under the auspices of the local authorities supervised the trade and decided on regulations to facilitate trade and prevent illicit practices. Licensed hang merchants were appointed to control trade on behalf of the government, guarantee fair dealing and ensure proper conduct in the matter of prices, weights and measures and quality. Wealth, business acumen and good official connections were three prerequisites for these appointments. The head merchants or security merchants (who served as guarantors in trade affairs) appointed were held accountable for many things in connection with the administration of the trade. In Guangzhou, the latter were better known as Cohong merchants and were responsible for foreign trade in the port.

However, it would be wrong to see the hang system solely as a control mechanism and nothing more. Such an approach underestimates the government’s reliance on the professional services provided by the merchant. On the basis of his study of Hankow city, William T. Rowe concludes that although officials continued to take an interest in commerce for purposes of revenue, private enrichment and the benefit of the populace they governed, they increasingly restricted their own roles to formulating general policy in consultation with the guilds, appointing overseers, prosecuting flagrant offenders and reaping what the administration considered its fair share of the profits.28 Citing Ramon Myers, Rowe also points out the long-term government policy of transferring mercantile functions from the public to the private sector in late imperial times.29 Moreover, as Susan Mann explains, whereas markets bred competition and conflict, the state simply lacked the manpower and financial means to check irregularities and abuses, or to regulate markets bureaucratically. As a result, “the government delegated responsibility for market regulation to leading merchants or

27. Yang Lien-sheng, “Government Control of Urban Merchants”, p. 188.
their organizations" and “[b]ureaucrats were to act only to regulate and restrict the profitability of trade to a reasonable or just level”.30

Confucianization of Merchant Culture and the Responsive Mercantile Community

In response to their new roles in society, Chinese merchants adjusted their cultural characteristics to conform to the mainstream Confucian value system. Generally, merchant culture embraced the merchants’ shared beliefs about how they should conduct themselves in relation to the society at large and how they should run their businesses. These beliefs had a major impact on their thoughts and actions.31 As Wang Gungwu observes, such a culture in traditional China, although “elusive and hard to define”, is still identifiable. Referring to merchants, he says that, “attitudes towards profit-seeking and risk-taking, towards business organizations like occupational guilds, native-place associations and trade coalitions ... marked them off most notably from the literati and the peasantry”.32 Since late Ming times, merchants had increasingly identified themselves with the traditional Confucian culture and value system.33 In other words, Confucian ethics and teachings were influencing the social and economic behavioral norms of merchants.34

Merchants made efforts to reconcile profit-seeking (li) with selfless righteousness (yi), or the common good. Merchant associations and guilds served not only mercantile interests, but also those of the community, and merchants shed their profiteering image through philanthropy and community service, efforts that “were grounded in the Confucian moral imperative of paternalist social responsibility”.35 These activities allied them with the scholar-gentry and the officials in a common effort to care for the general populace. On account of their wealth, merchants were

33. See Liu Kuang-ching’s preface to Yü Ying-shih, Chung-kuo ching-shih tsung-jiao lun-li, p. 30; see also p. 131.
able to provide the urban community with indispensable leadership. In practice, they took over the traditional role of the scholar-gentry in providing social amenities and community services and performed these more effectively. All this benevolence helped to blur the cultural stigma attached to trade and gained merchants social and official acceptance, and merchants who wished to obtain gentry (*shen*) status through the purchase of official titles encountered remarkably few obstacles. They bought land and adopted the same lifestyle as the scholar-gentry. Not surprisingly, merchants and gentry (*shenshang*) were often mentioned together in social activities during Qing times and the line between the two groups became blurred.

“Merchants”, in Susan Mann’s words, “thus became key members of what Max Weber termed the informal ‘liturgical’ structures of local governance”, that meant local elites were called upon by the authorities to perform important “liturgical” (or “public”) services on the state’s behalf at their own expense. Guilds or merchant associations formed part of the liturgical constituency, “drawing strength from the government’s sanction of their liturgical functions”. The *hang* merchants in Amoy, the *jiao* merchants in Taiwan and the Cohong merchants in Guangzhou provide good examples of the liturgical services that were performed.

**Hang Merchants in Amoy**

The late fifteenth to the late seventeenth centuries witnessed the rise of such South Fujian seaports as Anping, Yuegang (Haicheng) and Amoy. This period was characterized by social upheavals and political turmoil. Significantly, maritime bans, the invasion of Japanese pirates and the struggle led by the Zheng family against the incoming Manchu regime had not prevented the entrepreneurial Fujianese merchants from responding to new opportunities with marked consequences for the development of maritime trade. When peace was restored after the Qing conquest of

38. Susan Mann, *Local Merchants*, pp. 12–3. The author provides an illuminating discussion on the subject of liturgical governance and the merchant class. See Chapter 2. The area of urban services as well as social welfare is termed “an extra bureaucratic ‘civic’ or ‘public’ sphere” by William Rowe. See Rowe, *Hankow: Conflict and Community*, p. 183. In the same work, Rowe has also contributed an excellent description of merchant roles in providing “popular welfare”, “public goods” and “public services”. See Part II.
Taiwan in 1683, Amoy expanded its coastal and overseas trade at an even faster pace.

In Amoy, hang merchants represented the most important group of resident businessmen. They were appointed from among the registered merchant households. Both the hang merchants and other wealthy merchant households engaged in import-export businesses linking the overseas and coastal trading networks. The rapid growth in overseas and coastal trade led to specialization among the merchants. Overseas trade was placed under the management of the yanghang (authorized “ocean firms”) and the movement of coastal junks was assigned to the shanghang (authorized “merchant firms”). In 1796, there were eight ocean firms, a smaller number than a few decades earlier, and more than 30 merchant firms in Amoy. Among other activities, the hang merchants served as security merchants in maritime businesses. Ships and all the seafaring merchants leaving Amoy were required to be guaranteed by security merchants. A guarantor was held responsible for any breach of the law by his clients. As Amoy was not a usual port of call for foreign ships, whenever one did come to trade, the authorities appointed a merchant or selected an ad hoc group from the existing hang merchants or other registered merchant households to deal with the foreign traders.

The hang merchants also performed other bureaucratized functions. Some became tax-farmers for customs administration. Their duties included the collection of a fixed quota of maritime revenue. From time to time, the authorities also used their professional expertise and their trading facilities. On one occasion in 1733, for example, the officials sought the assistance of the hang merchants in an attempt to estimate the value of a confiscated cargo shipment. And, when a tributary mission arrived in Amoy from Sulu in 1742 bringing a variety of Nanyang products, the officials let the envoy use a warehouse owned by a hang merchant, who had also been instructed to sell the goods for the envoy at market prices. The hang merchants were already wealthy and successful businessmen before their appointments and their hang status put them in an even more advantageous and privileged position in maritime trade. The income derived from their collection of fees was considerable. In addition to charges for brokerage and standing guarantor, they also collected commissions on consignments, cargo ordering and ship chartering. A five per cent commission based on the cargo value in each case would have yielded a large sum, considering the density, volume and value of trade in the Amoy network.  

40. For details of the hang merchants in Amoy, see Ng, *Trade and Society*, pp. 167–77.
On account of their wealth and commercial expertise, the hang merchants were also made responsible for supplying provincial tribute items to the Court. Each year the provincial military authorities required them to procure more than 40,000 catties of graphite, for which the provincial treasury paid three taels per catty. Whenever the government needed emergency funding, it looked to the yanghang for subscriptions. In 1764, for example, the yanghang contributed 7,000 foreign dollars to the construction of war-junks. Their other contributions included customary fees from which 20,000 taels were set aside in 1796 to cover the cost of sea patrols.41

Besides these efforts, the hang merchants contributed to relief funds and the building and management of charity granaries. The Amoy Charity Granary (Xiamen yicang) was established in 1826 at the behest of the local authorities. Officials, gentry and merchants jointly donated more than 20,000 silver dollars to the project. The regulations of this institution stipulated that the managing director should be a man of integrity and wealth. He was to be assisted by two deputies who would be chosen from the sitting board members and hang merchants. Another clause stated that the private sector should be given charge of the charity granary and all official personnel were prohibited from intervening in its affairs.42 On other occasions, the local officials required merchants to make financial contributions to public projects such as the erection of government buildings.43

The involvement of merchants in socio-cultural affairs deserves special attention because such activities offer further insights into their active role in local culture. In market towns, in which merchants were conspicuously present, temple activities represented one prominent feature of popular culture. These activities centered on the temples, but the religious element formed only part of a broader socioeconomic context. Although temples and temple activities were a fundamental aspect of local culture, the more far-reaching social implications of religious activities should not be underestimated. On the one hand, temples were centers of communal solidarity. The festive activities served as “rallying points in the communal divisions of society”, as Stephan Feuchtwang observes when discussing a similar social environment in nineteenth-century

42. Ibid., 2: 41b–45b.
43. See Ng, *Trade and Society*, pp. 88–94, for the details concerning the roles of merchants in the local affairs in Amoy.
Taipei.44 Through such activities, the temple also promoted community organizations, fostered self-governance and cultivated leadership. On the other hand, “the temple was in the central place of the marketing system, with a periodic market or row of permanent shops in front of it”.45 Naturally, merchants played a major role in the temple-cum-market activities and provided leadership as well as financial support for the community.

One of the most popular neighborhood cult figures was Tudigong, the Lord of the Earth, who manifests the ideal of the great equality. His main function is to divide the riches of the Earth among the people.46 There were also native-place cult figures such as Wuzhenren, Wu the Holy Man and Qingshui the Great Lord. The commercial guilds honored their professional deities, among them Yaowang, the Holy King of Medicinal Herbs, who was worshipped by the medical profession. Although Guandi was the Holy Patron of Merchants, this deity was also popular among all classes of people. Tianhou, the Holy Queen of Heaven, was another popular deity whose stature was comparable to Guandi. Tianhou, popularly known as Mazu, was the Protectress of Seafarers and, therefore, most widely worshipped by the maritime trading communities along the coast. Both Guandi and Mazu also enjoyed imperial patronage and were revered at official sacrifices and offerings. Since the official cults for such deities as Guandi and Mazu involved the nominal participation of the local scholar-gentry and the officials, temple activities contributed to the tripartite co-operation in the running of communal affairs. Merchants organized religious activities and were the principal financial donors. During religious celebrations, extravagant processions and theatrical performances that depicted popular culture were held.

**Jiao Merchants in Taiwan**

As rice and sugar formed the bulk of exports from Taiwan, merchants who were involved in trading these two commodities represented the most powerful business groups on the island. As explained, many of the rice merchants were landowners and millers as well. The sugar trade appears to have been structured along similar lines.

45. Ibid., p. 268.
The shipping connections of the wholesale dealers in rice and sugar enabled them to act as the major exporters and importers of other native products as well. In Taiwanfu (present-day Tainan), the seat of Taiwan prefecture, three major guilds (known as the Sanjiao) were formed sometime during the eighteenth century by merchants from Quanzhou and Zhangzhou in mainland Fujian. The lesser jiao were subordinate to them. The three major jiao were respectively called: the North Guild (Bei Jiao), the South Guild (Nan Jiao) and the Native Guild (Gang Jiao). The North Guild mainly exported sugar through Amoy to Ningbo, Suzhou and Tianjin in the north. The return shipments included cloth, silk and other native products from the mainland. The South Guild exported rice, sesame, beans, sugar and other local products to Amoy and other ports in Guangdong and shipped back such commodities as tobacco, cotton cloth, paper products, chinaware and goods from overseas. The Native Guild conducted trade along the Taiwan coast. According to Fang Hau, however, the Native Guild was in fact called the Sugar Guild (Tang Jiao). Membership of a jiao organization was not compulsory, and the government seldom intervened to press people to join.

Understandably, as they lived in a frontier region, the authorities in Taiwan were deprived of adequate administrative support. Their rather awkward situation served to strengthen the autonomy of the immigrant settlements. As in Amoy, temples in Taiwan functioned as centers of community activities and their leaders were most probably the jiao merchants. Each community in Taiwan had a temple as its focus and each profession also had its own professional cult. For example, as the jiao merchants were principally involved in maritime trade with the mainland, they naturally worshipped Mazu, the protectress of their safety at sea.

Cho K'o-hua has categorized the functions of the jiao into five areas: economic, religious, cultural, political and social. He states that the overall objectives in establishing jiao were to facilitate assistance and cooperation amongst those in the same trade, solve problems, mediate in disputes, avoid ill-natured competition and maintain understanding. When members encountered business problems, they could go through the jiao to seek assistance from the authorities, thereby realizing mutual interests and the further development of business. The economic functions of jiao organizations included supervising business ethics and

48. Cho K'o-hua 卓克華 Ch'ing-tai T'ai-wan te shang-chan chi-t'uan 清代台灣的商戰集團 [The commercial groupings in Ch'ing Taiwan] (Taipei: Tai-yuan chubanshe, 1990), Chapter 5.
merchant behavior, maintaining a sound commercial reputation and unity within the same trade group and operating price controls and monopolies in the market. Besides what Cho has mentioned, the jiao organizations also contributed substantially to the establishment and maintenance of local academies, charity schools and community schools. These expenses were derived from the common funds that the organizations received as levies exacted on commercial transactions.

During the Lin Shuangwen uprising in 1787–88, the three major jiao supported the government military campaigns with financial contributions. They also organized local militias to help suppress the rebels. The pirate invasion led by Cai Qian (Ts'ai Ch'ien) in 1807 once again saw officials seeking assistance from the three major jiao organizations, that responded by organizing militia forces and assisting the government to repel the attack. They were rewarded with official titles and the episode helped to enhance their influence and power in urban society.49

In 1746, when it was decided that each junk returning to the mainland from Taiwan had to bring with it a certain amount of grain for storage in public granaries for relief purposes, the burden of the financial cost of these so-called Taiwan Shipments (taiyun) was borne by the jiao organizations. Depending on her size, each junk was required to carry from 80 to 360 dan (5.6 to 25 tons) of grain. The government paid a nominal freightage that was only between 11 to 29 per cent of the commercial rate.50 The jiao merchants also took the initiative in funding and supervising the construction of city walls. For example, at the request of the gentry and merchants, between 1827 and 1829 the city walls of Danshui were rebuilt using stone. The city walls of Tainan also underwent major repairs during 1833–36 and the external walls were rebuilt in brick. All expenses were shouldered by the three jiao.

The most important of their contributions was to public amenities and social welfare, including bridge construction, road repairs, improvement to drainage systems, provision of ferry services, disaster relief and maintenance of charity cemeteries for the poor. The jiao organizations also provided aid for widows, orphans and the destitute.

In conclusion, the jiao organizations had a crucial role to play in all areas of community life. In fulfilling this role they worked together with the officials and the scholar-gentry. Matters pertaining to local law and order were often referred to the jiao organizations. In this way, the

50. Xiamen zhi, 6: 4b–8b.
authorities were able to convert this informal branch of administration into an effective form of government.51

**Cohong Merchants in Guangzhou**

In the early eighteenth century, attracted by the lucrative European trade, Chinese merchants from other ports converged on Guangzhou. During the period from 1759 to the Opium War, all legal European trade was confined to Guangzhou and conducted under what was known as the “Canton System”.

The maritime customs office in Guangzhou was headed by a superintendent, known to Westerners as the “Hoppo”, but he was required to make his report to the Board of Revenue jointly with the Governor-General of Liang-Guang (Guangdong and Guangxi) after 1750. Four decades later, in 1792, the Governor-General and the Governor of Guangdong had to submit separate reports to the board as part of a deliberate system of checks and balances.52

The officials used a group of government-licensed Chinese merchants as their agents to take charge of the day-to-day affairs and management. They were known as the Hong (Cantonese pronunciation of hang) merchants and the mercantile body was collectively known as the Cohong. As the imperial officials in Guangzhou refused to have any direct contact with Westerners, they transmitted their orders to and received petitions from them via the Hong merchants.

While in Guangzhou, the British East India Company (EIC) merchants were allowed to trade only with the government-licensed Hong. On the whole, the British merchants cooperated well with the Cohong merchants and over the years a symbiotic relationship grew up between them. The Cohong merchants acted as middlemen between the producers and the company and saw to it that the quality of tea was maintained, while the Company provided the Cohong merchants with advances to allow them to procure tea from the producers. These Chinese merchants earned

51. For details of the functions performed by the jiao, see Cho K’o-hua, Ch’ing-tai Tai-wan te shang-chan, Ch. 5.
huge profits from selling tea and textiles to their British counterparts, and they were the envy of the nation.

The functions of the Hong merchant are succinctly summed up by John K. Fairbank as follows:

In the period of Canton trade’s best days, 1760–1834, the hong merchants assumed more and more duties. They not only settled prices, sold goods, guaranteed duties, restrained the foreigners, negotiated with them, controlled smuggling, and leased the factories to them; they also had to manage all the aspects of a banking business, act as interpreting agencies, support the militia and educational institutions, and make all manner of presents and contributions to the authorities far and near.

From 1745, the Guangdong authorities appointed a group of trustworthy, financially solid Hong security merchants (baoshang) and entrusted them with the collection of import duties. During the golden age of the Canton System, the Hong merchants would readily donate tens of thousands of taels whenever the government made financial appeals. Between 1773 and 1838, they contributed millions of taels to various military campaigns, the building of war-junks, the construction of dykes and drainage systems and the repair of granaries.

The Passing of the Best Days

During the period between the 1780s and 1830s, although Sino-Siamese and Sino-British trade continued to expand, Chinese overseas and coastal trade entered a period of difficulties. New groups challenged the monopoly and the privileged status of the Hong merchants, and the old trading institutions were shaken by such factors as illicit trading activities, the rise of rival ports and new trading patterns. These developments jeopardized the fortunes of the established hang merchants in the three places, although their rates of decline differed.

54. Liang Jiabin, Guangdong shisan hang kao [An examination of the Thirteen Hong in Guangdong] (Shanghai, 1937), p. 9.
56. Liang Jiabin, Guangdong shisan hang kao, p. 87.
57. Ibid., p. 9.
In Amoy, the *hang* merchants faced severe competition from non-authorized firms. Amoy’s prosperity was waning. Since the last two decades of the eighteenth century, it had gradually lost its privileged, near-monopoly position as the only designated port for trade with Taiwan and the Nanyang. The multi-port policy adopted for Fujian-Taiwan trade gave official recognition to the new realities of trade across the strait. This measure threw open the Fujian coast and gave rise to new opportunities for other merchant groups, and the *hang* merchants in Amoy were so used to their protective shell they found it difficult to compete with their new rivals. Piracy around the turn of the century only aggravated the situation. The fact that Amoy began to feel the pinch of burdensome liturgical services should be viewed from this broader perspective. Suffice it to say that the problem for the *hang* merchants and Amoy itself was multifaceted.

The most deadly blow to Amoy’s prosperity was probably a ban on its tea export. From 1728, Amoy was allowed to export tea overseas using its ocean-going junks. After 1810, its position as exporter of Fujian tea was given a further boost when overland shipments to Guangzhou began to be sent by sea via Amoy following the successful suppression of the piracy that had disrupted coastal trade around the turn of the century. However, a ban was imposed on the export of tea from Amoy in 1817. This development probably reflected rivalry between Guangzhou and Amoy, because the diversion of trade routes affected Guangdong’s profit from the tea trade, and was detrimental to vested interests connected with the overland trade. This situation was what led Governor-General Jiang Yuxian of Liang-Guang to seek the Court’s imposition of the ban. The prohibition was damaging to Amoy as the export of large quantities of tea to foreign countries on Chinese junks had substantially contributed to its fortunes. The *yanghang* merchant Jiang Yuanheng and others in Amoy appealed to the authorities and pointed out that the ban requested by the Guangdong government was designed to stop the diversion of the overland shipments to Amoy, not the direct export from Amoy to the Nanyang on its ocean-going junks. However, their solicitation was unsuccessful, and the total ban on tea exports via Amoy was reaffirmed. Consequently, the Amoy exporters lost their most valuable


60. For the declining fortunes of the *hang* merchants in Amoy, see *Xiamen zhi*, 5: 18b–21a and 30a–32a; 6: 7a–10a; Fu Yiling, *Ming Qing shidai shangren*, pp. 209–12; and Ng, "South Fukienese Junk Trade", pp. 309–16.
cargo and for the most part their ocean-going junks had to be loaded with such low-value goods as earthenware, umbrellas and the like. The compiler of the Gazetteer of Amoy lamented that "business in Amoy was therefore at a low ebb".61 Chances of recovery vanished when more than 70 Amoy junks, over half of its merchant fleet, were sunk in a typhoon off the Zhejiang coast in 1831, causing an irreparable loss of more than a million taels in capital investment.62

Owing to the close commercial link between Taiwan and Amoy, the deterioration in trade on either side of the Taiwan Strait affected both parties. The following remarks made by a contemporary observer are illuminating:

There used to be more than a thousand merchant junks from Amoy plying between Amoy and Lu’er men [in Taiwanfu]. In the past, they helped the government transport military grain supplies, timber for the Taiwan shipyard, military horses for Taiwan camps and soldiers’ rations. Officials and convicts from either side also travelled on board the merchant junks. During the military campaigns in Taiwan, the demands on them were even greater. The maritime merchants made their contributions enthusiastically. In recent years [the 1820s], however, the soaring prices of local products in Taiwan, the opening of five ports on each side for the crossings of the Strait and the silting of Lu’er men have all affected adversely the profit of the merchant junks [plying between Amoy and Lu’er men]. Their numbers were reduced to only forty to fifty.63

Another passage records this:

The land in Taiwan has become exhausted after the long period of exploitation. Smuggling to Guangdong also runs rampant. All this has contributed to the rise in grain prices that has substantially reduced the profit margin of the merchant junks. They even suffer losses.64

During the boom period of the eighteenth century, the profit from each shipment of commercial rice was several thousand taels. Therefore, the rice merchants saw the official Taiwan Shipments not so much as a financial burden, but as a public service that helped bolster a good relationship with the authorities. By the 1820s and 1830s, however, the

61. For this episode, see Xiamen zhi, 5: 31b–32a.
62. Ibid., 5: 21a.
63. Ibid.
64. Ibid., 6: 9a.
shippers began to find the official assignments insupportable owing to the downturn in business. During this time, they were also adversely affected by what they considered to be irregularities and unfair competition from rival groups that registered their vessels as fishing boats and bypassed the designated ports to avoid the assigned shipments. By their chicanery, these latter groups were able to "double their profit" in comparison to law-abiding merchants. Consequently, "the fortunes of the hang merchants withered away".65

Nor were the decades between 1780 and 1810 conducive to trade in Taiwan. Social conditions on the island were highly volatile. The first sign of trouble was the large-scale rebellion led by Lin Shuangwen. Because of rampant piracy the Taiwan Strait was also no longer safe for the junk traders. Cai Qian (Ts'ai Ch'ien) even launched a series of attacks on the island. He raided the junks and held them for ransom. The turmoil caused by Cai Qian lasted for 14 years. The jiao merchants suffered great financial losses during the upheaval, although they were compensated with enhanced social prestige after they had aided the government in military campaigns.66

In Guangzhou, the problems faced by the Cohong merchants were equally complex. Over the decades, Sino-British trade had grown enormously and the country enjoyed a huge trade surplus.67 The Cohong members also accumulated great wealth. The Court and provincial high officials both cast covetous eyes at the riches of the merchants and demanded "contributions" from them. Around the end of the eighteenth century, "this kind of private corruption grew apace".68 At this time, cases of insolvency of individual Cohong merchants increased in frequency.
and the EIC found it necessary to provide them with advances to prevent bankruptcies and bolster the monopoly trading mechanism. This shows the willingness of the EIC Select Committee in Guangzhou to continue to link its fortunes to the Cohong merchants and their trading institution.69

It is tempting to see official exactions and the public roles of the Cohong merchants as the root causes of their problem; but it is also necessary to ponder the suggestions made by contemporary observers that the insolvency of individual merchants resulted from their lack of business acumen and a deficiency in personal integrity.70

Whatever the case, the Canton System proved too rigid to adapt itself to the changing environment. The damage had become irretrievable by the 1820s when the trading mechanism was challenged by interlopers. The latter were British private traders and Chinese “shopmen” who operated outside the authorized monopoly framework and encroached on the privileges of the EIC and the Hong merchants. “[F]ree trade outside the Cohong flourished with time”,71 but the Cohong’s profits were depleted. The progressive breakdown in the system affected China’s customs revenues, but even more disastrous for China’s balance of trade was the import of opium in increasing quantities: “From 1826 to 1836, $38,000,000 flowed out of the Middle Kingdom. It was opium that turned the balance.”72

There is yet another aspect to the situation. As mentioned, the eighteenth-century boom was boosted to a considerable extent by favorable trade balances. Payments for Chinese tea and silk were made in silver. According to H.B. Morse’s estimate, the silver inflow into Guangzhou alone between 1700 and 1830 amounted to nearly a hundred

69. Frederick Wakeman, “Canton Trade”, p. 166.
70. See Liang Tingnan 梁廷枬, Yuehai guan zhi 粵海關志 [Gazetteer of the maritime customs of Guangdong] (orig. publ. 1838), 25: 2b and 18b, for the remarks. In “P’an Yu-tu”, pp. 278–85, Ch’en Kuo-tung also mentions business acumen and personal integrity among the factors that contributed to business success. As Ch’en comments, subscriptions were paid through the Consoo Fund, into which each Hong member paid a tenth of his profits to be used to meet the official exactions. Therefore, these expenses did not significantly drain them of their wealth. See Ch’en Kuo-tung, “Lun Ch’ing-tai chung-yeh Kuang-tung hang-shang ching-ying pu-shan te yüan-yin” 論清代中葉廣東行商經營不善的原因 [The insolvency of the Chinese Hong merchants, 1760–1843], Hsin shih-hsueh 新史學 [New history] (Taipei) 1 (4) (1990): 23.
million pounds. Around 1800, “about 75% of China’s monetary exchange (in terms of value) was made with silver”. One significant consequence of this money supply was upward fluctuations in prices that had enlarged both mercantile capital and profit margins during the boom period. The inflow of silver and economic prosperity also contributed to the flourishing trade of the maritime provinces during the eighteenth century.

However, the upward movement of prices was not always a blessing. If overall trade conditions happened to be worsening, such a change could cause business fortunes to decline. One result of the long period of stability and prosperity had been rapid population growth. Ch’üan Han-sheng suggests that the disturbances toward the end of the eighteenth century could have been caused by the price increases, that had become intolerable to the people of lower social strata. On the other hand, any substantial decrease in the silver supply would have shaken the foundations of the boom. Unfortunately, this indeed happened. From the 1810s, China began to suffer from a growing trade deficit and the import of opium caused an outflow of silver. More importantly, the worldwide production of silver declined from the 1810s, causing a world recession. Hence China’s economy suffered a double blow. Under such circumstances, the high prices of commodities became inflationary and reduced profit margins.

Concluding Remarks: “Benevolent” Self-interest

There is no single major factor to explain the decline of the hang merchants. Unquestionably, the performance of liturgical services was not the direct cause of their difficulties. The contributions became too burdensome only when the merchants’ fortunes were waning. During boom times, their public functions had facilitated rather than retarded their business transactions.

75. Ch’üan Han-sheng, Chung-kuo ching-chi shih lun-ts’ung, p. 507.
76. Ibid., pp. 507–8.
In the case of Amoy, the claim of the high-ranking authorities that the subscriptions to the public funds reflected the selfless spirit of the yanghang merchants rather than official coercion is not totally unfounded. Indeed, political stability and cordial relations with the government had brought prosperity to business circles. Therefore, financial contributions by the merchants might be seen as an investment cost or business overhead that went toward enhancing their own commercial interests. The fact that the yanghang merchants enjoyed almost a century of prosperity attests to the fact that such subscriptions were not detrimental to their fortunes.

Examining the case of the Cohong merchants, Frederick Wakeman also argues that the Guangzhou trade was highly valued even by the Qing Emperors, if not for any other reason, at least as an important source of personal profit. The Hoppo’s performance as Superintendent of Maritime Customs “was judged according to his ability to fulfil the Emperor’s private quota, and therefore depended to some degree upon keeping the Guangzhou trade open”. Consequently, “the bankruptcy of Cohong merchants by ‘squeezing’ more money from them than they could afford also went against the Hoppo’s best interests, because the Cohong alone possessed enough trading capital to finance the trade”.

Moreover, the dependence of the state on merchants in matters of governance was more a necessity rather than a design to squeeze money out of them. Susan Mann observes: “Agrarian states historically have not expanded their bureaucratic capabilities without compromising, along the way, with tax farmers and other types of local intermediaries who build their own power on structures provided by the government.” Therefore, liturgical governance should be seen as “a direct response to the limits of bureaucratic control”. It mutually benefited both sides.

More importantly, liturgical services elevated the status of merchants and made trade more respectable in the confines of Confucian culture. The Qing state “offered merchants ideological sanctions and organizational roles that legitimized their status, incorporating them fully into the workings of the body politic.” Merchants were able to use their liturgical role in agrarian and gentry society to promote commercialization and maximize benefits derived from their close

78. Xiāmen zhì, 5: 4a–b.
79. Frederick Wakeman, “Canton Trade”, p. 164.
80. Ibid.
81. Susan Mann, Local Merchants, p. 1.
83. Ibid, p. 27.
relationships with the scholar-gentry and the officials under the cloak of Confucian benevolence.84 They had earned respect in Confucian society not solely because of their wealth, but also because of their willingness to play down profit-seeking, their ability to create wealth and use it for the common good, and their orientation toward the service of others. In this way, profit maximization was reconciled to Confucian ethics.

As merchants were endowed with resources and a capacity to get things done, it was only natural that they should have assumed a leadership role in setting and fulfilling social goals.85 All this worked to strike a balance between a Confucian culture that stressed ethics and a merchant culture that emphasized profit-maximization. It also allowed the merchants to move comfortably between the two cultural zones.

84. Ibid., p. 93.