

4.4 Credit and Credit Institutions

1. The Development of Commerce and the Birth of the Chang'an Financial Market

In the early years of Tang, national unity and domestic peace led to great development of both internal commerce and foreign trade. Most people believed international trade was a good thing, and looked upon it with respect, feeling that such trade brought a constant stream of foreign goods, including a number of unusual objects, flowing into China in abundance.¹ Wei Zheng's remark that "merchants come, and thus the border peoples profit from it,"² may be taken as representative of the attitude of the entire court.

The Han Dynasty's foreign trade, both to the west and the south, mainly went by way of the land route. During the chaotic and war-ridden Northern and Southern Dynasties period, this route was probably temporarily broken. From the time during the reign of Emperor Yang of Sui when Pei Ju reopened the trade route to the western frontiers, there were again large groups of barbarian merchants hurrying to China to do business. Two sea routes were also opened. As a consequence a flourishing Sino-barbarian trade grew. These so-called barbarians included the Persians and the various Muslim states.

This was the period of rise of the Islamic religion. The strength of the Arab people was developing in a very lively way in both military and commercial terms, and an extraordinarily large number of their businessmen came to China. Sometimes they brought the goods of the Orient back to Alexandria in Egypt for transshipment to Europe, and so Sino-European trade then also used the Arabs as intermediaries.

Frequently, however, the Chinese did not distinguish between Persians and Arabs, calling them all Persians. Perhaps this was because the Persians had come to China before the Arabs, and most of the Arabs set out for China from the Persian Gulf. At that time, places in China like the Lingnan, Fujian and Yangzhou had these foreign merchants in [380] residence.

Guangzhou was still more a center of China's foreign trade. Every year a great many merchant vessels came there from Persia and the Muslim Empire to trade with China. At times the tax revenue from this trade was equal to that produced by the Double Tax.³

The capital, Chang'an, also had a good many of the so-called Persian barbarians and Persian shops. In addition, Chinese merchant vessels frequently left from Fuzhou to go to Japan to carry on trade.

Not even Han's domestic trade could compare with that of Tang times. This can be seen from the size of the capital during the two periods. At its largest, Han Dynasty Chang'an had only eight streets and nine roads, and was divided into 160 communities.⁴ Ban Gu said that it had only three large streets and twelve gates.⁵ The *Yellow Diagram of the Three Capital Districts* says there were nine markets, each 266 paces square.⁶

How could this compare with the Tang markets? During the kaiyuan period, "east to Songpian, west to Qizhou, the narrow road has inns at intervals awaiting guests with an abundance of food and drink. Each inn has asses for the guests to ride. They are placed every several dozen *li*, and are called postal station donkeys. South to Jingzhou and Xiangzhou, north to Taiyuan and Fanyang, and west to Shuchuan and Liangfu exist these inns to aid the commercial traveller. To go several thousand *li* you need not carry even a one inch knife."⁷

In recent years the ruins of ancient Chang'an have been excavated, proving that the Tang city wall had a circumference of over 70 *li*, that there were 14 streets running east-west and 11 running north-south. The widest of these, Vermilion Sparrow Gate Avenue, was 140 meters wide. It has been calculated that the population then was more than a million persons.⁸

³Old Tang History, 15, "Biography of Wang E."

⁴Old Times in the Three Capital Districts: "One community has 25 families. The *Rituals of Zhou* says 'five families make a neighborhood, and five neighborhoods make a community.'"

⁵Ban Gu, *Prose Poem on the Western Capital*: "Three broad roads open up, and there stand twelve gates."

⁶Cf. Jing Ming's woodblock edition of *Ancient and Modern Anecdotal History*, 2, "The Nine Markets of Chang'an." *Ibid.*, 1, "Han Chang'an Old City," quoting "Han Old Ceremonies": "In the city of Chang'an the warp and woof are each 32 *li* and 18 paces long, forming an area of 972 *qing*. There are 8 streets, 9 roads, 3 palaces, 9 prefectures, 3 temples, 12 gates, 9 markets and 16 bridges." *Book Hall of the Original Tortoise*, 13, "Cities," says: "The city of Chang'an is 63 *li* square, its warp and woof [382]

each 15 *li* long. There are 12 gates in the wall. There is an area of 973 *qing* inside the wall, all of which belongs to Chang'an. . . ."

⁷*Universal Statutes*, 7.

⁸According to the Academia Sinica's calculations, the population then was over one million, spread over 108 wards. The

¹Han Yu, "Preface to Seeing Off Deng Nanshu."

²New Tang History, 97, "Biography of Wei Zheng."

In addition to the capital, Chang'an, there were also purely commercial cities, like the center of international trade, Guangzhou, and the entrepot for domestic and international trade, Yangzhou. There is very little material on the situation in Guangzhou, but during the Northern and Southern Dynasties the statement was made that "the Inspector of Guangzhou need only go through the city gate to obtain thirty million."⁹ The situation in Yangzhou is reflected in such statements from literary works as "a ten *li* long street lined with marts,"¹⁰ and "at night the market's thousand lights reflect on the clouds."¹¹

We can imagine the splendors of the age from these allusions. Even Hangzhou had a population of several hundred thousand.¹² The Central Plain then truly was

to the side in touch with Ba and Han, and ahead points to Min and Yue. Seven marshes and ten swamps, three southern rivers and five lakes are all linked to the Yellow and Luo Rivers, bearing loads to the Huai and the sea. Capacious vessels by the thousand and ten-thousand go back and forth from dawn to dusk all the days.¹³

Although the status of merchants was not as high as that of officials, it was higher than that of ordinary commoners.¹⁴

narrowest street was 69 meters wide. The broadest was over 440 meters wide. Generally, the streets were 100 meters wide. Cf. Archeology Studies Institute of the Academia Sinica, "Excavation of Tang Dynasty Chang'an," *China Pictorial*, 10 (1961). If this data is accurate, then it was several times the area of a modern big city like Shanghai. Otherwise it could not have contained so large a population. According to the article "Tang Dynasty Chang'an's Ruins Have Been Excavated," in *Wenhui-bao*, December 12, 1961, the widest street, Vermillion Sparrow Gate Avenue, was 140 meters wide.

⁹*Southern Qi History*, "Biography of Wang Kun."

¹⁰Wang Shu, *Wilderness Guest Collected Conversations*, 15, article on "Tang Period Yangzhou and Tongzhou" quotes Zhang You's ode: "Ten *li* long street lined with marts, The moon illuminates the bridges as though there are immortal spirits; If in a man's life he can but get to Yangzhou before he dies, With his contemplative knowledge he can illuminate from the mountain the grave and field."

¹¹*Ibid.*, quoting the ode by Wang Jian. During Tang, however, night markets were probably limited to Yangzhou and Guangzhou in the southeast. Markets were forbidden to do business at night in Chang'an and Luoyang.

¹²Cf. Wu Zimu, *Record of a Dream of Liang*.

¹³In the words of Cui Rong (a man of the time of Empress Wu Zetian).

¹⁴*Old Tang History*, 74, "Biography of Ma Zhou": "During

The development of domestic and foreign trade had a definite relationship to the establishment of internal peace, nor can it be separated from the strengthening of the circulation of money.

Several chaotic centuries had culminated in monetary unification. Although a natural economy still bulked large at the beginning of Tang because of the inadequacy of the quantity of money, the supply of money steadily increased, and by the *kaiyuan* and *tongbao* years in the middle of the eighth century, its supply was essentially able to match demand.

Actually, the development of credit frequently begins precisely because of

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a shortage of money. Credit instruments come into existence as substitutes for money, and so are called credit money by some.

We do not know much about the financial trade then in Guangzhou and Yangzhou, but judging from the situation in Chang'an, we can be sure that it was rather well developed.

Chang'an's commerce was centered in the Eastern and Western Markets. The Eastern Market was 600 paces on each side, and "within the market there was wealth, 220 establishments, screens set up on all sides, rare and precious things everywhere heaped up." The Western Market was even more impressive. There were measurement offices, clothing stores, weight stations, restaurants and famous houses of beauty.¹⁵

wude he was sent to Bozhou to aid in education, where he daily drank strong wine, so that he did not carry on his duties. The Inspector forgave him, and took over his responsibilities. Zhou then put on a Buddhist monk's robes, and travelled to . . . Chang'an, lodging in the New Abundance Inn. The proprietor only gave trade to merchants, and would not deal with Zhou."

¹⁵*Investigation of the Two Capital Cities of Tang*, 3. According to Abu Zeyd, the account of Ebn [sic, "Ibn?"] Wahab, who visited Chang'an at that time, is pretty much in agreement with the aforementioned narrative. Ebn Wahab said that: "The City was very large and extremely populous; that it was divided into two great Parts by a very long and very broad Street; that the Emperor, his Chief Ministers, the Soldiery, the Supreme judge . . . lived in that Part of the City which is on the right hand Eastward; . . . the Part on [sic] left hand Westward is inhabited by the People and the Merchants, where are also great Squares and Market for all the necessities of life." Cf. *Ancient Accounts of India and China*, p. 58.

This is a very clear reference to the Eastern and Western Markets of Chang'an. The book refers to Chang'an as "Cumdan," and an explanatory note says that it was the southern capital. This is based on a misunderstanding of Chinese history, the author mistakenly supposing that Nanking was China's capital

Chang'an's Western Market was also early China's financial market, and in this financial market various forms of credit circulated. Providers of such credit, in addition to individual rich merchants and officials, included pawnshops offering credit for pledges, public offices offering general credit, counting houses which accepted and paid out deposits or offered safe deposit facilities, forwarding shops and various mercantile shops. Some carried on the business of exchanging currencies, some bought and sold gold and silver. Some were organized by merchants to carry on large scale remittance of funds. Several of the most important types of modern financial businesses were already present then.

This financial market sometimes found it difficult to avoid becoming mixed up with political power. For example, late in the eighth century, in Emperor Dezong's jianzhong 3 (782), Li Xilie's uprising forced the government to borrow 2 million from the Chang'an financial market to meet military expenses. There had been previous borrowings from rich merchants without incident, but most of the coins of the financial market belonged to merchant-commoners, and the pawn shops were financial institutions used by these merchants. The money in the counting houses had been deposited by a number of merchants. When, as a consequence of resistance to this demand, Chang'an's market closed down, in the end the government had no choice but to yield. This was a great victory for the merchant capitalists.

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2. Loans

Loans may be divided into two types: unsecured loans, and loans secured by pledges.

Unsecured loans are loans based on trust, what the Northern and Southern Dynasty period called *chuze* and *judai*. People of the Tang called it *chuju*,¹ *jufang*,² *juzhai*,³ *fangzhai*,⁴ putting out coin at in-

terest [*fangxiqian*] or coin held at interest [*zexiqian*].⁵

Of course it was mostly rich merchants who lent money out unsecured. Both Chinese and foreign merchants⁶ were involved, but money was also lent at interest by officials, members of the imperial family and aristocrats.⁷

Aside from merchants and people in general, the main targets of loans were officials. We can discern from this fact the existence of a struggle then between the usurious capitalists and the feudal rulers. If the feudal rulers were themselves engaged in usury,

[*jufang*] from both public and private sources. Rather deep interest has been taken, causing harm to the poor and lowly. This practice must be reformed. From now on, for loans undertaken anywhere in the Empire, interest of only four tenths may be taken, five tenths for official capital."

Collected Works of Duke Lu Xuan, 1, "Regulation for a General Amnesty Upon the Return of the Imperial Carriage to the Capital After the Pacification of Zhu Ci": "Before the end of jianzhong 4 . . . the officials and army commissioners made loans [*jufang*] in coin at interest. This year, before the 6th month, collection from those of the masses who had not made repayment was halted."

³*Taiping Broad Record*, 234: "There was a shopkeeper called Liu The Key in the village by the Longyou water gate, whose given name is not recorded. He took making unsecured loans [*juzhai*] as his family occupation, and amassed a thousand in metal. He was able to seek out a good accumulation of hard to obtain objects of wealth. He took wealth from people as though he were using a key to unlock people's strongboxes, so that their jewels disappeared without a trace. Therefore he had the nickname The Key."

⁴*Tang Collected Statutes*, 88, "Miscellaneous Records": "Kaiyuan 15 . . . an edict to the officials and their staffs in the prefectures and districts of Yingtian who raise money and who put out unsecured loans [*fangzhai*], ordering the halt of this practice."

⁵*New Tang History*, 113, "Biography of Xu Yougong": "[In the time of Empress Wu] the Inspector of Bozhou, Wang Zhong of Langye, had coin out at interest in Guixiang, and sent a family servant out to collect it."

⁶*Complete Tang Writings*, 72: "Recently within the capital city, many sons of the gentry, military commissioners as well as merchants and commoners have been taking loans from foreign guests."

⁷*Old Tang History*, 78, "Biography of Gao Jifu": "At the beginning of zhenguan . . . then said that now the mansions of princesses, and enfeoffed towns have capital sufficient for use. Aristocratic families have received salaries sufficient to provide utensils and clothing. If they are moved by thrift and temperance or drawn by conspicuous waste, they put out funds at interest for which they seek ten percent. If even dukes and marquises seek after profit, how can commoners feel it wrong?"

then. Actually, Cumdan must have been a transliteration of the capital's name. Chang'an was originally called Jingcheng (i.e. capital city), and perhaps during Tang times, if one used the Fujian or Guangdong pronunciation, "Jingcheng" was not far from the sound of "Cumdan."

¹*Tang Orders Supplemented*, 857: "The princesses and officials did not attend to their business personally. Their subordinates within the town carried on business in the market, and carried on business in unsecured loans [*chuju*] in the shops."

²*Tang Collected Statutes*, 88, "Miscellaneous Payments," edict of kaiyuan 16: "Recently there has been raising of loans

then they could rely on their political power to exploit people, but if the usurers made loans to the officials, then the officials would at times have to bear the burden, and at such times the relative power of the two sides might be judged.⁸ If minor or new officials were involved, then they would have no choice but to become more avaricious themselves so as to repay their own debts.⁹

During every reign of the Tang, the government issued funds to the bureaus at various levels to be used to seek profit which would then be used to pay official salaries. These capital funds were called Public Office Capital Cash [*gongxie benqian*]¹⁰ or Provision Profit Capital Cash [*shili benqian*].¹¹

This was a practice inherited from the Sui Dynasty. During Tang it developed a step further. This business came to be called cash-catching, and those in charge of it were called cash-catching subprefects. Its abolition was recommended by Chu Suiliang in *zhenguan* 12 (638).¹² Later, however, it was re-

stored. Some people did not want the government to put out the capital, but themselves set up blank tallies to carry on this business. Because cash-catchers avoided the labor service tax, the prefectures and districts did not dare to denounce lawbreakers.¹³

There were also officials who increased the stock of capital of private persons, and there were even merchants and rich men who threw themselves into the search for office, using public capital to broadly seek private profit. Any profit earned entered their own pockets. If there was a deficit and loss of capital, it would be debited to the public accounts.¹⁴

Nor could the government be sure of its income. At the beginning, the interest doubled the capital each year. Later, the profit was apparently gradually reduced. At the beginning of *kaiyuan* [713], the

⁸*Old Tang History*, 154, "Biography of Xu Mengrong": "[Yuanhe 4], Li Yu falsely borrowed 8,000 strings of cash from a rich man of Chang'an, and for a full three years did not repay the loan. Mengrong sent a clerk to collect it, setting a day for its return, and warning that he would die if he did not meet the deadline."

⁹*Tang Collected Statutes*, 92, *huichang* 1: "After the selection of officials had been completed, they all raised loans inside the city. When the time came to repay them, they sought funds avariciously. There are none who do not behave this way."

Comprehensive Mirror for Illumination of the Prince, 243: "Ever since the *dali* era, most of the regional commandants had come out of the Palace Guard. The generals of the Palace Guard who had much wealth, all borrow money from the rich households at interest which doubles the principal. To bribe a middle sheriff, it takes more than several tens of thousands."

¹⁰*Tang Collected Statutes*, 93, "Capital Cash of Various Offices and Kinds," first part: "In *wude* 1, 12th month, Public Office Capital Cash was established, with a prefectural official in charge of it called the Cash-catching Subprefect. Each office had nine men appointed by the Board of Personnel. The fund they controlled was only 50,000 cash or less, which they were to turn over in the market, and for which they would receive 4,000 cash per month in interest. At the end of the year this would be paid over to the officials."

¹¹*Op. cit.*, under *yuanhe* 11, 9th month.

¹²*Tang Collected Statutes*, 91, "Payment of Inner and Outer Officials in Cash and Kind," first part: "In *zhenguan* 12, 2nd month, the Policy Critic Adviser, Chu Suiliang, sent up a communication saying . . .

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'Your Majesty has recently assented to the taking of Public Office Capital Cash by various subprefects. The people who do this in the various offices are called cash-catching subprefects. These

men are selected not for their knowledge of letters or the arts, but for their ability to carry on trade, and for the possession of enough wealth by their families. They are carried on the rolls of the Board of Personnel. For the most part, they take no more than between 40 and 50 strings of cash, set themselves up in the market, and throw themselves into trade. Each month they take in a profit of 4,000, and in all pay in 50,000 in the course of a year. If they do not fail to deliver the profit, at the end of the year they receive office. And yet those in charge of the state have laughed at the selling of offices by Han, though this road which has been opened is of the same sort as that.' . . . That month on the 23rd day an edict halted this."

¹³*Tang Collected Statutes*, 93, "Capital Cash of Various Offices and Kinds," first part: "Edict of *Qianyuan* 1. In each of the two districts of Chang'an and Wannian there are 10,000 strings of cash which each month bring in profit to finance the Harmonious Purchase system. At this time . . . the two districts have set up capital cash for households which have offered security and which provides interest to meet expenses. The cash-catching officials have been given certificates exempting them from labor service. The prefectures and districts dare not control those who have committed crimes. Among the people there are those who do not take capital cash, but set up blank tallies, which their sons and grandsons succeed them in handling."

¹⁴*Ibid.*: "Yuanhe 11, 8th month . . . The Right Executive Censor, Cui Cong, memorialized that 'the previously established coin-catchers have been mixing their own with the public capital to a greater extent than before, and have been making up for their own losses from the official profits. Recently it has been heard that merchants and rich men have thrown themselves into the search for office, using public capital to broadly seek private profit. Those who make the collections fill their families' coffers, or use official money to meet deficiencies. There has been more than one instance of improper compulsion. Now I request that assent be given to limiting cash-catching households to inserting no more of their private capital than there is official capital involved. For those who exceed these limits, I request that they be removed from office.' This was assented to."

monthly interest was 7 percent.¹⁵ In mid-kaiyuan, the rate was 6 percent.¹⁶ At the beginning of jianzhong [780] it was 5 percent.¹⁷ By the huichang period [841-847], the monthly yield was only 4 percent.¹⁸

This, however, is not enough to show that the interest rate during Tang was steadily falling, because this income was not the same as the pure rate of interest.

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When this income was large, it could have included profit, because in addition to being used for loans, the capital was also being applied to various businesses and speculative activities. A portion of it even included tax revenues, since tax farming was being practiced.

Moreover, the nature of Public Office Cash itself is not clear. Sometimes it appears to have been lent to merchants, with interest taken in proportion to the length of time of the loan. Sometimes it appears as though officials and private parties formed partnerships to do business.

The later decline in income might be explained in several ways: One might be that a part of income began to enter private pockets. Another might be because the general monetary constriction kept the market from being active, and this caused more defaults on loans. Government loans bore very high

interest rates. Private usurers' interest rates were still higher.¹⁹

Because of excessively heavy interest exacted by both public and private creditors, debtors were often unable to repay their debts, or were driven to their deaths, or absconded. The government exploited its debtors ever more severely.

For example, in yuanhe 11 [816], the Luoyang Censorate memorialized that of the loans their office had made from zhenyuan 11 to yuanhe 11, a period of 21 years, there had been 25 households which owed interest of ten times the original principal of their loans. During the 16 years from zhenyuan 16 to yuanhe 11, 156 households owed interest of seven times the original principal. During the 12 years from zhenyuan 20 to yuanhe 11, 166 households owed interest of four times the original principal.

The principal and interest would be taken from a man's sons and grandsons if he himself died. If he had no direct descendants, the money would be taken from his collateral relatives. If he had no collateral relatives, then it would be taken from his guarantor. If the guarantor fled or died, then a substitute would be sought out.²⁰ This was truly a case of collective responsibility being imposed for a loan taken out by an individual.

Borrowing was not limited to ready cash. Sometimes commodities like grain constituted the things borrowed. Repayment was sometimes in cash, and sometimes in the commodity originally borrowed.²¹

There were two kinds of lending on the basis of pledges. The first did not require handing over the pledge or security before borrowing. The second was pawnbroking. The former type of secured loan was called "attached rent" [*tielin*].²² Pledges were

¹⁵*Tang Collected Statutes*, 88, "Miscellaneous Records": "[At the beginning of kaiyuan] a capital stock of 5,000 at an interest rate of 7 percent brought in 4,200 in one year. Labor expense brought it to less than 5,000."

¹⁶*Tang Collected Statutes*, 93, "Capital Cash of Various Offices and Various Kinds," first part, item under kaiyuan 18.

¹⁷*New Tang History*, 132, "Biography of Shen Jiji": "In jianzhong 2, an edict to the Secretariat and Chancellery Departments set up 30 Expectant Edict Officials . . . with authority to take measures to provide for collection of public cash by taking interest. Jiji remonstrated: 'Nowadays good government suffers from abuses by the officials, not from there being too few officials. . . . Now 30 more officials are to be appointed, which will cost no less than one million each month. To earn that much in interest, a capital sum of 20 million will be required. Two-hundred families will have to be allocated, and the amount which will have to be drawn in will cause considerable harm. The situation at the excise impost stations is not healthy. All are saying that the interest being collected by the officials is destroying their houses and ruining their property. . . .'"

¹⁸*Tang Collected Statutes*, 93, "Capital Cash of Various Offices and Various Kinds," first part: "In huichang 1 . . . 6th month, Sun Jian, the Regional Supervisor of Jinzhou, Jiangzhou and Cizhou in Hezhong memorialized to request a document of pardon, estimating that the capital cash in large and small districts was bringing in monthly interest of 4 percent."

¹⁹*Taiping Broad Record*, 434, quoting *Record of Original Transformations*: "During the zhenyuan period, there was a man named Dai Wen in Haiyanxian, Suzhou. His family was rich and he was avaricious. Whenever a fellow townsman raised a loan [*juzhai*] from him, he had to pay interest of several fold."

²⁰*Tang Collected Statutes*, 93.

²¹*Tang Orders Supplemented*: "Putting out of loans in grain, with repayment in grain, should be handled by private contract, with no interference by officials. Such loans should be limited to a term of one year. There should not be more interest than there is principal, nor should the interest be added to the principal."

²²*Universal Statutes*, order of kaiyuan 25: "Fields may not be used as security for attached rent loans. Violators will lose their property and be exiled, with the land returned to its original owner. If a person takes on labor service at a distance, and there is no one to whom he can entrust his business, then he may use it as security for attached rent." The fields referred to in this document were individual allotment fields and perpetual property fields. Cf. Katō Shigashi, "Use of Land Grants as Security Dur-

mostly agricultural land. Houses were also sometimes pledged. The term *zhi*²³ was sometimes used for such pledges, but its use was not limited to immovable property.

The most common form of borrowing on the basis of a pledge was, of course, the pawnshop loan. The men of Tang called this *zhi* or "collecting a pledge" [*shouzhì*].²⁴ Pawnshops were therefore called "pledge treasuries" [*zhiku*]. These usages continued right through the Five Dynasties.²⁵ There was also something called a "hire-counter" [*jiugui*],

ing the Tang Dynasty," *Tōyō gakkubo*, 12, 1.

²³*Comprehensive Mirror for Illumination of the Prince*, 237, Emperor Xianzong, yuanhe 4, intercalary 3rd month: "Wei Zheng's great-great grandson, Chou, was extremely poor, and for this reason pawned his ancestral mansion for cash. The Regional Commandant of Pinglu, Li Shidao, asked to be allowed to use his own resources to redeem the place. The Ruler mandated Bo Juyi to draft an edict. Juyi memorialized to say that the matter was unusual and ought to be handled by the court. Why should Shidao dare to take over so beautiful a place? He hoped there would be an edict to the officials to use public money to redeem the place and return it to the heir. The Ruler accepted this, and sent out 2,000 strings from the Inner Treasury to redeem it and give it to Wei Chou, and the sale of the pledge was forbidden."

²⁴*Taiping Broad Record*, 165, "The Frugal: Yang Cheng": "Cheng became a court scholar. His family was bitterly poor. He frequently used his wooden pillow and clothing as pledges for several

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tens of thousands of cash. Men competed to take them." "Biography of Li Wa": "During the tianbao era . . . on another day Wa said to Sheng that she had been in intercourse with the master for a year, and was still without an infant heir. She had often heard that the Bamboo Grove Spirit responded like an echo, and could she go to make an offering? Sheng had not known of her plan. Greatly pleased, he pawned [*zhi*] his clothing at a shop so as to provide for the ceremony of sacrifice, and went along with Wa to the temple to worship."

²⁵*New Five Dynasties History*, 53, "Biography of Murong Yanzhao": "He had set up a treasury in the commercial town for pledges for cash. There was an evil commoner who made false silver to pawn. The chief clerk had taken a long time to realize this. Yanzhao secretly instructed the clerk to hide at night in the treasury wall after moving all of his gold and cloth to another place because of thieves. Yanzhao then put up a placard in the marketplace to have the people take their own pledges so that he could redeem them. The people all competed to identify their own pledges, and so he found out who had pledged the false silver. He sequestered the man deep in his house, and had him teach a dozen other people, who he then put to work day and night making the stuff. Its substance was entirely of iron, but it was clad in silver, and was called iron-wombed silver."

which was said to be very much like a *zhiku*.²⁶ Others say this was another name for a counting house [*guifang*].

During the Northern and Southern Dynasties, pawnbroking was managed by temples and monasteries, but by the time of the Tang Dynasty pawnbroking had become an independent activity. Merchants, officials and aristocrats often established pawnshops to seek profit.²⁷

The Tang government placed limits on the exaction of interest on loans, but from time to time it raised or lowered them. It was only

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the compounding of interest that from beginning to end of the dynasty was never permitted.²⁸ For pawnshops, the rule was that they could not sell off the pawned articles as they pleased. Only if the interest came to exceed the principal, and the article had still not been redeemed, could report be made to the local government, and the pledge sold. If, however, there was a surplus after the pledge had been sold, this had to be returned to the debtor.²⁹

3. Deposits

Before the Tang Dynasty, when the Chinese had idle funds, they would either hoard them or leave them with friends and relatives. The friend or relative was supposed only to preserve the money as a kind of trust. He could not put it to profitable use.

²⁶*Comprehensive Mirror*, note by Hu Sansheng: "Among the people, goods were pledged for cash, and at another time redeemed. In addition to the mother cash [i.e. principal], child cash [i.e. interest] was paid as well. The place was called a *jiugui*."

²⁷*Old Tang History*, 183, "Biography of the Heir to Wu Cheng, the Auspicious Taiping Princess": "Having registered her family, [the Taiping Princess's] wealth piled up like a mountain. Precious and unusual treasures appeared in the court. Horses, sheep, pastures, gardens and pawnshops [*zhiku*] for several years brought in money unceasingly." *Complete Tang Writings*, 78, huichang 5: "One hears that gentry at court of whatever faction privately establish pawnshops and stores to compete with the people for profit."

²⁸*Tang Collected Statutes*, 88: "Chang'an 1, 11th month, 13th day, edict. In making loans, it is not permitted to add the interest to the principal, or to charge interest outside the regulations. The prefectures and districts are ordered to strictly ban this practice."

²⁹*Tang Orders Supplemented*.

Neither of these procedures can, therefore, be said to have constituted deposit. There was no credit trade.

In addition to hoarding, among the merchants of the Tang Dynasty, the depositing of money with outsiders was also very common. Sometimes money was deposited with family or friends.¹ Sometimes it was deposited with monks.² If, under this procedure, the protector of the money was unable to put it to profitable use, it would not have been much different from hoarding. The money-box was no doubt a common item among the people. Yao Chong had a "money-box thief."³

When merchants went out to trade during the Northern and Southern Dynasties period, they deposited with inns the money they had brought along to buy goods, or the funds they had received for selling goods, since they could not carry the money on their persons all day. It would have been both inconvenient and risky to merely have locked this money in their own chests.⁴

By the Tang Dynasty deposit of funds had gradually taken on a new convenience. Contributing to this convenience

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were various sorts of shops. There were some slight differences between this form of deposit and the earlier practice of entrusting funds to relatives and friends.

This type of deposit often began in the course of making exchanges,⁵ or had something to do with commerce.⁶ Accepting such deposits were drug

on my person.' Qing asked, 'Did you spend the night with someone?' The answer was, 'No.' 'Did you have a drink with someone?' 'One day I had a drinking bout with a certain monk, got drunk, and slept 'til dawn.'

"Qing said, 'The proprietor was coerced into a false confession. He is not the thief. That monk is the true thief.' He sent a man to arrest the monk, but the monk had run off into hiding with the gold. When he was later arrested, all the lost gold was recovered."

⁵*Taiping Broad Record*, 23, quoting *Record of the Broadly Unusual*, "The Two Dukes, Zhang and Li": "During the kaiyuan period of Tang, there were two dukes, Zhang and Li, who had the same ambition. . . . At the end of the tianbao era, Li had reached the rank of Executive of the High Court of Justice. . . . Zhang . . . said to Li: 'How much money do you need to fulfill your desires?' Li replied: 'If I get 300 strings, I can manage my affairs.' Zhang took off his hat and said to Li: 'You can take this to the drug shop. Ask for the proprietor, old Wang, or for Thirdson Zhang, and order them to take this for 300 strings. They will give them to you.' . . .

"The next day . . . he took the hat to Wang's place to seek out the money. Old Wang took the hat and asked the people of his establishment if this was indeed Zhang's hat. His wife said: 'The embroidered border resembles his.' Li asked who Zhang was. Wang replied: 'Fifty years ago it was the property of a seller of tuckahoe. There are now over 2,000 strings of cash [in his name] in the drug establishment.' Li took the money and returned."

⁶Zheng Huang, *Record of the Mysterious and Unusual Continued*, "Biography of Du Zichun": "Du Zichun lived during Zhou and Sui. When young, he fell into dire straits, and did not serve in his family's business. . . . Thrown among relatives, he was abandoned because he did not work. He was even without winter clothing, and went alone into Chang'an. . . . There was an old man with a walking stick in front of him. The man asked him:

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'Why, sir, are you sighing?' Dichun unburdened his heart. . . . The old man said: 'How many strings would allow you to live abundantly?' Zichun replied: 'With 3 million, I could live.' . . . Thereupon the man took one string from his sleeve and said: 'I'll give you this tonight. Tomorrow at noon I will await you at the Persian Residence in the Western Market. I hope you will not be

¹*Grove of Tang Words*, 1, "Virtuous Acts": "Protector of the Heir Apparent, Xuanjian Duke Du, during the dali era, was left a hundred ounces of gold by a man for some reason. Three years later, when serving as Regional Commandant of Huainan, the man's son came to stay, and the Duke took the gold and returned it. The seal was untouched."

Old Five Dynasties History, 58, "Tang History: Biography of Zhao Guangfeng": "At the beginning of tongguang . . . there was a woman who lodged one yi of gold with his family. The times were chaotic, and the woman was sent to another place. For the next twenty years there was no way to return the gold. It was paid over to the Prefect of Henan, Zhang Quanyi, with the request that he forward it to the palaces. The original seal was still intact."

²*Record of the Prosperity of Huichang Times*, "Niu Sheng": "Niu Sheng was proceeding from Hedong to the examinations . . . and arrived at a Buddhist temple. . . . A monk happily said, 'Jin Yang often lodged cash to the amount of 3,000 strings here, but never came back for it. The years wore on, and one morning you arrive with nothing to hand over. Now we will give it all to you.'"

³*Complete Tang Writings*, 206.

⁴*Zhou History*, 22, "Biography of Liu Qing": During the time of Emperor Taizu, "there was a merchant carrying 20 catties of gold to the capital to carry on trade. He lodged it at the place where he stopped. Whenever he wanted to go out, he carried the key himself. There was no way it could be sealed off, so it was no wonder that he lost it. He said this man had stolen it. The commandery and district questioned the proprietor, and he subsequently made a false confession.

"When Qing heard of this he sighed, and ordered the merchant brought in for interrogation. He asked the man, 'Where did you normally put the key?' The reply was 'I always carried it

shops and Persian shops, both of which were large commercial establishments then. The Persian shops were, like the foreign firms of later times, shops run by foreigners, and not necessarily all of them Persians, since Arabs were also called Persians. Of the stores then, however, those closest to being specialists in deposits were the counting houses and the consignment shops.

The term "counting house" [*guifang*] is mentioned several times in Tang documents, as in Wen Tingjun's *Qian Sun Zi*⁷ and in the text of the amnesty edict of qianfu 2 [875].⁸ There are, however,

late.' At the agreed time, Zichun went there, the old man did indeed give him 3 million, and left without telling him his name."

⁷Wen Tingjun lived during the time of Emperor Xuanzong (in the middle of the ninth century). The *Qian Sun Zi* has been lost, but the section "Dou Yi Upholds the Customs," which mentions counting houses, is quoted in *Taiping Broad Record*, 242. The original text runs as follows:

"There was a barbarian named Mi Liang, to whom Yi had given money and cloth because he was hungry and cold. For seven years he did not ask about it. One day he again saw Liang, who complained he was hungry and cold, and gave him another 5,000 cash. Liang was moved, and said to people: 'I will some day requite my lord.' Yi was living at ease, and had no problems, when Liang arrived and said to him: 'I have a small residence for sale at Chongxianli. It is worth 200 strings of cash, if your lordship will hasten to buy it.' Yi had extra cash in a counting house in the Western Market, and bought the place at the price asked.

"On the day the contract was made, Liang said to Yi: 'I have worked as a jade inspector, and have seen some black stone inside the house. Very few people would know it, but this rock for washing clothes is really filled with jade which can make your lordship rich in a day.' When Yi did not believe him, Liang added: 'Call in a jade worker from the Yanshou district to examine it.' The jade worker was startled and said: 'This is an unusual article. If worked, it will yield twenty belt hooks, each worth 3,000 strings of cash.' These were subsequently ordered made, and indeed fetched a price of several hundred thousand. He and his son also obtained various kinds and colors of belt ends. When sold, they also calculated they would get several hundred thousand strings for those as well."

⁸*Tang Major Collected Edicts*, 72, text of the southern Suburbs Amnesty of qianfu 2: "... From now on, if any put forward claims to buy office or pay in silver to seek rank, upon discovery being announced, they will be taken with those of the same offense and not let go. Their money and goods will be sent by the prosecutor to the Censorate as punishment for their offense. The money of the Persian foreigners may also serve this function. Counting house proprietors who know what is going on and do not come forward to inform and pay over all the goods in question to the officials will be judged with severity, and

no detailed accounts of their nature. We know only that they were places where money was placed for safekeeping. The texts sometimes speak of coins locked up in the counting houses of the Western Market. Sometimes they only speak of locking up in the Western Market.⁹ Sometimes they speak of accumulating cash in the Eastern and Western Markets.¹⁰ Probably at that time Chang'an's Western Market, or even its Eastern Market as well, had a number of counting house firms¹¹ or other shops which accepted deposits.

Judging from the meaning of the characters for counting house --the first of which must mean cupboard or chest, originally something used to hold coins and clothing-- counting houses must have ori-

sentenced to be transported to a distance."

⁹*Taiping Broad Record*, quoting *Record of the Broadly Unusual*, "The Three Guards": "At the beginning of kaiyuan, there were three guards . . . who entered the capital to sell heavy silk. The buyers heard they were seeking 20,000. Everyone laughed at them as madmen. A few days later, a fellow on a white horse came to buy, and paid a price of 20,000. They did not hesitate, but first locked up their money in the Western Market."

Taiping Broad Record, 499, "Miscellaneous Records," 7, quoting *Stories of the Middle Reigns*, "Wang Shizi": "After the imperial carriage had fled from Huang Chao, places which had been destroyed were being repaired. . . . An edict of Emperor Xizong ordered that after the Anguo Temple had been rebuilt, the imperial carriage would visit it for a great maigre feast. Ten new bells were cast, and 10,000 strings of cash given in alms. The high officials were ordered to give as they wished. The Ruler said that for each thousand strings of cash in alms given, a person could strike the bell once. After the feast, Drunkard Wang came in half-drunk, went right up to the bell tower, and struck the bell a hundred times. He then had 100,000 strings from the Western Market transported into the temple."

¹⁰*New Tang History*, 152, "Biography of Li Jiang": "In yuanhe 8, the Emperor sent down an edict that those able to catch a thief would be rewarded with 10 million cash and the fifth official rank. Those who gave away the plans of thieves and were able to get thieves to give themselves up would also be rewarded. Anything not in accord with the edict would be classified. Cash accumulated in the Eastern and Western Markets would be used to reward informers."

¹¹*New Tang History*, 208, "Eunuchs, latter part: Biography of Tian Lingzi": "When Xizong ascended the throne . . . gold coins of the Left Treasury and Equal to Heaven Treasury were issued and given to skilled child singers at a rate of tens of thousands a day, emptying the treasury. Lingzi . . . exhorted the Emperor to register the precious goods of the foreign and native merchants in the two markets so that they might be sent into the inner treasury. Commissioners secretly observed the counting houses and tea pavilions. Those who came to denounce them were all beaten to death."

ginated as chests or cupboards. The *Zhuang Zi* contains the phrase "robbers who take chests." Some people or shops might have had especially strong chests for holding precious objects.¹² The several hundred ingots of gold and silver that Zhu Quanzhong grabbed in Xiangcheng were found in a large chest.¹³

To meet the needs of travelling merchants, it would have been very natural for the shops of the capital to set up cupboards or chests, or even "chest rooms" --the literal meaning of the term here translated as "counting house"-- to safeguard the money of resident guests.

Later, because of the large number of people demanding this convenience, some people would set up specialized counting houses. These could have been the stages through which counting houses passed.

In foreign countries, even modern credit institutions still bear the names of treasure chests, like the

word *caisse* in French, or *cassa* in Italian, *casa* in Spanish, *Kasse* in German, and *kassa* in Russian.¹⁴ Although China's modern financial institutions are not descended from the counting houses, the meaning of the term coffer or treasury is close to that used for this institution in Chinese.

It is still a question as to whether or not the counting house was a genuine credit institution. First, we do not know if safeguarding deposits was their sole or main function, or if it was a secondary activity. Second, we do not know if the deposits were the responsibility of the counting house or were placed there at the risk of the depositor. Third, we do not know if the counting house paid interest on deposits, or collected a fee for safeguarding them. Fourth, we do not know if the counting house was able to put the deposits to profitable use or not. Of these four points,

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the last two are the most important, and are interconnected.

Basically there are at least two ways to interpret the practice of making deposits:

The first is as a way to protect valuable objects. The protector is not supposed to move them, and when the time comes, he should return the original objects.

The second is as the deposit of money, in which, as in the case of the Ming Dynasty, only a certain sum is protected, such as a certain number of ounces of gold or a certain number of strings of cash. When the time comes, the protector need only hand over this sum, and it does not matter whether he has done anything with the money before that time, since there is no necessity to transfer back to the depositor the same gold or copper cash originally deposited with him.¹⁵

several hundred ingots of gold and silver."

¹⁴There are French banks called *caisse* (coffer or treasury), such as the *caisse d'épargne* (preservation treasury) and *caisse des dépôts et des consignation* (deposit and trust office). Italy also has banks with the word *cassa* in their names, *cassa* having the same meaning as the French *caisse*. For example, the provincial bank of Basilicata is called the *Cassa Provinciale*. The provincial credit bank of Sardinia is called the *Cassa Provinciali di Credito*. The agricultural village cooperative bank is called the *Cassa rurali*. The Soviet Union's savings depository is called the *Sberegatel'naya kassa*.

¹⁵In the sixteenth century, English law distinguished three forms of entrustment. The first was the pure trust ("bare naked bailment"). The deposit was locked up in a chest or other container, and it was entirely a matter of guarding its safety. The person safeguarding the deposit could not make use of the items entrusted to him. The second type allowed the safeguarder to use

¹²*Old Tang History*, 135, "Biography of Wang Shuwen":

"In the mansion was a large cupboard without doors. As soon as he peeped into it, he saw it could hold precious goods."

Zhang Yue, *Biography of Qiu Ranke*: "At the foot of the tower in a cupboard was 100,000 cash."

Huangfu Shi, *Record of Original Transformations*, "Wang Jia": "In a cave like a hall, there was a great stone cupboard a *zhang* or more tall. It was locked. Jia's hand opened it and took out its contents. He raised it up in his hand and saw that inside the chest was another metal chest, perhaps 3 *chi* high, closed with a metal lock."

Taiping Broad Record, 402, "Treasure of Three Water Pearls": "The Da'anguo Temple was the old residence of Emperor Ruizong when he was Prince of Xiang. When the Emperor ascended the throne, a Daoist ordination platform was established there. The Prince conferred a precious pearl on the temple which was ordered placed in its treasury. It was said to be worth hundreds of millions. A monk of the temple placed it in a cupboard, and hardly thought it precious at all. In kaiyuan 10, the temple monks were doing good works, and opened up the cupboard to inspect the treasures it contained, and were going to sell it. . ."

The Song work, *Brocade from the Sleeve of the Old Man of the Great Peace*: "A thief said there are three things to fear in entering a house by night. The first is that there might be old men. The second is that there might be children. The third is that if there is so much gold and silver,

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there will be a large chest, with iron rivets, so that thieves cannot get into it."

¹³*Old Five Dynasties History*, 2, "Annals of Emperor Taizu," tianyou 2, 9th month: "On this day Xiangcheng was entered. The Emperor searched all around the prefectural office. . . and behind a door was a large chest . . . inside which were

Tang law made it a crime for a person to put to profitable use money entrusted to him,¹⁶ but precisely because this was clearly stated in the law, we can be sure that this practice of making profitable use of deposits was in fact occurring.

If counting houses could put such deposits to profitable use, then they could have paid interest, and with that they would have become genuine credit institutions. It is, however, also possible that they neither paid interest nor levied charges for their safeguarding service, but nevertheless surreptitiously put the funds to use. This too would have made them one type of credit institution.

If, however, they only safeguarded deposits, and put them to no use, then of course they would have had to collect a fee for this service. This sort of safe deposit would still have been a convenience to merchants, and would have indirectly aided the development of commerce. Such a service is still one part of modern banking, but if the counting houses solely depended on this aspect of the business, we cannot say they were genuine credit organizations.

Whatever the nature of the counting houses may have been, another aspect of the Tang Dynasty's deposit trade had undoubtedly transcended the stage of safeguarding things in chests or cupboards, because the check had in principle already come into use. The principle of the check is that once the deposit has been made, one need not go in person to withdraw the funds, but can transfer the authority to do so to some other person. At that time some shops provided this sort of convenience.

The depositor could mandate the deposit organization to pay over funds to a third party, sometimes on the basis of some object.¹⁷ Sometimes this was done with cards or written cards, called *tie* or *shu-tie*. These can probably be said to have been the

world's earliest checks. On them was the amount to be paid, the date of the check, the name of the person receiving the funds, and the name of the payer. The only difference from the modern check was that they were written out at the time of payment, and were not printed blank forms.¹⁸ All such payments were entirely made from deposits of money.

During the jianzhong period [780-784], Zhao Zan once took out hire-counter [*jiugui*] pledge cash, which he was going to use for army expenses to chastise Li Xilie. Some say that a *jiugui* was similar to a *zhiku*, that is a pawn shop. In modern times, some have doubted this.¹⁹ There is a basis for these doubts. The character for "rent" or "hire" [*jiu*] in

¹⁸*Taiping Broad Record*, 146, quoting the *Tang Informal History*, "Yuchi Jingde":

"At the end of Sui there was a scholar who lived in Taiyuan, and who suffered from the poverty of his family. He taught for a living. At the place where he lived he found an official treasury. When he went into a cave, he found several tens of thousands of strings of cash inside, which he then wanted to draw out. There was a man wearing metal armor and carrying a halberd, who said, 'If you want the coins, you can do so with Yuchi's check. These are Yuchi Jingde's coins.'

"The scholar searched, but could not find such a check, but when he got to an iron smelter, there was a piece of wrought iron with the name Yuchi Jingde on it. He bared his head while the forging was going on. The scholar watched until the end, and then bowed before him. Lord Yuchi asked, 'Why are you here?' The scholar replied, 'I am enmeshed in poverty, while below my feet are wealth and rank. May I get 500 strings of cash?' Lord Yuchi angrily retorted, 'I am a smithy. How could I have wealth and rank? You are deceiving me.' The scholar said, 'If you have pity for me, just give me a check, and another day you will understand.'

"Yuchi had no choice but to order the scholar to take up a brush and write, 'Pay to so-and-so 500 strings.' He wrote the date and signed his name at the bottom. The scholar bowed his thanks and left. Lord Yuchi and his apprentices clapped their hands and laughed aloud, thinking he was insane.

"The scholar, having gotten his check, went to the treasury, and again saw the man in metal armor. He presented it to him, and laughed as he said, 'Here it is.' He was ordered to hang it on a high place on a beam. Then the scholar was sent to withdraw the cash, up to a limit of 500 strings.

"Later, Jingde's assistant spirit, Yao, having gained special merit, asked to be returned to his village, and an edict awarded him money. As soon as the treasury had been opened to get this money, it was observed that there was a deficiency of 500 strings. When they took the check down from the rafters, and Jingde saw it, he realized it was the check he had written while forging iron."

¹⁹Katō Shigashi, "Investigation of Counting Houses," in Wu Jie (trans.), *Investigations of Chinese Economic History*, 1.

the entrusted goods for some special purpose, such as doing business. The third was deposit of money ("bailment of money"), in which the safeguarder was only responsible for a particular sum of money, so that he could put the money entrusted to him to profitable use. Cf. Ellis T. Powell, *Evolution of Money Market (1385-1915)*, chap. II.

¹⁶*Tang Penal Laws Outlines*, 26, article on "Expending Goods Accepted on Trust."

¹⁷*Informal History*, "The Two Teachers Lu and Li": "He then said, 'How much official cash do you lack?' The reply was, 'Twenty-thousand strings.' He then gave him a stick and said, 'Take this to the Persian shop to withdraw the money.' . . . As soon as the Persian saw the stick, he said with alacrity, 'This is second uncle Lu's stick. How did you get it?' As he spoke, he paid over the coins." Cf. *Old Stories* and also *Record of the Broadly Unusual*, "The Two Dukes Zhang and Li." Cf. note 5 above.

jiugui is mainly used as a verb meaning "to rent out," as in "rent a chest, redeem a pawned pledge, amass money, store up grain." So it could have just referred to renting a chest from a counting house.

In addition to the counting house, there was a kind of deposit shop which was a form of consignment shop [*jifupu*]. Since ancient times, the Chinese [390]

had entrusted money to family and friends, and during Tang there were probably people who specialized in running consignment shops which safeguarded money and other valuables for merchants, and which put consigned goods up for sale on behalf of their consigners. The Jingxianzhai firm in the Western Market of Chang'an was such a consignment shop.²⁰

Some people have attempted to link the counting house, consignment shop, and checks. They say that the consignment shop was the same thing as a counting house, and that its depositors could make withdrawals with checks.²¹ Though this hypothesis is not impossible, there is no evidence for it. Before the nature of the counting house has been rendered clear, there would be no point in offering arbitrary and strained explanations of it.

If the counting houses were only places which rented out safe deposit boxes, their proprietors could not have accepted checks for withdrawing funds from them. Payments of money on credit are only attributed to Persian shops and to drug shops in the written sources, and not to counting houses.

²⁰*Biography of Huo Xiaoyu*: "Frequently there were private orders to the maidservant to secretly sell the luxury goods in the chest. Most were entrusted to the Jingxian consignment shop in the Western Market for sale. The serving maid Huansha was once ordered to bring a certain hairpin to the Jingxian to be sold. On the street she met an old jade worker. When he saw what Huansha was carrying, he came up, recognized it, and said, 'I made this hairpin. Prince Huo's daughter liked to put it in her hair. When he had me make this, he tipped me with 10,000 cash. I wouldn't forget that. Who are you? Where have you come from?'"

²¹Katō Shigashi's "Investigation of Counting Houses," surmises that consignment shops and counting houses were identical, but simultaneously acknowledges that the documentation is scanty, and that it is not possible [393]

to decide for certain. In addition, without any basis at all, he says that counting houses accepted checks to pay out money.

4. Buying and Selling of Unminted Gold and Silver

Use of gold in China had gradually increased since Warring States times. From Han times on, silver utensils became popular, and therefore all during those times buying and selling of gold and silver was occurring.¹ Of course buying and selling of gold and silver cannot be said to constitute money conversion, since that term implies the conversion of one money into another, and only the strengthening of the monetary character of gold and silver would have turned the buying and selling of these metals into money conversion.

Therefore, the study of the Chinese exchange trade or the the history of the gold and silver market must begin with the study of the history of the gold and silver smiths and the gold and silver shops. These gold and silver smiths and shops hold an important place in the history of the development of Chinese finance. Though they did not, like their English equivalents, develop into modern financial institutions, they were the main money exchange institutions in China prior to the appearance of the money shops, and sometimes even transcended the sphere of the money exchange trade.

Of course demand for the products of gold and silver artisanship was a prerequisite for the development of the gold and silver smith trade. Gold and silver ornaments probably originated as soon as gold and silver were discovered. Mankind adopted gold and silver as stores of value and instruments of payment precisely because of their usefulness for making articles of adornment.

As royalty and aristocrats were already using utensils of gold and silver during Han, gold and silver smiths must already have existed by then. Given the prevalence of gold jewelry during Eastern Han, Wei and Jin, goldsmiths must have become still more numerous. Before Eastern Han, however, manufacture of gold and silver utensils and jewelry may have been in the hands of slaves of the aristocratic families themselves.²

Only later, after gold jewelry had spread among the common people, did genuine goldsmiths appear, but their status then remain very low. Most of them were supported by the aristocracy, and worked in aristocratic households. They were simple artisans, and likely did not have much capital of their own, so they probably did not trade in gold and silver on their own.

As late as Northern Wei (444), there are examples of prohibitions on the private keeping of gold

¹Cf. chapter 1.2.2, note 14.

²Cf. chapter 2.1.3.

and silver smiths.³ There were already gold shops by then. When Liu Zuan of Southern Qi went to Latter Wei, he entered a gold and jade shop, and wanted to make a large purchase, but was embarrassed by a few words spoken by Li Anshi.⁴

By the time of the Tang Dynasty, with its internal unity and peace, commerce and manufacture developed, and the social position of the gold and silver smiths rose in parallel with their economic strength. They slowly evolved from being itinerant craftsmen, to setting up their own establishments, and these turned into

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gold and silver shops. A number of these formed a gold and silver guild and constituted a gold and silver market.

There was a gold and silver guild in Suzhou during Tang.⁵ In all probability there were also a great

³*Wei History*, 4, "Annals of Emperor Shizu," edict of taping zhenjun 5, 1st month: "All those from princely and ducal ranks down to commoner level who privately keep monks, sorcerers and gold and silver smiths in their households must turn them over to the officials, and may not conceal them."

Northern Qi History, 47, "Biographies of Cruel Officials: Bi Yiyun": "When Emperor Wenxuan accepted Buddhism . . . Yiyun's paternal uncle's elder son was a monk in debt to the officials, but the former senior clerk of the capital district would not accept his allegiance, and set limits to what he could collect. For this reason he bore him a grudge. . . He was also accused of privately harboring artisans. His household had more than ten weavers of brocade and artificers of gold and silver utensils, though this was forbidden."

⁴*Wei History*, 53, "Biography of Li Anshi": "The state had an emissary from the south arrive. Many precious goods were taken out of hoards and rich households of the capital were ordered to market them. The emissary was to be allowed to send off what he pleased. The emissary [the Southern Qi emissary Liu Zuan] went to a gold and jade shop to inquire about prices. Zuan said the gold and jade of the north was too cheap, as though these were things which had come out of the hills and streams. Anshi replied, 'the Sagely Dynasty did not value gold and jade, and so they were as cheap as tiles and pebbles. His Majesty's virtue is miraculously illuminating. In the mountains, he does not love the precious, and so there are no streams without gold, and no mountains without jade.' Zuan was originally going to make a big purchase, but when he heard Anshi's words, he abandoned this in shame."

⁵*Taiping Broad Record*, 280, quoting *Record of Compilations of the Unusual*, "Liu Jingfu": "The Wutaibo Temple was west of the East Village Gate. Every Spring and Autumn the market shops all assess their members a fee to beseech good fortune from the Three Abdicators, and offer many pictures of fine horses, decorated carts and girls to them. There is not a month without a holiday. On the day yichou in the Spring, the head of

many gold and silver shops in Yangzhou.⁶ Chang'an had its gold market.⁷ This was the money exchange market or market for buying and selling raw gold and silver in Chang'an then.

The business of the gold and silver shops was, of course, mainly the manufacture of utensils and jewelry, but they probably also bought and sold such objects as well as raw gold and silver. Some also sold pearls and jade.⁸ Out of the buying and selling of gold and silver there grew the trade of gold and silver assaying.⁹

During Tang, the circulatory media were mainly coins and cloth, but gold and silver were still the main stores of value.¹⁰ At times they were used as a

the gold and silver guild brings together his members carrying silk pictures of beautiful women and barbarian fiddles following behind. The paintings are of great beauties of olden days. With their windows and gilded walls, these firms first and last each contribute no less than a bolt of cloth."

⁶The Japanese monk Ennin sold gold dust in Yangzhou during the kaicheng period. Cf. his *Entering Tang in Search of the Law*. Zhao Lin's *Record of Words' Consequences* also mentions selling gold in Yangzhou.

⁷Xue Yongruo, *Collected Oddities Record*, "Fourth Lord Wang": "In Huai he put out gold weighing perhaps 5 ounces, of a color like a cock's comb, and then said, 'This cannot [395]

be priced like the ordinary sort.' When he reached the capital, he inquired after Zhang Fengzi in the gold market, and transferred it to him for 200 strings." There was also a gold market in Luoyang. Lu Ji, *Luoyang Record*: "There are three markets. The large market was called the gold market, and was in the main city." Cf. *Taiping yulan*, 827, "Property, 7, Markets."

⁸Gao Yanxiu, *Omissions from Tang History*, latter part, "Wang Jushi's Miraculous Drug": "Indeed there were [in Chang'an], in the Yanshou ward, sellers of gold, silver, pearls and jade."

⁹Katō Shigashi, in his *Studies of Gold and Silver During the Tang and Song Periods*, divides the business of the gold and silver shops into four sorts (five sorts for the Song Dynasty): 1) the buying and selling of gold and silver utensils and jewelry; 2) the buying and selling of gold and silver ingots and cakes; 3) the assaying of gold and silver; 4) the manufacture of gold and silver utensils and jewelry and ingots.

¹⁰Xue Diao, *Biography of Liu Wushuang*: "The Jingyuan soldiers and officers rebelled. Yao Lingyan led his troops into the Jinyuan Palace. The Son of Heaven went out through the park by the Northern Gate. The officials hurried after the Travelling Court. I, concerned about my wife, went back to my office, and hurriedly called to Xianke, 'If you will help me take care of my family affairs, I will marry Wushuang to you.' Xianke immediately assented, and with pleasure bowed his thanks."

"I then packed twenty loads of gold, silver, gauze and broc-

means of payment, and so there was also a need for buying and selling of raw gold and silver.¹¹

The buying and selling of raw gold and silver is not the same thing as monetary exchange. When raw gold and silver are bought and sold, they are being treated as commodities. In monetary exchange they are treated as moneys. Because there are instances during Tang of use of gold and silver as instruments for making payments, and in the Lingnan silver even served as a money in circulation,¹² Tang Dynasty gold and silver shops had something of the nature of money exchange institutions.

By Five Dynasties times, use of silver increased, and silversmiths' shops gradually became more important.¹³

ade, then said to Xianke, "When you trade the clothing, pawn these goods. Go out the Kaiyuan Gate, and look for the Shaanxi store. . . ."

Old Tang History, 151, "Biography of Wang E": "The Guangzhi Mansion had memorialized to request the registration of the quarter so as to increase its size. A double-walled cave was made, and gold and coins were put inside it."

¹¹*Record of Original Transformations*, "Zhou Xianzhe": "During the reign of Empress Wu Zetian and her Zhou dynasty . . . Zhou Sheng said 'The matter has still not germinated, and this is unreasonable. Hurry to the capital to inform elder brother of what I have said, and ask him for 50 yi of gold.' . . . Xianzhe . . . said to the finance officer, . . . 'I have known you for a long time, and cannot allow you to suffer the same calamity as elder brother. I can only ask you for 100 ounces of gold, and give you a medal of request from the Emperor. . . Thereupon the finance officer sold the gold to Xianzhe." Cf. *Old Stories*, B, 4.

New Tang History, "Treatise on Food and Money": "When Muzong ascended the throne, 10 ounces of gold and silver were sold in the capital at a discount of one ounce."

¹²Yuan Zhen, *Debates on Money*. Zhang Ji, *A Guest Sent South*. Cf. also chapter 4.1.4, note 21.

¹³Sun Guangxian, *Northern Dreams Petty Talk*, "He Kui": "At the time of the false prince of Shu, there was a Langzhou native, He Kui, who knew no trade, but was a clever talker. As he was a fake diviner, people nicknamed him He See-ghosts. There was a recently ennobled man of Shu, Xian Shenzhi. Someone who had been suffering from white scabies was in a silver selling shop. His was the second generation with that affliction. When He saw this, he said to the man, 'I know how you are suffering. For a wedding gift, I need a few rings, bracelets and hairpins. Can you deliver them? If so, your suffering will be alleviated.'"

5. The Appearance of Money Remittance

Monetary remittance was invented very early on in foreign countries.¹ It did not, however, appear in China until the Tang Dynasty. There were four reasons for the appearance of monetary remittance during Tang: First, there was a shortage of coins. Second, because coins were few, localities gradually enacted bans on export of coins beyond their borders.² Third, there were many tax stations, and funds derived through taxation often had to be transported. Fourth, the development of commerce had slowly led to the feeling that it was inconvenient to carry bronze cash.

The Tang Dynasty's monetary remittance system was called "flying cash" [*fei qian*]. It was managed by both merchants and local government offices. At that time the local governments of all the circuits had offices to represent them in the capital. These were called memorial offering bureaus. These bureaus specialized in keeping up connections with the central government, so naturally they frequently needed cash.

After merchants had sold off their goods in the capital, if they did not want to carry ready money back home with them, they could hand over their money to the memorial offering bureau of their

¹Babylon had an instrument resembling a certificate of exchange in the ninth century B.C. A person in place A would write on a clay tablet that after a given time, he would pay over to a person in place B a certain sum of money. Sometimes the amount of interest would be recorded. This sort of arrangement arose because the transportation of ready cash was inconvenient, since merchants of those times employed camel caravans, and the places through which they passed were full of bandits. During the Middle Ages the Jews and Italians reinvented the certificate of exchange under identical circumstances. Cf. A. R. Burns, *Money and Monetary Policy in Early Times*, pp. 284-285.

The appearance of the monetary remittance trade in India also occurred much earlier than in China. It is said that 2,500-2,600 years ago (in the early years of China's Warring States epoch), exchange certificates (*hundi*) were already being issued, and these seem to have closely resembled China's "flying cash." Cf. L. C. Jain, *Indigenous Banking in India* (London, 1933). I do not know if there is any connection between India's exchange certificate system and flying cash.

²*Tang Collected Statutes*, 89, dali 14: "The Salt and Iron Commissioner, Li Ruochu, memorialized, that since the quantity of coins had become small recently in most prefectures, fabrics had turned cheap, and coins had been prohibited from passing their borders, profits had declined and commerce was stalling. He requested that it be commanded that ready cash be allowed to move freely, and such prohibitions be rescinded. This was accepted."

home circuit, and the bureau would issue them a certificate called

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a *wendie* or *gongju*.

This document or receipt was divided into two parts. One half was given to the person making the exchange. The other half was sent to the home circuit. When the merchant returned to his home circuit, the two halves were placed together, and if they fitted exactly, he could withdraw the sum of money. In this way, it was possible for the merchants to avoid the dangers of transporting cash home, while local governments avoided having to constantly transport cash to the capital.

This method of matching tallies to withdraw cash was actually an outgrowth of the process used in borrowing money, except that the movement over time of loans was transformed into a movement over space for the exchange process. This development occurred at the beginning of *yuanhe* [c.806].³ The governmental organs involved in this trade, in addition to the memorial advancing bureaus, included the various armies and commissioners, as well as the Ministry of Finance, the Funds Commission and the Salt and Iron Commission.

Merchants engaged in flying cash operations did so because they had branch houses in various circuits, or did business in them, and wanted to avoid transporting ready cash, or even because they were looking for a way to make further profit.

Monetary remittance then was apparently a one-for-one exchange, with no charge for the service. Naturally the government wanted to be able to somewhat increase its expenditures. Probably for this reason, or because it did not clearly understand the advantages of monetary remittance, in *yuanhe* 6 (811) it finally banned the practice.⁴ This practice could have economized on the use of money, and relieved the difficulties caused by constriction of the money supply.

³*New Tang History*, 54, "Treatise on Food and Money": "Under Emperor Xianzong, because cash was scarce, use of bronze utensils was again prohibited. At that time, when merchants came to the capital, they would entrust their cash to the circuits' memorial offering bureaus, and to the various armies, commissioners and rich families, so as to lighten their burdens as they hurried away in all directions. When the tallies were matched, they could withdraw their money. This was called flying cash."

⁴*Tang Collected Statutes*, 89, "Money": "Yuanhe 6 . . . Convenient exchange of public and private ready cash by tea merchants and others must be halted." *New Tang History*, "Treatise on Food and Money": "The Capital Prefect, Pei Wu, requested the prohibition of giving merchants flying cash."

With its prohibition, the merchants were obliged to transport ready cash. This both lowered the velocity of money's circulation and, because merchants were sending cash out of the capital, reduced the quantity of money there, causing prices to fall.

Only then did the government realize that banning flying cash was an unwise move, and so in *yuanhe* 7 [812] it again permitted merchants to obtain flying cash from the Ministry of Finance, the Funds Commission and the Salt and Iron Commission, but for each 1,000 cash a charge of 100 cash was made. No merchant would make exchanges under these terms, and so the one-for-one exchange was restored.

In fact, at that time the money supply was so constricted that the government had to institute a policy of subsidization before it could increase the amount of exchange. Otherwise people would have kept their ready money on their persons.⁵

Flying cash was also called "convenient exchange" [*bianhuan*].⁶ In fact the term convenient

⁵*New Tang History*, 54, "Treatise on Food and Money": "Since the banning of flying cash in the capital, families had been hoarding cash. Prices were constantly low. The Supervisor of Funds, Lu Tan, the Minister of War and Supervisor of the Ministry of Finance, Wang Zhao, and the Salt and Iron Commissioner, Wang Bo, all requested that merchants be permitted to obtain flying cash from the Ministry of Finance, the Funds Commission and the Salt and Iron Commission for a premium of 100 cash for each 1,000 cash. No merchants came, however. Permission was restored for merchants to exchange strings of cash at par, but cash remained heavily demanded and cloth lightly demanded, as before."

⁶*Record of Words' Consequences*: "There was a gentleman who sold goods away from home, obtaining several hundred strings for them. Fearing that it would be hard to bring them across the rivers and roads, he entreated someone whom he knew to place the money in the public treasury, and brought a certificate back with him. This was what was then called convenient exchange."

Old Tang History, 48, "Treatise on Food and Money": "In *yuanhe* 7, 5th month, the Minister of Finance, Wang Zhao, the Funds Commissioner, Lu Tan and the Salt and Iron Commissioner, Wang Bo, memorialized that 'because ready cash is in heavy demand in the capital, there is not enough for the officials to make their expenditures on time. This is because recently merchants have not been permitted to make convenient exchange, and thus wealthy families hoard their money. As a consequence, prices have become high. [The character for "high" has, I suspect, been erroneously substituted for "low" here.] Most coins do not come out. We have now considered matters, and request that it be ordered that merchants be allowed to make convenient exchange at the Three Offices. . .'"

Book Hall of the Original Tortoise, 501: "The Funds Com-

exchange was used even more frequently, and after Tang this practice was always called convenient exchange.

Flying cash or convenient exchange may be said to have been a form of credit. When a merchant bought exchange, this was no different from extending a loan to the organization issuing the exchange, but only if the unit to which the payment was initially made kept faith could the completion of the transaction take place.

That is, those in the capital who paid over money to the government there had to depend on the local bureau being sufficiently trustworthy as to cash in the certificates when presented to them. Otherwise the merchants would have suffered a loss, or at least some inconvenience. During the reign of Yizong (860-873), when the merchants brought exchange certificates to the prefectures to cash them in, there were instances of prefectures delaying payment, causing the merchants to fear making further exchanges. Therefore, in xiantong 8

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(867), an order was issued to the prefectures to not obstruct such payments.⁷

missioner, Minister of Finance, and the Salt and Iron Commissioner memorialized that 'previously it was ordered that merchants add a fee of 100 cash for each 1,000 cash that they exchange. Now no one is willing to do this. We request that the merchants be allowed to exchange each string of cash at par according to the yuanhe 5 regulation.' Assented to."

⁷*Tang Collected Statutes*: "Xiantong 8, 10th moth. The Supervisor of Funds of the Ministry of Finance, Cui Yanzhao memorialized: 'Prior to this year, in order to receive Double Tax, ferry and wine tax money from the Yangtze and Huai circuits prefectures, this office has allowed the old rules followed for years to be used, which permitted merchants to deposit convenient cash. Since the uprising of the southern barbarians, military supply commissioners have been set up to use this office's cash held in the prefectural treasuries. But there are still merchants making convenient exchange.

"When these merchants bring the convenient exchange certificates to their home prefectures for payment, they have all been told by these prefectures that the money has been detained by the military supply commissioners. For this reason, the merchants have become suspicious, and it has reached the point where this office does not have sufficient funds to meet its expenses. It is requested that orders be issued to the various circuits and prefectural taxing authorities, and to the Salt Administration that they pay out in accord with the limits established, and that they not obstruct repayment to the merchants.' Assented to."