

8.4 Credit Institutions

1. Silver Shops and the Pawnbroking Trade

As was the case for monetary theory, China's credit institutions fell behind those of Europe during the Qing Dynasty.
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The banking systems of the European nations all formed during these several centuries. The first bank of issue in modern times, the Bank of Sweden, was established in shunzhi 13 (1656). The Bank of England was established in kangxi 33 (1694). This was the first large scale modern bank. John Law set up his bank in France during kangxi 55 (1716). In qianlong 30 (1765), Frederick the Great established the Imperial Family Bank in Berlin. Even the newly-created United States established the first Bank of the United States in qianlong 56 (1791).

In pre-guangxu [pre-1875] China, however, the whole of the credit trade remained in the hands of a large number of small-scale old style financial institutions, such as pawn shops, money shops and draft banks.

Silver shops remained rather important during Qing, because most cash and kind taxes were mainly collected in silver, and silver came in non-uniform fineness and weight. As a consequence most of it had first to be given over to the silver shops for melting down and casting into ingots before it was paid in to the tax collectors. Some silversmiths surreptitiously added weights to the steelyard, and there was much blackmail and extortion going on. Sometimes, when village and township tax silver was forwarded to the prefecture-district level, they had the silversmiths recast it into large ingots before forwarding it to the provincial governmental offices. This provided yet another opportunity for skimming off profit. Hence the authorities frequently prohibited the practice.¹ The first silver coins made in China were minted by silversmiths.

¹*Imperial Dynasty Investigation of Literary Remains*, 15, "Coins," 3: "In yongzheng 2 . . . the Secretary of the Board of Punishments exhorted the court in a memorial which said, 'Payment of all cash and grain taxes is allowed by regulation to be made in silver. The quality of the silver used in trade among the people is not necessarily of standard fineness, and must be given over to the silver shops for melting down before it is brought to the tax counter. When the official silversmiths melt it down, they are exacting over its fineness, and engage in constant extortions. Each has his own seal whereby he may be recognized. After the silver has been commuted and sealed at the prefecture-district level, it is again given to the silversmiths for resmelting into large ingots before it is released to the provincial civil

The main business of the silver shops remained the hammering out of utensils and jewelry. Sharing the gold and silver business with them was a kind of silver furnace which specialized in melting down and casting silver ingots. These firms may be said to have evolved out of the silver shops. Later, when the financial market became developed in Shanghai, the position of these silver furnaces became very important. In places lacking public assay offices, the assaying of the fineness of silver was undertaken by the silver furnaces.

The term silver furnace was already present during the Ming Dynasty,² but they became more numerous during Qing.³ Sometimes they were also

government office. If the silversmith does not see his seal, in his report to the officials he insists that the fineness is low, and the responsibility for making up the deficiency is laid entirely on the original taxpaying household. This has become a heavy and wasteful burden upon the people. Henceforth it is requested that a severe prohibition be placed upon this abuse by silversmiths of taking the fineness of silver as a pretext to practice extortion."

Imperial Dynasty Universal Record, 83, "Outline of Food and Money, Taxes, first part": "In kangxi 39 there was established the rotating credential method. . . . Within the *jia* unit, the headship rotates, and the incumbent has the taxpaying households themselves seal their payments and put them over the counter. It is not permitted for the head of the *li* and the silversmith's employees to do this." *Ibid.*: "Prior to this, the meltage and wastage surcharge was higher in Sichuan than elsewhere. During the yongzheng period, the amount was continuously reduced. The officials were not satisfied with a moderate level, and because they surreptitiously added to the weights on the steelyard, 100 ounces had to be more than 0.1 ounce heavier, and the tax-collecting clerks and the silversmiths who resmelted the silver aggressively fished for illicit profits."

East China Continued Record, Qianlong, 8, qianlong 3, 12th month, bingshen, proclamation: "Hitherto in Sichuan the meltage and wastage surcharge has been heavier than in other provinces. . . . Now it has been heard that the meltage and wastage surcharge in the aforesaid province has not been diminished, and it is not just that the officials have craftily sought after private profit by surreptitiously adding weights to the steelyards so that sometimes 0.1 ounce is added to each ounce. Those clerks who receive the taxes and the silversmiths who resmelt the silver, are also aggressively fishing for profit. As a consequence, the harm the little people suffer from this extortion is not small."

²Wen Bing, *Minor Information on the Heroic Emperor*, 5: "In tianqi 11 [sic], 4th month, the Governor of Zhending, Li Mo, wrote to the inspecting officials about incidents of 'extraordinary greed,' saying . . . 'and Guo Qigu was ordered to demand 3,000 ounces from the generals and officials of each garrison. Each first sent 500 ounces. Only the fire work garrison general, Wang Zhenzhong, stubbornly refused to respond . . . and sent a single silver *ruyi* sceptre from the silver furnace . . ."

called furnace houses, and there were both official and private furnaces. Official furnaces needed permission of the Board of Revenue to be established, but toward the end of the dynasty such limitations were loosened. These establishments simultaneously also engaged in the coin trade, and issued paper money.⁴

Some of the furnace houses also engaged in the credit trade. For example, the Yingkou [port of Niuzhuang. EHK] silver furnaces were originally in the business of minting Original Treasure ingots for people. After Yingkou was opened as a commercial port, trade developed, standard coins proved insufficient to meet the demand for money, and use of silver increased. Because the broken pieces of silver that merchants normally received were of non-uniform fineness, and so were not convenient to circulate, the merchants sent most of them to the silver furnaces for casting into Original Treasure. Later, as the number of people making such requests increased, and there was no time to meet the demand, the silver furnaces would receive the broken pieces of silver, deduct a meltage and wastage and handling fee, and commute the rest into Ying Treasure, for which they would issue a receipt. Such receipts

[943] circulated on the market like paper money or checks. Some merchants made a point of depositing pieces of silver with the silver furnaces, setting up a steady relationship to take advantage of the convenience provided. Even if he did not have ready silver involved, the merchant might ask the furnace house to set up an account, and issue such vouchers anyway, thus turning the silver furnace into a genuine credit institution.

By guangxu 9 (1883), the silver furnaces of Yingkou had established a guild, and fixed the first day of the 3rd, 6th, 9th and 12th months as the days for clearing accounts. This was called the *mao* period. Later, at the time of the First Sino-Japanese War, at the time of the Boxer Rebellion, and at the time of the Russo-Japanese War, they were severely

shaken, and a number of them closed their doors,⁵ though at the end of guangxu some 33 such firms remained. After the largest of them, the Dongheshun, closed its doors in guangxu 34 [1908], it was not long before the Xiyishun and Houfahe had also closed down, and from then on, the silver furnaces went into decline.

The pawnbroking business still occupied a very important position during the Qing Dynasty. In shunzhi 9 (1652), it was ruled that each provincial pawnshop was to pay an annual tax of 5 ounces of silver, and the Beijing pawnshops were to pay a tax proportioned to their sizes.⁶ The pawn shop tax was

⁵Zhang Jiaxiang, *History of Chinese Monetary Systems*. Xu Ke, *Minor Qing Certificates*, "Agricultural and Commercial Category," p. 66, "Evolution of the Yingkou Silver Market": "Yingkou's furnace silver is close-account silver. It is so named because the furnace houses are close-account institutions. When the port of Yingkou was first opened [in 1858], commercial exchange used nothing but ready silver measured by the Ying weight standard. Thereafter, the market became ever more active, and the volume of goods imported and exported steadily increased. The demand for ready silver exceeded the supply. There was no surplus for circulation, and so this furnace silver was circulated as a substitute. It was merely fixed that on the first of the 3rd, 6th, 9th and 12th months every year, the accounts would be closed, and all paper would be liquidated for ready silver. This was called the *mao* period. When the *mao* came, all those with furnace silver would bring it in for redemption into ready silver. Merchants said this arrangement was convenient, and as it extended over time,

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it became a custom. When small silver coins came into general use, the Ying financial market shifted over to them. Small silver coins gradually became more numerous, and physical treasure silver correspondingly became scarcer. When the *mao* period came, and the furnace silver notes were exchanged for ready silver, they could not but follow the trends of the times and make the shift as well. Thereupon it was fixed that a furnace silver ingot weighing 53.5 ounces, would when the *mao* came, be exchanged for small silver coins to the amount of \$81.

At the time of the 'Boxer Bandits' uprising of guangxu year gengzi, and the Russo-Japanese battles of year jiachen, the Fengtian commercial establishments frequently closed their doors, and all trade was harmed by the furnace houses using this as a pretext to manipulate things as they pleased. When the *mao* expiration date arrived, and they were unable to convert their paper to ready money, the credibility of furnace silver was gradually lost. Although eventually adjustment was made, in the end it could never return to the fixed price of \$81. Nevertheless, one ingot's worth of furnace silver retained a market price of between \$60 and \$70 in small silver dollars."

⁶*Imperial Dynasty Universal Record*, 82, "Outline of Food and Money, 3, Taxes," first part.

³*The Scholars*, chapter 6: "That Thirdson Zhao [Zhao Laosan] who ran the rice shop was mistaken for the Zhao Laohan of the silver furnace. Actually he couldn't even come up with a plate."

⁴Xu Ke, *Minor Qing Certificates*, "Agricultural and Commercial Category," p. 46, "Furnace Houses": "Furnace houses are also called silver furnaces. They solely cast horse hoof silver. The capital, Tianjin, Shanghai and Hankou all have them. They also simultaneously engage in the coin trade, and issue paper money which circulates in the cities. These are comparable in strength to the money shop bills. When silver coins came into circulation, the business of the furnace houses decayed."

renewed at a rate of 5 ounces per establishment in kangxi 3 (1664).⁷ The annual tax payments by pawn shops might reach more than 110,000 ounces,⁸ so there must have been over 20,000 pawn shops in existence. The province with the largest number was Shanxi, which had 4,695 firms. Guangdong came next, with 2,688. Zhili was third, followed by Fujian, Gansu and Guizhou.

At the beginning of Qing, pawn shops were sometimes still called release shops [*jiepu*].⁹ From kangxi times on, most were called pawn shops [*dangpu*],¹⁰ or pledge shops [*dianpu*].¹¹ The term

most commonly used for pawning things was *dian-dang*.¹² From jiaqing on, sometimes the practice was called *dianya*.¹³

QUANTITY OF PAWN SHOP CAPITAL OVER THE COURSE OF HISTORY

Dynasty	Capital Required For One Pawn Shop	
Song	300-500 strings ¹⁴	

Shansi	23,475 oz.	Zhili	9,835
Guangdong	13,440	Fujian	8,630 (including Taiwan)
Gansu	8,125	Shengjing	2,197.5
Guizhou	8,001	Yunnan	2,012
Shaanxi	7,410	Jiangxi	1,675
Jiangsu	6,665	Sichuan	1,485.8
Zhejiang	5,360	Guangxi	985
Anhui	4,435	Hunan	690
Shandong	4,370	Jilin	456.5
Henan	2,775	TOTAL	112,042.8 oz.

⁹*Dessicated Words of the Old Man of the Wilderness* (written during the kangxi period), chapter 28: "When a couple of days had passed, and after they had gone up to the tomb, Elder Aunt and Third Aunt were jointly managing the accounts, and all came to pay up their accounts, even on the tickets issued by the release shop, which required over 480 ounces of silver."

¹⁰*Rain Flower Fragrance* (written during the yongzheng period), Type 28, "Another Buddha Song": "There was a Xu Changnian who ran a pawn shop at the Great East Gate of Yangzhou. . . . Though he had wealth amounting to several tens of thousands, he was most greedy and most stingy." *Story of a Stone*, 48: "Within there was a certain Zhang Dehui, who since his youth had been in charge of the Xiefan Pawn Shop. He had some 2,000 to 3,000 in gold to make a living with." *Ibid.*, 57: "Suddenly Xiangyun was seen walking up carrying a pawn ticket in his hand. . . . Daiyu glanced at him, but did not recognize him." *Ibid.*, 81: "Mrs.-Wang said . . . 'That fellow, what's-his-name, Pan Sanbao, had a house that he sold to the pawn shop diagonally opposite. This house had increased in value several fold. Pan Sanbao wanted more for it, but why should the pawn shop have been willing to go that far?' *High Grade Treasure Inspection* (written during the daoguang period), chapter 13: "This Lord Pan was called Pan Qiguan. He was a rich old man of the capital, whose family was worth a million. He ran three

silver houses and two pawn shops. . . . He was originally from Shanxi." *Smiling Grove Broad Record* (written during the guangxu period), "We Don't Recognize the Goods": "A Huizhou man ran a pawn shop. He redeemed goods only when the right ticket was presented. There was a fellow who brought in a single thickness quilt [*danbei*] to pawn. He set it down on the ticket as a leather gong [*piluo*], and gave 500 cash for it. Some one brought in a *sheng* pan-pipe to pawn. He set it down as a striped bamboo wine jar, and gave 800 cash for it. Someone brought in a *di* flute to pawn. He put it down as a silk lined musket, and allowed 200 cash for it. . . ." *Notes on the Current Shape of Official Life* (written at the end of guangxu), chapter 11: "And he said that Lord Zou went off carrying a bundle of clothing, walked into a pawn shop, put it on the counter, and unwrapped it for Chaofeng to see. He was only willing to pawn it for 400 copper cash."

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¹¹*East China Continued Record*, Qianlong, 117, qianlong 58, 6th month, bingzi, proclamation: "Shulin has memorialized that he has examined the magistrate of Lishuixian, Chen Huang-gan's report that a person of that district, Tao Renguang, was disobedient to his clan ancestors, and while a clerk in Tao Yuchun's pledge shop, stole goods and absconded with them."

¹²*The Scholars*, chapter 26: "This person was a daughter of the Inner Bridge Hu family. The Hu family were in the office of the provincial civil administration. At first they married her to to a Wang Sanpang, who was in the pawn broking business in Anfeng." *Contending Spring Garden*, chapter 7: "Molun said, 'How could I have dared to sell it!' Having said this, he went out the door. He was carrying this pair of gold bracelets, which he took there to pawn. He got less than two-thirds of their value, exchanging them for some 70 ounces of silver . . . and wrote a false pawn ticket."

¹³*Xinzheng Former Collection*, latter part, "Ten in Gold to Gain Office": "During the jiaqing period . . . Yang Ganma's business had not been good for years. . . . His capital was exhausted. The shop manager demanded his subsistence silver very urgently, and so he arranged his garments, and went out the door, intending to pawn [*dianya*] something to pay the man off. No sooner had he gone in the door of the pawn shop, than a man sitting in a glassed-in sedan chair came up . . ."

¹⁴In his *Critique of the Five Dynasties History New Redaction*, Chubo [or Nakabo, or perhaps Nakagure. EHK] Yozaburo

Ming	1,000 oz. (small pawn shop) ¹⁵	
	2,000 oz. (urban release pawnshop) ¹⁶	
	3,000 oz. (populous region, small shop)	
	10,000 oz. (pop. reg. large shop) ¹⁷	
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Qing, qianlong	1,000+ oz. (village, market town) ¹⁸	
	4,000 oz (middling city, small shop) ¹⁹	
	80,000 oz. ²⁰	
xianfeng	20,000+ oz. (Beijing, small shop)	
	30-40,000 oz. (Beijing middling shop)	

states that capital of 300-500 strings of cash was required to open a release treasury.

¹⁵*Rousing the Age Marriage Affinity*.

¹⁶The capitalization of the *jiedangpu* pawnshop of Ximen Qing's family in *Golden Lotus*.

¹⁷*Bean Shed Words of Leisure*, number 3, Wang Nian wanted to use 3,000 ounces to have his son go to Pingjiang to open a small pawn shop. His son said that it would take 10,000.

¹⁸*East China Continued Record*, Qianlong, 117, qianlong 58, proclamation: "A village or market town pledge shop's capital is only something over 1,000 metal, and what Tao Renguang has stolen is more than 300 ounces."

¹⁹*The Scholars*, chapter 52, "And it is said that this Mao Two-beards had in former years run a woolen yarn shop in Hang city with a capital of over 2,000 ounces. Later he deposited it with the firm of Hu Second Lord's son, and earned another 2,000 in silver. He moved to Jiakingfu and opened a small pawn shop."

²⁰Heshen had owned pawn shops in Tongzhou and Jizhou, but the sources differ on the capital involved for each. The "List of Heshen's Family Property Investigation Copy" included in *Historical Compendium of Chinese Domestic Disorders and Foreign Disasters* states: "Ten silver houses had a capital of 600,000 in silver. Ten pawn shops had a capital of 800,000 in silver." That would make the average per shop 80,000 ounces. Chen Qiguang's work of tongzhi 11, *Commonplace Studio Jottings* (cf. *Jottings and Novels Outlines*) makes it "Seven pawn shops have a capital of 800,000 ounces of silver." *Yongtan Notes*' estimate of an average of 300-400,000 ounces per firm is probably too high.

40-50,000 oz. (Beijing large shop)²¹

The scale of the pawnbroking business became larger than before during the Qing Dynasty. We can tell from contemporary fiction that the capitalization of pawnbroking increased from dynasty to dynasty. [Cf. above table.]

The scope of the business of pawn shops broadened as their capitalization increased. They not only made loans, but also accepted deposits. At the beginning of Qing this was called interest-producing silver. Because of an earthquake in Ningxiashen in qianlong 3 [1738], the following year the government issued orders abrogating the 8,570 ounces of interest-producing silver pawn shops were due in areas that had suffered from the disaster.²² In qianlong 16 [1751], Kaihua, Yunnan established two interest-producing pawn shops, apparently using government capital.²³ In these cases, however, the term interest-producing pawn shop does not refer to pawn shops which accepted deposits, but means that such pawn shops produced interest (actually, a profit) in the course of their business.²⁴

In some places the authorities employed public funds to set up pawn shops. For example, in qianlong 24 [1759], the Governor of Guangxi, Ebao, proposed employing the 41,000 ounces of silver for reward and supply of Guangxi soldiers to open pawn shops, and fixing a 20 percent profit to be received from them, which was done for more than three decades.²⁵ This shows how exploitative these businesses were. Surplus funds from the Shanxi provincial

²¹Cf. memorial of Zhang Xiuyu.

²²*Qing Emperor Gaozong Veritable Record*, 88.

²³*Ibid.*, 399, qianlong 16, 9th month, the Kaihua, Yunnan garrison head, Zhang Lingxia, memorialized: "Two more interest producing pawnshops have been established in Kaihua. Because it was originally fixed that 1,100 cash would be equal to 1 ounce of silver, the amount coming in and going out was not at the same level as the market price. I feared that if there was a deficiency in the commutation rate, people would not pawn articles for cash. The soldiers and civilians were not happy about going to pawn things. It reached the point where interest was not being levied. Now the exchange rate is over 2,000 standard coins to the string. Silver goes out and silver comes in. Coins are given out in exchange for pledges, and are taken in for their redemption. The original capital is not in danger."

²⁴*Ibid.*, 1168, qianlong 47, 10th month, proclamation: "According to He Gucheng's memorial, Chen Huizu handed over to Yi Qisou and Shen Zhaolun 30,000 ounces of silver, and had them open a pawn shop to produce interest."

²⁵*Ibid.*, 595.

treasury deposited with pawn shops could earn interest of more than 10 percent.²⁶ Sichuan also had officially run pawn shops.²⁷

There is one article in the indictment of Heshen brought down at the beginning of jiaqing which speaks of him lending over 100,000 to the pawn shops and coin shops in the neighborhood of Tongzhou so as to produce interest.²⁸

The lending of funds here was actually the making of deposits. It was merely because the deposit trade had never since antiquity become well developed in China that the term deposit was not widely used. [The characters in Balzac's novels, set in Paris during the 1820s through 1840s, also often refer to deposits as lending money to merchant banks. EHK] Basically there is no great distinction between the

²⁶*Ibid.*, 517, qianlong 21, 7th month, the Governor of Shanxi, Mingde, memorialized: "We find that in Jin province the pawn merchants are rather numerous. They are also good at arranging transport. I request that surplus funds in the official treasury be loaned to the merchants in the amount of 80,000 ounces, for an interest rate of 10 percent. After five or six years, in addition to return of new [949]

and old capital, interest could be added to the capital in the amount of over 70,000 ounces of silver. Each year interest of over 8,600 ounces could be produced. This would be sufficient to handle soldier relief measures for the entire province. . . . There was obtained an edict assenting to the practice." *Ibid.*, 1176, qianlong 48, 3rd month, another proclamation: "Fundamentally, public funds in the provinces ought not to be handed over to the pledge merchants to produce interest, but We have heard that merchants are happy to borrow official funds, because they can be had for less than the interest rate of 30 percent that prevails among the people."

²⁷*Ibid.*, 735, qianlong 30, 4th month, the Governor-General of Sichuan, He'ertai, memorialized: "Wedding and funeral gift silver for the soldiers of Sichuan . . . has formerly been under supervisory officials . . . [I] memorialize requesting that all Sichuan province garrison funds which have been lent to merchants at interest be collected back, with the original capital restored. In Chongqing and Luan[?]zhou there had not been any private pawn shops, and so the garrisons ran their own, producing interest to fund rewards. These have been ordered run as of old. . . . The capital of over 41,900 ounces in these two places only produces an annual profit of 5,300 to 5,400 ounces. This is not much compared to the copper cash mints. . . . It would be best if the official pawn shops set up by the garrison personnel were closed. The capital of these pawn shops . . . estimated at over 19,000 ounces, would be handed over to the coin offices, to await minting when a mao's worth was accumulated. . . . An edict was obtained accepting for action all that had been advised."

²⁸*Yongtan Notes.*

making of deposits and the making of loans. These are two labels for the same kind of credit exchange. Nor were these practices limited to formal credit institutions. Ordinary commercial establishments also frequently accepted deposits.²⁹ During the daoguang period, a local government deposited 600,000 strings of cash in tax receipts in pawn shops to produce interest.³⁰

The issue of credit money by the pawnbroking trade was probably common. When they accepted a pledge, they would not pay in ready cash, but in cash bills which could be redeemed for ready cash at any time. Pawn shops whose credit was good, could, of course, have the cash bills they issued circulate on the market. They might also issue silver bills. Silver bills might at first have been a kind of cashier's check, a dated bill redeemable for cash on a fixed date.³¹ It would be issued at the request of the depositor. Later, the depositor could directly sign it, and transform it into [945]

²⁹Yuan Mei, *What the Master Did Not Talk About*, 12, "Silver Over the Course of a Generation Returns to Its Original Master": "Three days after being told about the birth of this child, he dug into the earth to bury the placenta, and found this gold. As he had no employment for it, he handed it over to a cloth shop to draw interest, which it has been doing for the past five years." *What the Master Did Not Talk About Continued*, 1, "Fu Botan's Righteous Dog": ". . . and he took out the scroll to show him, saying, 'This sum has been deposited with a certain guild. If you take this scroll there, you can obtain it.'" *Qing Emperor Gaozong Veritable Record*, 1446, qianlong 59, 2nd month, proclamation: "Nomusan was Joint Deputy Controller [of Jilin]. According to the present investigation into the sources of his abundant wealth, in addition to his houses and land, Nomusan also has 1,000 ounces of silver on deposit with a hat store, and 2,000 ounces of silver in a coin store. He had entrusted to Meng'e 1,000 ounces to be deposited with a pawn merchant, and 500 ounces with a miscellaneous goods shop."

³⁰*East China Continued Record*, Daoguang [period], 58, daoguang 28, 7th month, renzi, proclamation: "Previously, according to the Censor Yang Tongru's memorial . . . after the former merchant Lu He finished the work, on the basis of that memorial, he took 600,000 strings of tax receipts, and handed them over to the pawn shops to produce interest, which was used for annual repairs. Now, as he has the responsibility for ordering the various officials to pay for the repairs, this sum of cash is not to be employed again for such expenditures."

³¹*Dessicated Words of the Old Man of the Wilderness*, chapter 27: "The bookkeeper said, 'If we give it to him now, I fear he will go back on his word. I'll accompany him to a release shop, and have them issue a silver bill to give him. We'll wait until the funeral is over to give him the silver. All our troubles will end when the main trouble ends.'"

an ordinary check.

At the time of the struggle over the price of coins during early Qing, on several occasions the government wanted to make use of the pawn shops to stabilize the price of coins. This was advocated by Tian Mao in his "Petition on Leveling the Price of Coins" of qianlong 2 (1737). In qianlong 9 (1744), E'ertai's "Eight Article Petition on the Circulating Coinage" also sought the cooperation of the pawn shops.

At that time there were some 600 to 700 pawn shops of different sizes in Beijing and its suburbs. Some were owned by officials, and some were run by merchants. Most of their transactions involved copper cash. Therefore it was thought to increase their capital by having them send copper cash they absorbed to official bureaus for issue.³² At that time

³²*East China Continued Record*, Qianlong, 20, qianlong 9, E'ertai's petition on circulating the coinage's second and fourth articles are as follows:

"2. We should estimate the loan capital and the amount of cash coin they take in and put out for each of the pawn shops of the capital. It has been found that inside and outside the capital there are official and private, large and small pawn shops totalling 600 to 700. The quantity of cash coins they receive and pay out is most numerous. If our aim is to level down the price of coins, if each pawn shop borrows official funds for its capital, and pays in coins for sale on the market, then when the pawn shops increase their capital, they will daily put an additional number of coins out onto the market. The two will reinforce each other. We must have each of the pawn shops of the capital, whether official or private, have a generous amount of capital for each pledge, sending them 3,000 ounces of silver to handle at their discretion. These ounces of silver will be retained as capital, and each day they will pay in 24 strings of standard coins to the official coin offices. Each string of standard coins will have 10 cash added for office expenses. These coins will be sold for silver which the pawn shops will take back to serve as capital. As for the small pawn shops, their capital will be of various amounts. Those who wish to borrow silver will be permitted to apply at the coin office to do so. Investigation clearly shows that at present there is a framework for the capital, and an estimate will be made for lending it. The cash coins which they pay in, and the coins sold will be easily exchanged for ounces of silver. The procedures will be the same as for the large pawn shops. If we lend to the large and small pawn shops a sum of capital equal to about 500-600,000 ounces of silver, they could each day handle several thousand strings of cash. This would require the establishment of public offices to hold them, and the despatch of officials to manage them.

"4. The pawn shops in the capital city which are holding cash coins ought to estimate their number and send them to the offices for issue onto the market. It has been found that there are 600 to 700 pawn shops in the capital district. They have the large-

the money shops seemed to be standing in opposition to the government. They government said they wanted to rig the price of copper cash. By contrast, the pawn shops would become semi-official credit institutions. We can also say that the pawn shops represented the feudal official class's interests, and the money shops at that time were the representatives of the interests of the mercantile class.

The pawn shops cooperated with the government, and practiced exploitation of the people. This exploitation lay not only in the taking of heavy interest profits, but also in the performing of corrupt practices. A number of pawn shops used two steelyard scales. The one for accepting silver used heavy balance weights. The one for outgoing exchange used light ones. Therefore, they preferred to use silver when taking in pledges, and did not like to use coins, since it was easier to play tricks over fineness and weight when using silver.³³

Fiscal difficulties during the jiaqing period evoked recommendations that five year loans be made from the pawn shops. Though this plan was not put into effect,³⁴ obviously the pawnbroking

est number of coins on deposit during the interval between Fall and Winter. Although these funds constitute the working capital of the pawn shop, they are for the temporary relief of the little people. But if the amount of money accumulates in excessive quantities, it is unable to circulate and be transformed into something convenient for the people's use. At present if the price of cash coins is high, we must establish official coin offices to level its price, and when these are first established, the coins they mint are still unable to fill the gaps. When things are pawned for the Winter in pawn shops, they are kept idle. We should mobilize the large and small pawn shops inside and outside the capital, whether official

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or private, and have each large pawn shop put out 300 strings of standard coins, and each small pawn shop put out 100 strings of standard coins, each to send these sums to the official coin office for its personnel to issue. For this silver will be continuously exchanged in return. If half this amount is sent to the offices for sale, each pawn shop will continuously deliver enough to make up the amount. If a small pawn shop is temporarily unable to meet its quota, quantities of 100 strings will be sent one after the other until the amount is made up. If they have already borrowed capital from the office, the previous amount need not be sent over."

³³*Qing Emperor Gaozong Veritable Record*, 352, qianlong 14, 11th month.

³⁴*East China Continued Record*, Jiaqing, 37, jiaqing 19, 2nd month, wuwu, proclamation: "The Senior Academician and Board of Revenue Discussant, Zhu Li, memorialized to request that the pawn shops of Jiangsu and other provinces make loans at interest of 20 percent of their capital to run for five years. . .

trade was still an important credit institution, and that scheme foreshadowed the Qing court's later mobilization of public credit.

After the opening of the five Treaty Ports, urban commerce underwent further development, and pawnbroking advanced further to become split up into different grades. There had been distinctions before, such as the one between large and small pawn shops, but later on each of these grades of pawn shop had its own special name.

The largest were called *dianpu*. Not only was the capitalization of a *dianpu* large, but the length of time for which they would make a loan was also long, generally running eighteen months. Their interest rates were relatively low, and they set no limit on the number of articles that could be pawned.

The next largest were the *dangpu*. If a *dangpu*'s financial power was insufficient, it could politely decline to take an article in pawn. Third were the *zhipu*. Smallest were the *yadian*. The *yadian* had the shortest term of loan, generally from six to eight months. The interest they charged was the highest. Specific details of their operations varied by locality, and even the above labels were not entirely uniform from place to place.

There were probably around 200 pawn shops in Beijing during the *guangxu* period. They were all stripped bare during the Eight Power Expedition into Beijing. Even their doors, window shutters and foundation bricks were all carried off.³⁵ In Shanghai alone, according

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to an investigation made in *guangxu* 31 (1905),³⁶ in the north and south markets and in the International Settlement, there were over 150 pawn shops.

There was also an institution called a printing office [*yinju*], which was fairly similar to a pawn shop. It must have been linked to the *yinzi* or seal shop of the Ming Dynasty. Perhaps it had something to do with *yinzi* cash. *Yinzi* cash was a form of usury which had flourished since the beginning of Qing times, and resembled the "lamb interest" of the Yuan Dynasty. The printing offices made loans of relatively small amounts running from 1 string to 2 or 3 strings of capital cash. Someone known to the lender had to act as guarantor of the loan, which was calculated by the day or by the month.

plundered by the Boxers, our retreating army, foreign soldiers and local bandits in succession. They left not a thing behind." *Ibid.*, "Of the more than 200 pawn shops inside and outside the capital, not a thing remained, even of the doors, window shutters and foundation bricks. There were less than ten firms not looted or only half looted. The firm in Crowded-bright Lane was guarded by a man with a repeating rifle on its roof . . . and so escaped plundering. The Huifeng company in South Willow Alley spent 4,000 ounces on insurance, but on the 24th was looted empty anyway."

³⁶"The Shanghai Pawnbroking Trade," *Shanghai Yearbook* (Republic 24 [1935]).

According to what the original memorial stated, the pawnshop proprietors are mostly from old official and eunuch clans, and all have hearts willing to requite their obligations. This statement is an especially empty and exaggerated one. Certainly official and eunuch families are among those making a living this way, but this business for the most part is made up of intermediaries in the market. If you force them to do what they do not wish to do, and make excessive use of them as the state's tools, then there will be too much seeking out of profit."

³⁵Zhong Fangshi, *Notes of Events of Year Gengzi* (Academia Sínica, Institute of History, Publication Number 3), 7th month, 27th day: "All 200 of the capital city's pawn shops and its more than 300 coin shops were looted by the bandit gangs connected with the foreigners until nothing remained." *Ibid.*, 8th month, 3rd day: "Inside and outside the city there remained only two pawn shops, one in Donkey Foal Lane and one in the Mule Market. Today, these too were looted by local bandits." *Ibid.*, Yang Diangao, *Notes of the Great Events of Year Gengzi*: "From the 17th on, the capital district was in an uproar. . . . The pawnshops in the western half of the city were all . . . by local rough-necks, and local poor people looted until they were empty. . . . The pawn shops of the eastern city and inner city . . . were all

2. Money Shops and Silver Houses

The scale and nature of the business of the money shops underwent expansion during late Ming and early Qing. They took advantage of the wild expansion of private coining to fish for profit.¹ They even hoarded standard coins,² and manipulated

¹*Imperial Dynasty Investigation of Literary Remains*: "Shunzhi 14 . . . a ban was placed on private coining of copper cash. . . . Those in the shops engaged in the sale of coins who mix in private coins are to be given 100 strokes of the bamboo, and are to be transported to Nanyang military station."

²*Ibid.*, 32, "Investigation of Market Purchases": "In *qianlong* 3, the Censor Tao Zhengjing offered an itemized memorial on reform. Hereafter shops accumulating coins will have no one to form agreements with, and will find themselves in an odd position. He requested that a dozen broker officials be established as was formerly done . . . and if the shops again accumulate cash, the previously set out prohibitions which have not

the price of coins.³ Coin tables in the form of booths⁴ could have slowly expanded into coin stores. These were originally for the purpose of exchanging copper cash, but turned into credit institutions which took deposits and made loans.

The main business of the money shops right up to the Qing Dynasty remained the provision of this money changing service. Hence they were also called exchange money shops [*duihuan qianzhuang*] or exchange shops [*duizhuang*].⁵ Naturally, such exchange was accompanied by determination of the fineness and weight of gold and silver.⁶ Being able

fixed the quantities permitted will be so many empty words. . ."

³*Ibid.*, 16, "Investigation of Coins, 4": "In qianlong 2 . . . the Board of Revenue memorialized along with the Intendant's Office, and said that in the capital city . . . control over exchange is in the hands of the coin shops, and the officials have no control over such activity. Hence wicked merchants can raise the price as high as they please so as to scheme for fat profits."

⁴*Chongzhen Long Draft*, 1, chongzhen 16, 11th month, jiyu, proclamation to Investigatory Office of the Boards of Revenue and Works: "There have been frequent edicts and petitions on the circulation of coins. The fundamental desire has been to assure a sufficiency for the state and to convenience the people. Recently it has been heard that coins have been terribly cheap, placing a bitter burden on the little people. . . Both inside and outside the walls of the capital, all of the coin tables, coin markets, granaries, and the yamen of the five city guards detachments have had a severe ban placed on such activities, but they have continued to obtain an excessive amount. There has been a memorial every month on this."

⁵The qianlong 24 painting by Xu Yang, called "Painting of a Period of Plenty and Growth," depicts 9 money shops under the label *qianzhuang*, one under the label *duizhuang*, one called *duihuan qianzhuang*, and two as *duihuan yinqian*. Cf. Li Hua, "The Complexity of the Commerce and Industry of Early Qing Dynasty Suzhou As Seen From Xu Yang's 'Painting of a Period of Plenty and Growth,'" *Cultural Relics*, 1 (1960).

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⁶*The Scholars*, chapter 14: "During the evening, a fire was ignited in the furnace. The jar was placed into that fire. There was a squeaking sound. The jar was poured out, and there was an ingot of fine standard silver. Mr. Ma Two happily looked outside, and then poured out six or seven jars in succession to form six or seven large ingots of fine silver. He was doubtful. He did not know if they could be used or not. That night he slept. As dawn rose clearly the next day, he went downtown to the coin store to see about them. Everyone said they were 100 percent pure silver, and so he exchanged them for copper cash, which he brought back with him, and then hurried to Hong Handa's place below the Immortal to thank him."

Story of a Stone, 24: "And he said that Jia Yun had run into that matter, and he felt it was altogether uncommon. And he thought Ni Two's arrival was indeed a matter of interest. . ."

to judge the fineness of the silver is the basis for money exchange. Since Yuan and Ming times, the exchange business of the silver shops had very quickly been usurped by the coin stores.

Only the highly capitalized and large scale money shops could engage in the deposit and loan business. The loan business must have developed first, with the deposit trade developing later. Some were already engaged in making loans by late Ming times. The acceptance of deposits

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was probably a Qing Dynasty development.

At the beginning of Qing, silver bills and bills of exchange were still in use.⁷ Silver bills had maturation dates. Institutions like money shops and pawn shops could issue them, and deposit slips were also called silver bills.⁸ Later, it seems, depositors could also issue documents over their signatures commissioning the money shop or pawn shop to pay over their funds to someone.⁹ Bills of exchange were ori-

And so he walked into a coin shop, and had that piece of silver weighed. The size was not bad. His joy grew ever greater."

Flowers in the Mirror, chapter 76: "Cizhi's impatience was such that she could only come forward, fold her hands in greeting, and say, 'Gentlemen, please. I want to exchange several ounces of silver.' Qingdian said, 'What are you talking about?' Cizhi replied, 'You have coins here! You've got an abacus here! Aren't you running a coin shop?' Qingdian said, 'To run a coin store you also need to make some profit. If you make a point of using just your bare eyes to tell the quality of the silver, you don't know whether it would be best to exchange a piece of silver or whether it would be better not to. You worry and worry, and dare not go into the business in the first place.'"

⁷*Dessicated Words of the Old Man of the Wilderness*, chapter 12: "On the wall was pasted an oath not to accept silver bills or bills of exchange, and not to make loans on the basis of pawn tickets."

⁸Xu Mei, *On Certificate Money* (of daoguang 26): "Although the principal for silver bills is on deposit for interest, the bills must be exchanged annually."

⁹*East China Continued Record*, Jiaqing, 13, jiaqing 7, 1st month, yiwei, proclamation: "On this day, the Junji Dachen and Judge of the Board of Punishments, Yuan Xi, inaugurated a bribery conspiracy case. Yuan Xi's statement was put in evidence. In it was a discussion of the circumstances of how Eluoxi was entrusted with an engraved diagram to take to Ming'an, and for which he was given a 1,000-ounce silver bill."

Xinzheng Continued Collection, first part, "Spirit of Contention": "Lu said, 'Since you fear that the goods cannot be sold, I will buy them all by myself, and at the poor original price. Half the goods cannot be moved. I estimate the value of the goods is 14,300 ounces.' Lu first gave a silver bill for 10,000 ounces, which they were ordered to take to the silver assay shop to have its genuineness attested and to be cashed."

ginally orders of payment to be made at some other place,¹⁰ but because the credit of the establishments issuing them was good, they could keep turning over in circulation on the market almost like silver bills.¹¹ This was something which had evolved out

Heavenly Leopard Diagram, chapter 2: "Li Rongchun heard these words of the shopkeeper. He was silent, but after an interval replied, 'Enough. You go figure out what the price of this is, and I'll pay you.' The shopkeeper worked it out, and said, 'Altogether it comes to 384 ounces of silver.' Lord Li said, 'I'll write a silver bill to give you. Take it to the Ruchun Silver House to cash.' The shopkeeper replied, 'Many thanks, your lordship.' After writing the silver bill, Li Rongchun came straight to the flower house."

¹⁰Lu Shiyi, *Discussion of Coins*: "Now there are a number of people moving wealth to the capital district. Because it is inconvenient to do so by road, they entrust cash to rich merchant firms from the capital, who give them bills of that value to take to the capital. These are called bills of exchange. They are a carryover of the old idea of Flying Cash. . . ." Cf. *Imperial Dynasty Texts Through the Generations*, 52, "Fiscal Administration," 27, "Coins," first part.

Dream of the Red Chamber, chapter 16. When Jia Lian and Jia Qiang are discussing going south to purchase Yuan Chunsheng's goods: "Jia Qiang said, 'I was just considering this. Based on what your lordship says, we need not carry silver from the capital. The Zhens of Jiangnan owe us 50,000 in silver. Tomorrow I'll write a letter of credit. We can take a first payment of 30,000 ounces. The remaining 20,000 ounces will remain on deposit for setting up colored lanterns and decorated candles, and for various screens, flags, curtains and tents.'"

Xu Mei, *On Certificate Money* (narrating an event of the early qianlong period): "If you have a bill of exchange, you can pay in silver here, and withdraw silver there. It is a bill for going anywhere."

¹¹*Dessicated Words of the Old Man of the Wilderness*, chapter 80: "But though Lord Wen sent out a matchmaker, he didn't send out any money. Rubao was matchmaker for Tiansheng, who paid out 10,000 in bill of exchange silver."

Xu Mei, *On Certificate Money* (concerning an event of the last years of the kangxi period): "The adviser said, 'Most among the people use cash bills and bills of exchange. Whenever a money shop goes out of business, all of its notes become useless.' *Ibid.*, "The present bills of exchange go as high as a thousand in metal." *Ibid.*, "Cash bills and bills of exchange keep being exchanged for each other without being redeemed for cash."

Mao Xianglin, *Surplus Ink Record* (tongzhi 9), 2, notes the events of the fall of Shanghai in year guichou [1853]: "When Hong and Yang took the Jinling, from the great river south, the situation became so critical that it was feared we could not last out the day. . . . At this time I brought in silver to pay the households' taxes. Though I had not yet gathered the entire amount, I already had more than 70,000 or 80,000. In view of the difficulties of this time, I brought a request to Lord Yuan that

of the money forwarding trade. The modern form of the word for bill of exchange¹² was already in use by the beginning of the daoguang period.

Another credit institution, the silver house [yinhao], appeared during early Qing. The origin of this label cannot yet be determined. Perhaps it evolved out of the label silver shop. Just this sort of thing happened during the same period in England. The English gold shops had lent other people's deposits to the government. Because of war with Holland in kangxi 11 (1672), the government was unable to pay back these loans, which constituted a severe blow to these gold shops. As a consequence, a division appeared within their ranks. One group of the gold shops returned to the fabrication of gold objects of adornment as their sole business. The other evolved into a group of institutions dealing solely in credit.

Though the Chinese silver shops did not suffer any one dramatic blow, because the task of assaying the purity of silver for the exchange trade had been usurped by the coin shops, a portion of them felt they might as well concentrate on exchange, and that made competition with money shops perfectly natural. Later, they also took deposits, made loans, and became just like money shops, though the traditional style silver shops also continued to exist.¹³ Because the business of the silver houses and money shops was virtually identical, most people made little distinction between the two institutions.¹⁴ Some people

the taxes paid be put out for bills of exchange, and to wait until the garrison personnel were raising supplies to gather silver for payment."

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¹²*Qing Emperor Xianzong Veritable Record*, 135, daoguang 8.

¹³*East China Continued Record*, Qianlong, 72: "In qianlong 35, 7th month, xinyou, there was a proclamation to Maolasun, judging the case of Lu Hong and Fang Guoxiu, who accused Liu Yongxiang of stealing and lending out ounces of silver. The silver shops of the provincial capital are in corrupt relations with the subbureaucracy of the frontier offices. This causes a number of abuses. Now He Biaonian has dared privately to employ the silver ounces paid over to the frontier treasury in lieu of taxes in coin and kind. . . . According to the original accusation, Lu Hong and Fang Guoxiu's deposit of official silver with the silver houses was something that was hitherto a common practice, but because of the emergency, an accusation was brought, and information about the corrupt practices by the silver shops began to be obtained."

¹⁴In proclaiming the guilt of Heshen, the Jiaqing Emperor said: "In the neighborhood of Tongzhou and Jizhou he had both pawn shops and coin stores." At the end he says: "Moreover, the silver houses and pawn shops have still not all been seized, and

called the ones operating on a larger scale silver houses. Others say that credit institutions in the north were mostly called silver houses. During the qianlong period, however, coin shops and silver houses existed simultaneously in Beijing, where they ran the money-changing and gold and silver trades.¹⁵

Official coin shops were set up during early Qing. These were governmental credit institutions. They may have been established because the authorities wanted to exchange for silver the copper coins they took in from sales of ever-normal granary grain, since the silver would be more convenient to handle. A rise in the price of coins during yongzheng 9 [1731] led the Board of Revenue to charge the official coin shops with the task of regulating the circulation of copper cash. The coins received by the government sales of rice were handed over to the official coin shops to be exchanged for silver. Such exchanges were carried out at the current price, and this kept the coins in circulation.¹⁶

In qianlong 2 (1737), the Board of Revenue and the Intendant's Yamen memorialized a request to set up 10 official coin offices in and around the capital. These would direct ounces of silver to the pawn shops in exchange for standard coins, which they would throw back onto the market so as to keep the price of copper cash steady.¹⁷

they have several tens of millions of ounces." Cf. *Historical Compendium of Chinese Domestic Disorders and Foreign Disasters*, "Outline of the Record of the Capital Case of Heshen."

¹⁵Pan Rongsheng, *Emperor's Capital Yearly Record of Victories* (qianlong 23), 12th month market sales: "... 10th day, outside they were selling in the street gate gods, hanging cash, gold and silver foil, small kezi ingots, gold coins, melted down gold recast into horse-hoof ingots, spirit paper money, glass mirrors, window silver, and all sorts of other things. Coin shops and silver houses exchange cash for pledges of gold and silver, small foreign silver dollar coins and Original Treasure ingots."

¹⁶*Qing Emperor Shizong Veritable Record*, 108, yongzheng 9, 7th month, wuchen.

¹⁷Tian Mao, "Petition on Leveling Coin Prices": "The Board of Revenue along with the Intendant's Yamen memorialized to state that the Board of Works at present has a surplus of 80,000 strings of cash, and requested that in and around the capital there be set up 10 official coin offices, and that each Board be ordered to send personnel to manage them. When pawn shops in and around the capital receive cash coins to redeem pledged articles, the official coin offices would be ordered to exchange their uncoined silver for the copper cash deposited in varying amounts in the pawn shops at a fair price determined by the market, the copper coins to serve as the circulating capital of the official coin offices. In the future, at the turn of Spring, when the pawn shops need copper cash, they can make exchanges for it at

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The money shops and silver houses were very active during the qianlong period.¹⁸ Perturbations in the price of copper cash were to some extent the result of their manipulations.¹⁹ For example, in

the official coin offices, so that it may serve as their capital. Cf. *Imperial Dynasty Texts Through the Generations*, 53, "Fiscal Administration," 28, "Coins," latter part.

¹⁸Wang Qihua, *An Onlooker's Rambling Use of Leisure Time in Play*: "In the last years of qianlong, the price of silver was high. It was making tremendous jumps even within a day. Within the district, a fellow named Guo, of the Tianbao coin shop, and a certain Li of the Xinglong coin shop each took a thousand in metal to go to Baikou River to buy food. When they got there they brought it to a certain food store for safekeeping. They had not yet come to an agreement on the price of the food. Guo saw an imperial gazette in the window, and took it up to examine. There was a censor's memorial which said that silver and cash were being obstructed in circulation, and that support was inadequate. The censor requested the issue of treasury silver, so as to lower the current price, etc., etc."

"Guo was disturbed. He spoke privately with Li, saying, 'To take on the burden of buying this food is something we cannot yet know about. Should treasury silver be issued, the price of silver is certain to be severely constricted. It would be best to take advantage of people not realizing this, and to take this silver intended for buying food and temporarily exchange it for cash coins. In ten days to half a month we might get to double it. At that point we need no longer delay purchasing food.' Li agreed with him."

"And so . . . they packed up and rushed to the provincial capital. They were only able to enter the city during the night watch, and deposited their silver in the Jintai Coin Shop. They took a check denominated in copper cash for their 2,000 in silver. After eating and drinking, they checked into an inn for the night. The people in the coin trade were most agitated. The Jintai House [manager] suspected these two men had some reason for coming, and told the innkeeper to lock them in. If they shouted out in the middle of the night, no answering sound was to be made. He then sent a man carrying 4,000 in silver to ride by night out of the city to Dingzhou to find out what was going on. . . ."

"When dawn broke . . . the two men . . . got out of the inn and returned. When they reached the shop, the Jintai House's men had still not gone. The two each bought 2,000 in metal to be delivered a month forward. They added two more. The business was accomplished, and nothing could be reversed. As the word spread, the price of silver suddenly fell, and within a day or two the two had made good 400 or 500 strings of cash. Treasury silver had not been issued, and yet the [silver] price of coins had been lowered."

¹⁹*Imperial Dynasty Investigation of Literary Remains*, 32, "Investigation of Official Market Purchases," qianlong 27: "Hitherto each thousand cash of standard coins were discounted

qianlong 5 [1740], intercalated 6th month, the price of coins in Zhejiang was high because coins were scarce, and so the authorities opened a furnace to mint additional quantities, but because the official coins had an exchange price lower than the market price, the coin shops banded together to take advantage of the situation to buy them up at a profit.²⁰

Hence the response of the authorities was to focus on the money shops.²¹ By that time, their deposit business was already rather well developed. Government funds were often deposited in the coin shops. This increased the shops' credibility by no small amount, and so rendered them still more able to obtain funds from private parties.²²

by four cash on the market. Recently, the coin shops have been diminishing the string by as much 20 cash. This is a trick for surreptitiously increasing the price to take a profit."

²⁰*Qing Emperor Gaozong Veritable Record*, 121.

²¹*East China Continued Record*, Qianlong, 20, qianlong 9, the fifth article of the "Petition on Circulating the Coinage," proposed by E'ertai: "Management of the coin market ought to concentrate all the firms in one location, and the officials should supervise them so as to block the elevation of prices. We have found that management of the coin market has hitherto been under the control of a dozen firms. Each of these firms has on occasion engaged in raising the price of coins. Those responsible for the management have been severely warned to keep prices level, and they have not been permitted to set up a cartel, but these managers are dispersed in a number of different locations. It is difficult keep prices uniform over the course of a day. Hitherto there have been no specialized personnel keeping things under control. Sometimes they engage in extortion of the coin shops. We find that outside the Zhengyang Gate is a place where merchants gather in swarms. We should order the managers to gather in one place, and each day

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call them together in the market to buy and sell, with the shops and merchants honoring the officially established market price. Such just exchange will block the abuse of private purchases and sales."

²²*North East Garden Pen Record*, Volume 4 (daoguang 28), 2, "The Commander of Leizhou": "Luo Mingxiang said, 'In daoguang 9, when in the capital, I happened to read a copy of the Imperial Gazette, which mentioned the case of a man whom the Board had selected to be Prefect of Leizhou, and who, on his way to take up his post, was hit by a bolt of lightning at Gaoyou, and died. . . . This man . . . when first selected to be Prefect . . . lodged his blind mother in the capital city. He made the excuse that his funds were insufficient . . . and also said he had already given 3,000 in rent for her house. There was also a management document [*jingzhe*] which she could bring to a certain coin shop, and each month withdraw a certain sum of money for living expenses. . . . But within a month, the landlord came and pressed for the rent, and that coin shop would pay out no more money.

The interest charged on loans by money shops was much lower than that charged by pawn shops. The pawn shop interest rate during the qianlong period was probably around 20 percent or more. They gave 10 percent or more in interest on deposits. The interest rate on loans by money shops was less than 10 percent. During qianlong 43 [1778], the interest rate in Niuzhuang for loans secured by residential houses was 8 percent.²³

During the jiaqing period [1796-1821], the Beijing coin shops not only derived profit from their money changing operations, they also issued cash bills. Some of them even suddenly closed up shop and absconded, leaving holders of their cash bills with no way to redeem them for cash.²⁴

Such speculation and profiteering continued to flourish during the daoguang period [1821-1851]. There was probably a total of 400 to 500 firms inside Beijing at that time, some of which had been established during the qianlong and kangxi periods, but a number of which were undoubtedly undercapitalized, so that even if they did not intend to commit fraud, they could still go out of business because of bad management.

Once a firm had gone bankrupt, holders of their cash bills could at most be paid off at 20 or 30 percent of the face values of the bills. In daoguang 10 [1830], the Court of Censors memorialized a proposal to fix new regulations concerning arrangements for coin shops going out of business. These rules required any new coin shop to be guaranteed by five already established coin shops. If any of these five firms went out of business, a replacement had to be found. Such regulations were, however, merely pro forma official documents.

The Qing court also established governmental credit institutions during the daoguang period. The Civil Affairs Office in Beijing established five official coin shops which issued cash bills. Official silver houses were also set up in various commercial ports. After the Opium War, the foreign merchants' tariff silver was all collected for the government by these official silver houses.

In Guangzhou, for example, the Maritime Customs established a silver house as early as daoguang 22 (1842). In addition to collecting the tariff, it also carried on a general credit business. The number of personnel in the silver house ranged from 40 to 60.

Only then did it come out that only a month's rent had been paid, and that only a few thousand had been deposited with the coin store."

²³*East China Continued Record*, Qianlong, 7.

²⁴*Qing Emperor Renzong Veritable Record*, 225, jiaqing 15, 2nd month.

They charged a management fee of 0.8 percent of the tariff receipts, but had other sources of income. They could take a very large profit, particularly from the face value of pure silver, because the Maritime Customs kept its accounts in pure silver, but actually most payments were made in silver dollars at an exchange rate determined by the silver house. This Maritime Customs Silver House had two branches.²⁵

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In xianfeng 3 [1853], the Taiping Revolution caused a run on the firms in the Beijing coin trade. By the middle of the 2nd month, Beijing was rife with rumors, and holders of cash bills went in a body to the coin shops to redeem them for ready money. Day and night, they filled the streets and blocked the alleys. Everyone struggled to be first, and feared to be last. The coin shops were caught unprepared, and closed their doors one after the other. On the 15th alone, more than 200 closed down. Some food shops were also affected and ceased business.

By xianfeng 9 [1859], 9th month, however, there were once again 511 coin shops in Beijing. Of these, 389 had been established prior to daoguang 10 [1830]. They were not part of mutual guarantor groups. The other 122 firms did have mutual guarantors. There were also gold stores, ginseng stores, tobacco stores and cloth stores which did not hang out the sign of the coin, but engaged in the silver-copper cash money exchange trade anyway.

Though the coin shops had mutual guarantors, among each set of five mutual guarantors, generally one or two firms or even three or four had already gone bankrupt. The quantity of cash bills they had issued was generally many times more than their capitalization. When a coin shop went out of business, there were often thousands or tens of thousands of their cash bills in people's hands. At most, they could only be redeemed for 20 or so percent of their face value.

People had no safeguards at all. District office functionaries accepted bribes to allow these firms to manage their affairs in ways not in accord with the regulations. If the bribes were too small, the firm would generally remain in difficulties. If the bribes were generous, then the clerks would write the guarantee documents for them, and might even use the name of a firm which had been out of business for

several years as the guarantor for a newly opened coin shop. Hence in xianfeng 9, 9th month, the authorities put out new rules strengthening the mutual guarantee system.²⁶

A run on the coin shops also occurred during xianfeng 3 [1853] in Fujian. This too was because their reserves were inadequate, and their cash bills could not be kept redeemable for cash. Nor could the military crisis be relieved. This actually led to a popular uprising on the 17th of the 5th month, and several coin shops suffered losses as a consequence.

A number of official coin shops were established during the xianfeng era. There were 4 of the so-called Character-Heaven official coin shops, 5 of the Character-Qian [as in qianlong] official coin shops, and 5 Character-Yu [meaning universe] official coin shops, for a total of 14 firms. Their goal was to promote the large coins and paper money the government was issuing.

Private coin shops were, however, in opposition to government policy positions in a number of places during the Qing Dynasty. This was the case during the qianlong period, and was also the case during the xianfeng period. During xianfeng 4 [1854], for example, most coin shops took an uncooperative attitude toward the government's issue of paper money. They deliberately repressed the public notes until most people preferred the private bills to the official certificates. As a consequence, it was hard to maintain the official coin shops for long. These 14 official coin shops set up during the xianfeng era all went out of business within a few years.

At the end of xianfeng 6 [1856], several Shanghai silver houses issued silver cakes. Three firms were engaged in their issue. These were the Wang Yongsheng, the Jing Zhengji and Yu Sensheng. I have narrated the details of this episode earlier in this work. These silver houses seem to have been

[954] private ones, but the coins are stamped with the statement that they were manufactured under the supervision of Zhu Yuanyu. This Zhu Yuanyu could have been an official or semi-official personage. Silversmiths managed the actual minting, and their names are also cast onto the surface of the silver cakes.

The term dated bill [*qipiao*] was already in general use during the xianfeng period. Official salaries were paid in dated bills. When they matured, they

²⁵Letter of December 20, 1878, by William Cartright of the Canton Maritime Customs to the Peking Maritime Customs Head, Hart. Cf. *Report on the Introduction of the Gold-Exchange Standard into China, the Philippine Islands, Panama, and other Silver-Using Countries*.

²⁶Zhang Xianghe, "Memorial Honoring the Imperial Edict to Investigate and Make Clear the Number of Coin Shops in the Capital City, and to Advise on Setting Limits in the Regulations."

were brought to a silver house to be redeemed for cash.²⁷

The problem of coin shop bankruptcies was still a severe one during the tongzhi period. Practically every month several of them closed their doors in Beijing, even including some with relatively large capitalization and long histories, such as the Qianyuan, Gongyuan and Yuanyong firms, which closed during tongzhi 8 [1869]. The motives for such bankruptcies were mostly bad. Deposits held by a firm ranged from 50,000 or 60,000 strings to 100-200,000 strings. Very few of these deposits were the funds of officials or rich men, since such people understood how to protect their own money. Most consisted of the small deposits of hired laborers and petty merchants, ranging from one or two strings to 20 or 30 strings.

These people's needs were very pressing. If the coin shop went bankrupt, even if there was a hope that they would be paid off completely some time in the future, this was no help in case of an emergency. Hence these people would usually hasten to the local clerks' offices and accept offers of 20 or 30 percent of their face value for the cash bills they held. When the courts finally got around to making the final liquidation of assets, the rich and powerful could go themselves to the government offices and collect on the bills at face value. A poor man would not find it easy to enter the yamen, and he would not be holding many bills, and since he could have gotten 20 or 30 percent on them earlier, and feared that he would not have enough to pay the bribes required by the denizens of the yamen, most of them abandoned what they were nominally entitled to. If a coin shop had issued 100,000 strings worth of cash bills, it could after bankruptcy eventually liquidate its obligations for 10,000 or 20,000 strings at most.

Cash bills seem to have been issued on the basis of deposits, or at least this is probably how they originated. Hence their format was almost the same as that of a receipt. Upon taking in the customer's ready cash, the firm would fill out and issue to him a receipt for "deposit of ready cash of such-and-such an amount." Such receipts would be honored in their own terms, rather than on the basis of the name of the persons to whom they had been issued, and so it was quite natural that they should slowly begin to circulate on the market. Later, even the words "deposit of ready cash, etc." might not even be written by hand, but would be printed along with other printed statements.

²⁷*Memorials of Expectant Executive Wang*, 3, "Itemized Memorial to the Board Advising on the Difficulties Encountered in Circulating the Silver Bills of the Silver Houses."

The coin shops and silver houses adopted the system of independent entities rather than organizing themselves into chains with local branches. Hence there were many firms and the scale of each was not large. This was the case for both official and mercantile operations. There were, however, exceptions, especially during late Qing. For example, Shanghai's Yuanfengrun Silver House had 17 branch offices established in provincial capitals and commercial port cities.

However, most money shops and silver houses could not compare in size with contemporary European banks. The Bank of England, for example, was founded with a capital of £1.2 million. Assuming an exchange rate of £1 to 3 ounces of silver, that would come to 3.6 million

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ounces. Of course European private banks then were much smaller than this, but Chinese silver houses were generally only capitalized at several tens of thousands of ounces. During the qianlong era, Heshen's silver houses had an average capitalization of only 60,000 ounces.²⁸

China's money shops and silver houses were numerous, small in scale, independently owned and dispersed, but compared to the pawn shops, the money shops and silver houses underwent more rapid development. The pawn shops had evolved over the course of a millennium. The expansion and development of their business had sharp limitations, whereas the later arising money shops and silver houses shot ahead of the pawn shops in the course of just a century or two.

Although the business of the silver houses and money shops was almost identical, because some of the money shops still engaged solely in the money exchange trade, and lacked the ability to handle deposits and loans, and probably only very few of the silver houses engaged solely in money exchange, most people feel that the scale of operations of the silver houses was larger. The so-called smoke-cash shops [*yanqianpu*] were already present during the daoguang period.²⁹ Shops which both sold tobacco

²⁸*Yongian Notes'* list of confiscated property cites 42 silver houses, with a total capitalization of 40 million ounces of silver. That would make the average per firm 950,000 ounces. In addition, according to the "Investigation of Heshen's Family Property Liquidation List," in *Historical Compendium of Chinese Domestic Disorders and Foreign Disasters*, there is the statement "ten silver houses, with a capital in silver of 600,000 ounces."

The average per firm here was only 60,000 ounces. The tongzhi period work *Commonplace Studio Jottings* also states that it was "ten silver houses, with a capital in silver of 600,000 ounces."

²⁹*High Grade Treasure Inspection*, chapter 23: "It is said

and changed money thereafter become the most numerous kind of urban shop. They were very much like the mid-Ming coin and rice shops. These can be considered the lowest class of money shop.

The last few decades of the Qing witnessed the zenith of development of money shops and silver houses. Their center of activity gradually shifted to the Yangtze Valley, and centered in Shanghai in particular. Nevertheless, they suffered several blows during this time.

The first occurred on the occasion of the Taiping attack on Shanghai. Quite a few of the Southern Market money shops went out of business. Shanghai underwent unprecedented development after the war, but the coin trade's center shifted to the Northern Market. During *guangxu* 2 (1876), there were as many as 105 exchange firms.³⁰ Of these, 42 were in the Southern Market, and 63 were in the Northern Market.³¹ The exchange firms [*huihuazhuang*] were large Shanghai money shops. They had organized an Exchange Guild [*huihua zonghui*] to serve as a clearing house. Those who were members were called Exchange firms.

The occasion for the second blow was the Sino-French War of *guangxu* 7 (1881). The Shanghai market was very lonely and desolate, and a number of money shops declared bankruptcy. During *guangxu* 8 and 9 a wave of liquidations occurred. A silk warehouse went bankrupt and took 40 money shops along with it. Another 20 mercantile establishments also closed their doors. When the market opened in *guangxu* 9, there remained only 58 money shops of all sizes in the Northern and Southern Markets.³²

that one day Ziyu was strolling along the Grand Canal when Li Yuanmao borrowed some cash from him. In a little while, the cashier sent out 8 strings of large coins. Li Yuanmao was overjoyed. He mused to himself, 'These coins are hard to carry around with one. It would be best to exchange them for bills.' And so he had his assistant, Servant Wang, take 5 strings of large cash, and put them into the smoke-cash shop at the mouth of the alley in exchange for 10 bills."

³⁰ *Shanghai Yearbook*, "Financial."

³¹ Wang Xiaotong, *History of Chinese Commerce*, Volume III, chapter 1.14, "Qing Dynasty Financial Institutions."

³² At the beginning of the 12th month (old calendar) of *guangxu* 8, the Jinjia jiyuan Silk Warehouse suddenly closed down because of a loss on its books of 560,000 ounces, and started a wave of failures, with each money shop hurrying to call in its loans. This was, however, at the end of the year. According to a survey made on the 30th of the 12th month, some 20 commercial establishments had gone out of business because of the monetary constriction. The total amount involved was 1.5 to 1.6 million ounces. Half the money shops ceased operations and went into liquidation. Cf. Wang Xiaotong, *History of Chinese*

The third blow was the wave of checks of *guangxu* 23 [1897]. Because there was fat profit to be obtained from dealing in opium, the market demand for ready cash was lively, and so the money shops offered heavy interest to attract deposits so as to make loans to the dealers. Some wicked merchants took advantage of avarice among the merchants in general to set up fake money shops which attracted deposits fraudulently. When their bills matured, and holders were unable to redeem them for cash, this affected

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the genuine money shops, and as a consequence a number of them went bankrupt.

The credit institutions of the Beijing-Tianjin region received a heavy blow at the time of the *guangxu* 26 [1900] Eight Power Intervention. The looting was followed by a conflagration. Neither their treasuries nor their records were any longer in existence. Of the 300 odd money shops in Beijing, probably not even one remained.³³ The four largest of these, the "permanent big four" [*si da heng*] had all of their ready silver carried off as loot by the Allied Army, which took three days to carry it all away.³⁴ The Qing Dynasty's financial center had originally been in Beijing, but ever since the defeat of the Taiping rebels, Shanghai had been booming. After the Boxer Rebellion, China's financial center truly moved to Shanghai.

The fourth blow was the rubber boom and bust of *xuantong* 2 (1910). That year a foreigner founded in Shanghai a joint stock company dealing in rubber, and spread the word that it would be a considerable enterprise. It was said that the rubber business was bound to earn a considerable amount of money. A number of merchants borrowed money from the money shops to purchase shares, and money shops even bought shares themselves. Later, that foreigner absconded back to his country with the funds, and only then did everyone realize that they had been cheated. Several dozen money shops went bankrupt. The abovementioned Yuanfengrun, for example, closed its doors on the 6th day of the 9th month. A total of over 20 million ounces of public and private funds was lost.

The Shanghai Exchange firms' organization was also called the Great Harmony Guild [*Datonghang*]. The remaining money shops constituted what was

Commerce.

³³ *Notes of Events of Year Gengzi*. Cf. section 8.2.1, note 35.

³⁴ Xu Ke, *Minor Qing Certificates*, "Agricultural and Commercial Category," p. 52, "The Permanent Big Four of the Capi-

called the Lesser Harmony Guild [*Xiaotonghang*]. The latter was divided into four classes, labeled respectively the *yuan*,^a *heng*,^b *li*^c and *zhen*.^d

The *yuan* shops were called the "carry and fetch" money shops. They sometimes took deposits and made loans, but only in small quantities. In the past they had engaged in the transportation of standard coins, and had employed people to carry them on shoulder poles, and were then called carrying pole money shops, and this was later turned into the similar sounding and written term carry and fetch.

The *heng* shops were also called the "closed door carry and fetch" shops because they turned over all of their receipts every day to the Exchange firms and *yuan* shops to manage for them.

The *li* shops did not take deposits or make loans. They merely engaged in bulk buying and selling of silver and copper cash, though they also engaged in some petty money changing. Hence they were also called discount-exchange money shops.

The *zhen* shops were the smallest, what were called the ready-exchange money shops. They engaged only in the petty money changing business, and also sold incense.³⁵

The first new style bank in China was established during *guangxu* 23 (1897). Its employees were mostly men from the coin trade, but even so it could not compete with the coin trade institutions. To speak only of deposits, the tax funds of the provinces continued to be deposited in private silver houses and money shops, and not in the imperially sanctioned bank.³⁶ As for merchants in general, naturally they used the money shops even more as a matter of routine. At the time of the Boxer Movement of *guangxu* 26 (1900), the foreigners cooperated with the traditional money trade so as to protect their Shanghai property, and to preserve the financial institutions of Shanghai. This was an obvious acknowledgement of the importance in Shanghai of the money shops.³⁷

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³⁵Pan Zihao, *Essentials of the Chinese Money Shops*, quoting *New Journal of Contemporary Events*.

³⁶*Notes on Major Events in China and Abroad During Guangxu 24*, "Board of Revenue Memorials."

³⁷*Imperial Expedition West and Return From Beginning to End*, "Record of the Protection of the Southern Provinces": "Because the property of the various Western countries' people in Shanghai is so extensive, they have paid special attention to it. The provisions of the agreement to protect Shanghai were as follows: . . . 5. The Shanghai market is focused on the coin trade, and the coin trade must depend on the banks for small scale money changing and transfer of funds. If the banks do not discount small amounts as they normally would, or if they insist on

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The business of the late Qing money shops was probably influenced to some extent by the foreign commercial banks. In addition to their ordinary deposits and loans, they also had checks cashable for ready money.³⁸ This was a business that did not exist in China in the old days. At that time, the negotiable instruments on the market included dated bills,³⁹ shop bills [called native bank orders by the foreigners. EHK],⁴⁰ bills of exchange⁴¹ and silver bills.⁴² In legal terms, the money shops were in-

collecting debts in silver as they mature, then the coin market will immediately become constricted, and business must become entirely blocked. Once the market is ruined, men's

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minds will be shaken and not at peace. It is necessary to request that the Chinese and foreign bank managers and those knowledgeable about the coin trade provide aid to each other at a time of crisis, so as to make sure that the coin firms can make their payments. 6. Paper notes and bills must be circulated as of old. It is only necessary that the Daotai and the various responsible officials make this need known, and those firms which hear of this will, when paying in silver, make 20 or 30 percent of their payments in paper money, and allow those in the coin trade to do the same." Cf. *Historical Compendium of Chinese Domestic Disorders and Foreign Disasters*.

³⁸*Notes on the Current Shape of Official Life*, 34: "When I returned to the office and looked at it, it turned out to be a dated check. Distant water won't put out a nearby fire. . . . I could only entrust it to a friend who was a cashier in this office, and spend several foreign dollars to have him take it to a small money shop to cash it."

³⁹The term dated bill, or check was present by *xianfeng* times. Wang Maoyin, *Memorials of Expectant Executive Wang*, 3, "Itemized Memorial to the Board Advising of Difficulty of Circulating Silver Bills of Silver Houses": ". . . when important personnel are given salary silver, they are given dated bills, which must be held until maturity for payment." *Notes on the Current Shape of Official Life*, 4: "The thing that this fellow loves the most in his life is money. Ever since he took the job in this office, he has feared that people would gossip about him. He still does not dare to sell them to make up for his lacks. Now, because . . . some are ready cash, he puts out bills dated to after he will leave office, and this big shot has taken them."

⁴⁰*Notes on the Current Shape of Official Life*, 6: "The next day, when he came up to the office, he actually brought along a 3,000 dollar shop bill which matured at the end of the month." *Ibid.*, 8: "At first, whenever he went out of the door, Tao Ziyao was certain to go to the money shop carrying several hundred in silver denominated shop bills, and one or two hundred foreign dollar bills on his person."

⁴¹*Ibid.*, 8: "Futai also arrived. After he had finished discussing public business, he took out of his shoe a Hong Kong & Shanghai Banking Corporation bill of exchange for 40,000 in sil-

cluded in the same category as western style banks during late Qing. The functions to be handled by banks, according to the *guangxu* 34 (1908) "Bank Circulation Rules," were the redemption of negotiable instruments, short-term discounting, acceptance of deposits and making of loans, buying and selling of uncoined gold and silver and money changing, acting as agents for others in paying out funds in bills, and issue of bills of exchange and silver bills. All of these activities were also undertaken by money shops.

In Shanghai alone there were more than 200 money shops by the end of Qing. Forty of these were Exchange firms. In addition to capital and deposits, their working capital was often augmented by borrowing from foreign banks at an interest rate of 7 percent. They then lent these funds to merchants at a rate of 10 percent.⁴³ There are no statistics on the number of money shops or silver houses in other provinces or cities. Kang Youwei stated that there were 273 silver houses in Guangzhou.⁴⁴

The provinces set up official silver and cash offices near the end of Qing. This was undoubtedly in imitation of the procedures of the central government and the Maritime Customs. At first, they seem to have used merchants to establish them, using the so-called officially-supervised-merchant-managed method, and did not incorporate the name of the province in question into the firm's name. Later, they changed over to official management or to joint operation by officials and merchants, and then were often dubbed with the province's name.

In *xianfeng* 6 [1856], Jilin established the Tongji Official Cash Office, and issued silver bills. In *guangxu* 22 [1896], it was renamed the Yongheng Official Check Office. In *guangxu* 24, it was changed again to Jilin Official Silver and Cash House, and it issued Yongheng Official Checks. Fengtian originally set up a Huafeng Official Silver House. In *guangxu* 31 [1905] it changed its name to the Fengtian Official Silver House, and in *xuantong* 1 [1908], it renamed it again the Dongsansheng [Manchurian] Official Silver House.

Shandong also had a Tongji Official Cash Office, and later renamed it the Shandong Official Silver House. The official cash offices established in

Xinjiang all bore place names, such as the Dihua Official Cash Office, and the Ili Official Cash Office.

The ones set up during the '20s of the *guangxu* period [1890s] mostly bore provincial names, such as the Shaanxi Official Silver and Cash House, the Hunan Funan Official Cash Office, the Hubei Official Cash Office and the Henan Yu Spring official Silver and Cash office. The names of some provincial institutions changed over time: In addition to the Jilin and Fengtian changes mentioned above, the Hunan Funan Official Cash office later was renamed the Hunan Official Cash Office, and the Shaanxi Official Silver and Cash House in 1909 was renamed the Qinfeng Official Cash Office. In *guangxu* 28 [1902], Jiangxi set up the Jiangxi Official Cash Office, but in *guangxu* 33 renamed it the Jiangxi Official Silver and Cash House, with a central office and branches in Nanchang, with branch houses under each.⁴⁵

Some provinces had more than one firm, as did Xinjiang with its Dihua Official Cash Office, Ili

⁴⁵I have here used the names and dates on the paper notes themselves to correct the varying indications of the names and dates of establishment of these provincial institutions found in other books. For Jiangxi, Zhang Jiaxiang's *History of Chinese Monetary Systems* states that in *guangxu* 28 an official cash house was set up using full cash bills, and that they went on to establish an official silver house. In *guangxu* 29, the latter was merged with the former, and the new institution was renamed the Official Silver and Cash General House. Branches were set up under it, and they also made 9 5 official bills. According to *Jiangxi's Financial Trade*, compiled by the Jiangxi Provincial Government Economic Commission in 1933, Jiangxi's paper money began in the Jiangxi Official Silver and Cash General House. This work also states that this institution was established in *guangxu* 29, and that the paper money it issued was full cash bills and 9 5 official bills.

What is recorded in these two books evidently does not correspond to the facts. Based on surviving paper bills, the ones issued in *guangxu* 28 were full standard coin bills. The issues of *guangxu* 29 and 30 were changed to 9 5 standard coin bills. There is a proclamation on the reverse of the *guangxu* 29 official bill, but because the bill is old and the characters are small, it cannot be read clearly. The *guangxu* 30 bill reverse has a proclamation of that same year. It clearly states that the additional manufacture of 9 5 official cash bills had taken place because 9 5 copper cash were in circulation on the streets of the provincial capital, and that the previously issued full official bills were inconvenient for the people. The name of the Jiangxi Official Cash Office still appears on the face of the *guangxu* 30 official bill. I have seen no others bearing some official silver house label. It was not until *guangxu* 33 that the Jiangxi Official Silver and Cash General House issued cash bills, silver ounce bills and silver dollar bills.

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⁴²*Ibid.*, 3: "Nor did Hu Li reply. He took a silver bill out of his shoe. On it was written that this bill was worth 25 capital ounces of silver. Below was a design. It was a Four *heng* bill."

⁴³J. Edkins, *Banking and Prices in China*, pp. 33-34, but elsewhere (p. 2) he states that a loan of 1,000 ounces would earn interest of 5 ounces per month.

Official Cash Office, Dacheng Official Cash Office, Aqsu Official Cash Office and Kashgar Official Cash Office. In Jiangnan there was the Nanjing Yuning Official Silver and Cash Office in Nanking and the Yusu Official Silver and Cash Office in Suzhou [Soochow]. By the last years of Qing, [958]

such institutions had been set up in Guangdong, Guangxi, Heilongjiang, Rehe, Anhui, Fujian, Zhejiang, Gansu, Guizhou and Shanxi. Virtually all the provinces had their own financial institutions.

We can see from the names of the provincial institutions that there was an equal tendency to set up official cash offices and official silver houses. At first, some provinces may have taken into account the original meanings of these two labels. If they were planning to issue cash bills, then they established an official cash office; if they were to issue silver bills, then they called it an official silver house. Later, however, they no longer made any distinction between the two, since a number of institutions issuing cash bills also issued silver bills, and so they incorporated both names, either calling themselves official silver and cash houses or offices.

In Zhili, for example, the Tianjin silver house in guangxu 29 issued silver ounce and silver dollar bills. Baoding in guangxu 31, 1st month, and Tianjin in guangxu 32, 2nd month, issued silver ounce bills. Prior to guangxu 33, Jiangxi only issued cash bills. Therefore it set up an official cash office. In guangxu 33, however, it simultaneously issued cash bills, silver ounce bills and silver dollar bills. Hence it renamed the institution the official silver and cash general office. Obviously, the main task of such institutions was to issue paper money.

Silver furnaces were attached to some official silver houses to melt down silver and cast it into ingots. This linked the silver furnace and silver house. Jiangxi, for example, had originally set up six silver furnaces in the Treasure *chang* Office to cast silver ingots. Later, an official silver and cash house was established, and the old silver furnaces were abandoned. Official furnaces were attached to the official house to mint square treasure, dollar treasure and dollar ingot silver ingots.

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3. The Rise and Fall of the Draft Banks

The draft banks [*piaohao*] were entirely a product of the Qing period, and they decayed and fell along with the Qing Dynasty.

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There are a number of theories on the origins of the draft banks. Some foreigners say that they arose at the end of Sui and beginning of Tang,¹ or link the Flying Cash of Tang Emperor Xianzong's time with the draft banks.²

Opinions have also varied among the Chinese. Some say the draft houses emerged during the middle years of Ming, and that they were completely wiped out by the destructive warfare at the beginning of Qing.³ Some say they arose at the end of Ming and beginning of Qing, because it was at that time that Li Zicheng, the Rushing Prince, fled in defeat, leaving all of the gold and silver from his army in the courtyard of the Kang family of Taiyuan, Shanxi, and the Kang family used this 8 million ounces to create a draft bank.⁴ There are even those who say that the regulations of the draft banks had been drawn up by Gu Yanwu.⁵ Still others say

¹In his *Banking and Prices in China* (1905), Joseph Edkins says that because Roman coins have been discovered in Shanxi, Roman merchants must have bought iron there, and that since Shanxi merchants travelled near and far to earn a living, they became financiers. This is a fanciful surmise.

²S. R. Wagel, in his *Chinese Currency and Banking* completely accepts Edkins' thesis. He also says that this sort of business was being practiced ever since the ninth century A. D. (Tang Emperor Zhaozong's *guanghua* 3).

³Shanghai's *Banking Weekly*, numbers 7 and 8, contains an essay by Dong Hai, "The Shanxi Draft Banks," which says that they arose during the middle period of Ming. "At that time, not long after their establishment, they were still not very strong, and their business was regional, limited to a small number of places in Beijing. The coming of Li Zicheng, the Rushing Prince's 'disorder' wiped them out completely." In Japan, the *Taishō* 4 (Republic 4) *China* magazine, numbers 6 and 7, contains an essay, "The Shanxi Draft Shops," which puts forward the same thesis. Cf. Chen Qitian, *Outline Investigation of the Shanxi Draft Shops*, p. 7.

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⁴The work *Complete Book of the Chinese Economy*, published in Japan in Meiji 40 (Qing guangxu 29), and which bears the same title in the xuantong 2 Chinese translation [except for substituting *Zhongguo* for the less dignified *Shina* as the word for China. EHK], set 3, volume 5, "The Shanxi Draft Shops," was the first to advocate this thesis. Cf. *Outline Investigation of the Shanxi Draft Shops*, p. 8. Probably, though, this was a Chinese traditional story.

⁵Xu Ke, *Minor Qing Certificates*: "There is a tradition that

they were founded during the kangxi or qianlong periods.⁶

There is no evidence for any of these theories. Ever since the middle years of Ming, Chinese novels like *Golden Lotus*, *Garden of Cunning*, *Partition Curtain Flower Shadow*, *Rousing the Age Marriage Affinity*, *The Scholars*, *Dream of the Red Chamber* and *Flowers in the Mirror* have all had references to money shops, but none of them mention draft banks. Early Qing books occasionally mention "western guests."⁷ Some say "western guest" was another name for draft bank. Actually, the most one can say is that it was an abbreviation for Shanxi [the second syllable for which means west] guest merchant.⁸ We cannot say that all of these were associated with Shanxi draft banks.

Moreover, at the end of Ming, the money remittance trade was still run by the government. This shows that draft banks did not exist then. As late as

the great wealth confiscated by Li Zicheng of the Ming period was taken by him in defeat to Shanxi. Upon his death, Shanxi people obtained this wealth, which they used to set up draft banks. Their house regulations were extremely strict, and were drafted by Gu Yanwu. They have been honored without interruption, and have been called heroic by the commercial world for over two centuries." Those who have adopted this thesis are the most numerous. Chen Qitian in his *Outline Investigation of the Shanxi Draft Shops* (p. 10), suspects that this was translated from the Japanese *Complete Book of the Chinese Economy*. This is not correct. First, the matter of Gu Yanwu's regulations raised by *Minor Qing Certificates* is not mentioned in *Complete Book of the Chinese Economy*. Second, the story in *Complete Book* cannot have been a fabrication. It must have been the result of an investigation undertaken in China. Probably this was a widely found tradition in China then.

⁶*The Rise and Fall of the Shanxi Draft Shops*, "Preface."

⁷*Dessicated Words of the Old Man of the Wilderness*.

⁸*Story of a Stone*, chapter 84: "Fengjie said, 'There are often people who take part in the family. This Niu Huang may not necessarily have it. If we go outside to buy it, we had best make sure it is genuine.' Mrs. Wang said, 'Let me send someone to my aunt to take a look. Pan'r in her house has done business with those western guests. Perhaps they have a genuine one, but we have no way of knowing.'"

Qing Emperor Gaozong Veritable Record, 1068, qianlong 43, 10th month, proclamation: "This will be as Lin'e memorialized. We find that in the 3rd month of this year, there was a western guest with the family name Zhang and the given name Yuan, who came to Su from outside the Great Wall. Later, during the 4th month, there was a person from the Gao Pu firm surnamed Li, in whose house he lived. He had brought with him many goods worth several hundred thousand ounces. . . . The man from the Gao Pu firm . . . sold jade. He sought profit in the market. The price was several hundred thousand ounces."

daoguang 26 [1846], the Governor of Shanxi, Wu Qirui, mentioned that the Shanxi province coin shops were constantly increasing in number, and that their cash bills were spreading ever more widely.⁹ Evidently even if the draft banks had been present by then, their development must still have been in its early stages.

More credible is the theory that they grew out of the Rishengchang Dyestuff Shop. It is said that during the qianlong and jiaqing periods there was a man from Pingyao in Shanxi named Lei Lütai, who established the Rishengchang Dyestuff Shop in Tianjin. Among the dyestuffs he sold was a type of verdigris produced in Sichuan, and so he personally went to Chongqing to manufacture this verdigris and transport it to Tianjin. At that time large amounts of silver were transported under the protection of escort offices [*biaojū*], but sometimes robberies occurred anyway. Lei Lütai then invented a method for remitting money.¹⁰ Later this type of organization was renamed draft bank.

This method for remittance of funds was by no means the invention of Lei Lütai. Not to speak of Tang's Flying Cash and Song's Convenient Exchange, Ming and Qing¹¹ both employed the draft or bill of exchange method. Lei Lütai merely imitated such procedures. This point is not important. What is important is when the draft banks appeared. In other words, when did the Rishengchang (the middle character written two ways)¹² Dyestuff Shop

⁹*Duke Wu Palace Protector's Memorials of Advice*, 4, "Memorial Honoring the Imperial Edict to Advise on the Supply and Demand for Silver and Cash Coins." In daoguang 23, Wu was Governor of Hunan. By daoguang 26, he might already have been transferred to Shanxi.

¹⁰*Outline Investigation of the Shanxi Draft Shops*, quoting *Rise and Fall of the Merchants of Jin*. There was also a man from Pingyao named Li Hongling, who in a preface to *The Rise and Fall of the Shanxi Draft Merchants* stated that the draft shops were created during the kangxi and qianlong periods. Fan Chun-nian, *Organization and Evolution of the Shanxi Draft Banks* says that Li Zhenghua invested 300,000 ounces and Lei Lütai invested 20,000 ounces to found the Rishengchang Draft Bank in jiaqing 2 [1797].

¹¹In his *Record of Daily Knowledge*, Gu Yanwu says that the draft method existed at that time. *Dessicated Words of the Old Man of the Wilderness*, written during the kangxi period, contains the statement "on the wall was pasted an oath not to allow silver drafts to enter."

¹²The Beijing manager of the Rishengchang said that the simpler character for *sheng* was employed when the firm was a dyestuff shop, and it was only when it became a draft bank in daoguang 11 [1831] that the longer form, with the meaning classifier for "sun" on the top, was adopted. Cf. *Outline Investiga-*

turn into the Rishengchang Draft Bank? It is said that the manager of the Pingyao main office stated that this occurred during the daoguang period. The firm's Beijing manager said this was in daoguang 11 [1831].

Although there are all sorts of theories on the origins of the draft banks, there are two points that all agree on. The first is

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the relationship between the draft banks and the remittance of money. The second is the connection between the draft banks and people from Shanxi.

There had always been a large number of people from Shanxi engaged in trade. Virtually every family had to have a family member who had gone off to engage in commerce. Their traces have been found as far south as Guangdong and Guizhou, and as far north as Moscow in Russia. The early Qing informal writings often mention "western merchants."¹³

During the profound peace of the first century of Qing, their wealth would have accumulated.¹⁴ This

tion of the Shanxi Draft Shops, p. 26.

¹³Jiyun, *Minute Observation Grass Hall Jottings* often mentions western merchants. "Four Things I Have Heard Of Like This": "Wang Fujiu of Xincheng said that a certain friend of his was chosen for office in Guizhou, and borrowed at interest from a western merchant at an extortionate rate. Of a hundred put out for machinery . . ." *Ibid.*, "Luanyang Continued Record, 5": "Many Shanxi men act as merchants outside their province. They spend more than a decade in apprenticeship learning how to trade, and do not return until they have amassed some capital. After paying it over to their wives, they go out again in search of profit. On the average they return to the province after every two or three years. This is the norm among them."

¹⁴Xu Ke, *Minor Qing Certificates*, "Agricultural and Commercial Categories," p. 69, "Shanxi's Numerous Rich Merchants": The rich houses of Shanxi mostly originated in commerce. The Kang family firm is said to have had several tens of millions of ounces. It was most powerful. Those which during the guangxu period had fortunes of from 7 or 8 million ounces down to 300,000 ounces may be enumerated as follows:

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Family Name	Size of Fortune	Residence
Hou	7,000,000-8,000,000 oz.	Jiexiuxian
Cao	6,000,000-7,000,000	Taiguxian
Qiao	4,000,000-5,000,000	Qixian
Ju	3,000,000-4,000,000	Qixian
Chang	1,100,000-1,200,000	Shucixian
Liu	c.1,000,000	Taiguxian

would have enabled them to engage in the credit business. Shanxi people were notably active in China's credit trade from the middle years of Qing on. Whether in silver houses,¹⁵ pawn shops,¹⁶ or in making private loans,¹⁷ Shanxi people were numerous. So far as the draft banks are concerned, 90 percent of them were run by people from Shanxi, and the personnel running them were also Shanxi people.

The draft banks probably began to flourish during the xianfeng period [1851-1862], possibly at the end of xianfeng, since remittances seem to have been still under the management of the silver houses at the beginning of xianfeng.¹⁸ The term bill office

Hou	800,000	Shucixian
Wang	500,000	Shucixian
Wu	500,000	Taiguxian
Meng	400,000	Taiguxian
He	400,000	Shucixian
Yang	300,000	Taiguxian
Ji	300,000	Jiexiuxian
Hao	300,000	Shucixian

¹⁵*High Grade Treasure Inspection*, chapter 13: "This Lord Pan is called Pan Qiguan. He is a rich old gentleman of this capital. He is a millionaire, owning 3 silver houses and 2 pawn shops. . . . His original residence registration was Shanxi."

¹⁶*Xinzheng Appended Collection*, first part, "Grace and Compassion": "Th old gentleman Li Taoji . . . is from Kunming . . . and said, 'Pawnbroking in my home town is entirely monopolized by Shanxi and Shaanxi people. Monthly interest is 30 percent, and the term of a loan is limited to two years. The poor people are pitiable.' And so the old gentleman opened a pawn shop of his own. In his request to the authorities, he said he would reduce the monthly interest to 20 percent, and would extend the term of loans to three years. The Shanxi and Shaanxi men brought a lawsuit against him. It was taken from the district and circuit offices to the Governor-General. The old man made generous gifts to all the offices involved, within and without, and was able to win the case. Before long, the old man said that a monthly interest of 20 percent would be hard for poor people to meet, and this was a shame, so he requested of the authorities that he be permitted to reduce it to 15 percent. The Shanxi and Shaanxi people brought another suit against him, and the old gentleman again brought gifts as before to the various yamen. Reason again prevailed, and he won that case too. Before long he further reduced the interest for pawning goods worth up to 10 in metal to 10 percent per month. Thereupon the Shanxi and Shaanxi men all closed up their businesses and departed."

¹⁷*Xinzheng Added Collection*, latter part, "Judging Grievances": "There was a fellow surnamed Tian, from Shanxi, who made loans for a business." *Xinzheng Interpolated Collection*, first part, "The Straw Shoe Old Gentleman": "There was a man surnamed Gao, from Shanxi, who had a loan-making business."

[*piaoju*] was already in use by xianfeng 4, seemingly referring to the institutions promoting official bills. Later, such institutions also were responsible for the task of buying up official bills. Perhaps these were silver houses or money shops. Perhaps the term draft bank [*piaohao*] evolved from the activities of one group of the silver houses or money shops, when they simultaneously promoted official bills and undertook the forwarding or remittance of money.

Security was poor in many places during the xianfeng period, and it was inconvenient to transport ready money. When the Qing government was battling against the Taiping and Nien Rebellions, the provinces' forwarding of funds for military supplies to the central authority, and the central authority's need to remit funds to the provinces probably provided the context within which the draft banks arose.¹⁹

Some say that the draft shops suffered very large losses from the Taiping Rebellion which were all but fatal, since in xianfeng 11 [1861], the main office of the Rishengchang repeatedly urged the Guangdong and Hankou branch shops to cease operations, and the Henan branches had already done so.²⁰ I suspect, however, that this was a temporary phenomenon, related to the war, and we cannot say it represented the decline of the draft bank trade.

It is not until the tongzhi period that official documents begin to mention the draft merchants. In tongzhi 6 [1867], Zuo Zongtang learned that the Yuncheng, Shanxi draft banks had a great deal of ready silver, and so requested that silver be paid over to the draft banks in Shanghai in exchange for

silver bills which would be forwarded to Yuncheng for redemption.²¹ This probably refers to the 1.2 million ounce loan from the foreign merchants. These funds were for use in putting down the Muslim Rebellion in the northwest. The draft banks reached their apogee during the guangxu period [1875-1908]. They managed virtually all of the national and provincial treasuries.

Because the draft banks were mainly engaged in the remittance trade, they formed themselves into chains, with many local branches or associated banks in the outer provinces. Hence, though the draft banks were run by Shanxi people, all provinces were joined by them into networks which stretched as far as Guangdong, Singapore and Osaka and Kobe in Japan. Sometimes they were called draft shops [*piaozhuang*], remittance draft shops [*duihui-zhuang*], or remittance banks [*duihao*]. The Rishengchang had

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some 24 branches.²² The personnel of the draft banks included men who could speak various languages. Some, for example, spoke Mongol or Manchu, and those stationed along the Russian border spoke Russian.²³

Their methods for handling remittances were not like those employed by modern banks. In addition to the bill of exchange, they also employed what were called matching tallies [*fujie*] or flying tallies [*feifu*], which were secret marks or identification symbols much used in silver manufacture. These came in various shapes. Some were square, some round, some oval. One sort of flying tally was generally broken in half. Two linked banks would each keep one of the halves. When a remittance was made, the two tallies would be brought together to see if they matched. A similar system had been used during the Tang Dynasty. After the exchange process had been completed, the other half of the flying tally was returned to the bank which had originally issued the bill of exchange.²⁴

The draft banks and money shops were both Chinese credit institutions of that time, but there are a number of obvious differences between them. In organizational terms, each money shop was an independent entity, while the draft banks formed chains of linked branch operations. In terms of location,

¹⁸Yang Yizeng, "Memorial Urgently Requesting Circulation of Official Bills To Help Meet Requirements For Military and River Work Supplies" (xianfeng 3, 11th month, 19th day): "Upon investigation we find that the provincial silver houses are remitting silver ounces in large amounts. . . ."

¹⁹Li Hongling, *Rise and Fall of the Shanxi Draft Merchants*, "Preface": ". . . until the beginning of xianfeng, those who contributed funds to meet the military payroll were dispersed. For the most part this task came into the hands of the draft merchants, and the scope of their operations gradually broadened. Later, when Hong's rebellion [the Taiping Rebellion] broke out, military payrolls rose like a shooting star for the seven southern provinces where the armies were active, but the roads were obstructed, and transportation became difficult. The court attempted to hire various merchants, but only the draft merchants proved to be loyal and dependable. And so the head tax for military payrolls was all remitted through them. From tongzhi times on, their foundations became ever firmer. . . ."

²⁰Wei Juxian, "Most Recent Inquiries into the Shanxi Draft Banks," *Central Bank Monthly*, Vol. VI, numbers 5 and 6.

²¹*Qing Emperor Muzong Veritable Record*, 201. [1971]

²²Xu Ke, *Minor Qing Certificates*, "Agricultural and Commercial Categories," p. 72, "Evolution of the Shanxi Draft Banks."

²³*Ibid.*, p. 71, "The Shanxi Draft Banks."

²⁴Zheng Xingxun, *History of Chinese Commerce*.

the money shops were centered in the south, and were mostly founded by men of the lower Yangtze. The home offices of the draft banks were in the north. The great majority of them were owned by Shanxi men. In terms of the type of business they did, the money shops arose from money exchanging, and the draft banks from remittance of funds. As for their customers, most of those having dealings with the money shops were merchants; most customers of the draft banks were government officials.

But like the money shops, which though they originated for purposes of money changing, did not thereafter limit themselves just to money changing, the draft banks' business was not limited to remittance. Eventually, I suspect, deposits and loans became more important for them, and their power came from the loans which they made to governments and to officials. Their goal, naturally, was to gain access to government funds, and so we may be sure they spared no effort to establish links with government officials. It is not that money shops did not desire such links with officials,²⁵ it is just that their operations centered in the commercial regions of the south, and it was not so convenient for them to obtain such links as it was for the draft banks.

In the past, because it was inconvenient for them to carry ready cash with them when they came up to the capital to sit for the examinations, scholars would often first have their funds forwarded through a draft bank.²⁶ Some of them even borrowed travel

expenses from a draft bank. Those who had passed the examinations were especially likely to borrow money from the draft banks, because a number of those coming up for the examinations were relatively poor men. After passing the exams, only a minority would remain in Beijing to serve as officials. The majority were usually sent off to serve in the provinces. The feudal officials loved their prestige, and liked to repay people for the favors done them. As soon as it had been announced that they were to be officials, unless they had extensive funds, they could not live up to their new-found status.

The draft banks were happy to undertake such loans. First, principal and interest were secure. When an official took up his responsibilities, he would have money.²⁷ Moreover, very few new officials would delay making repayment, lest they lose prestige.

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Second, the interest was very large, and was often deducted from the principal handed over to the borrower when the loan was first made. When a new official took up his appointment, he did not haggle very much over the interest. Third, once the banker had established friendship with these officials, he could get them to deposit with him the official funds under their management. Fourth, by entering into friendly relations with officials, the banker might raise his own status. Not only would they obtain various direct benefits from this, their private merchant customers would come to trust them more.

The branches of the draft banks constituted a lively intelligence network.²⁸ If there was an official vacancy someplace, the banks would be the first to learn of it. Most officials needed such news. This made it easy for the draft banks to forge relationships with officials over and above the credit the

²⁵*Notes on the Current Shape of Official Life*, 27: "Wang Bogao . . . finally came up to the large railing at the front gate of Huang Panggu's money shop. . . . Huang Panggu knew that when he had come in the past it was for no small matter . . . and he hurriedly came out himself to accompany Wang in. . . . Wang Bogao first inquired, 'There is a certain Jia Run's grandson, Inspector Jia. Have you made his acquaintance?' Huang Panggu was a person of a certain station in life, and as soon as he heard this, he knew these words had significance, and so was unwilling to speak the truth. He slowly replied, 'I know him alright. A friend introduced us, but I've had no deep connection with him. He has not come so often to my small bank.'" *Ibid.*, 21: "In a quarter of an hour the *maxing* game was over, and a number of other gamblers came in. Lord Double-three introduced them one by one. The high titles tumbled out one after the other. . . . Among them were a few scions of the Inspectorate of Merchants, the manager of the ginseng shop, and some guards from the draft bank and money shop."

²⁶*Notes on the Current Shape of Official Life*, 24: "Let us merely speak of young Lord Jia Da. The messenger was sent. His money was now sufficient. He was wearing the red cap. His introduction to the Board was secure in his hand. His ambition was ripe and his spirits high. Everything was going his way. He

rested at home for a couple of months, and then thought he would set out for the capital to have his audience. He worked out his plan for the future. . . . He first took the silver he had gained, and entrusted it to a draft bank to remit on his behalf 100,000 to the capital."

²⁷*Ibid.*, 4: "Of this loan, 10 percent will be needed upon taking office and 10 percent for transportation. It will be another life. A year after leaving the capital to take up a new appointment, who can say but that there will be needed another 10 percent for the new year's presents. At the very least it will be another 10,000 in silver."

²⁸*Ibid.*, 10: "Ziyao . . . asked the person who had come . . . where he had gotten this news? The man replied that he had heard that it had come from a friend in a draft shop. It was said that Inspector Wang had yesterday sent a telegram to Shandong about the machinery. Not enough silver had been remitted from Shandong."

banks granted to them.²⁹ This increased the dependence of the officials on the draft banks, and intertwined the fate of the two sides.³⁰

Especially prominent were the Weishengchang's connection with Prince Qing, the Baichuantong's friendship with Zhang Zhidong, and the Xietongqing's friendship with Dong Fuxiang.³¹ These three draft banks were all relatively well capitalized. Some draft bank managers moved along with certain officials. When such an official changed posts, the manager would move along with him. For example, Manager Gao of the Dadetong accompanied Zhao Ruxun. When Zhao was transferred to Manchuria, Gao went there too. When Zhao went to Beijing, so too did Gao. When Zhao was sent down to Sichuan, so was Gao. The Dadetong virtually became Zhao Ruxun's cashier's office.³²

This reminds one of the silver houses or usurers of the period of primitive capitalist accumulation in Europe. The German Fugger silver house forged indissoluble ties with the Hapsburg Dynasty, and also followed along after them. Of course the power of the Chinese draft banks was not as great as that.

The *guangxu* 10 [1884] tax levy problem and the problem of the halt in remittance of funds amply show the close relationship between officials and the draft banks. Because the draft banks arose later, they could move more freely. Taxes, for example, had long since been paid on an annual basis in the pawn-

broking trade, whereas remittance draft banks avoided them altogether. Such indirect encouragement may be considered one reason for the rapid development of the draft banks.

Nevertheless, some draft banks were not well-managed, and their bankruptcy harmed both public and private interests. The *guangxu* 9 [1883] bankruptcies of the Fukang and Hutongyu Draft Banks caught the attention of the authorities, and led them to institute licensing, require that each firm pay an annual tax of 600 ounces of silver, and have each province make the draft banks within its boundaries provide complete financial reports to the government.³³

After this order had been issued, Li Hongzhang sent up a petition from Tianjin stating that the Tianjin remittance draft banks were branches of Beijing firms, set up merely for the purpose of transmitting information for the shops in Beijing and Shanghai, and for holding and transporting silver. They had no

²⁹*Ibid.*, 4: "Boss Three said, 'Yesterday a vacancy opened up in Jiujiang prefecture. Just this morning a friend in the draft bank received a telegram from the head of the district there, asking the bank to send on his behalf 2,000 in silver, since they were seeking to appoint a replacement head of district in a month or two.'"

³⁰*Ibid.*, 19: "Though Huang Sanliu's son had money, he was not someone conversant with the ways of officialdom. The only thing he could do was to invite over the deputy manager of the Yuji Draft Bank where he had an account, talk matters over with him, and ask him to draw up a plan. The deputy manager said, 'Fortunately, the Inspector has left full instructions on this matter. . . . Although this fellow looks like a pure man, in his bones he's the sort whose eyes open wide whenever he sees money. A month ago I made a loan to him. Our branch office remitted it to the capital for him. It was more than 500,000. Later, he received an imperial edict dismissing him from office, and he sent the silver back. It is now in our branch office here. What can be done now is that if the Inspector can put out 200,000 in silver, I can take care of the matter for you, and everything can be guaranteed without difficulty.'"

³¹Fan Chunnian, "The Organization and Evolution of the Shanxi Draft Banks," *Central Bank Monthly*, IV, 1.

³²Chen Qitian, *Outline Investigation of the Shanxi Draft Shops*, p. 152.

³³*Memorials of Advice of the Daoguang, Xianfeng, Tongzhi and Guangxu Periods of the Imperial Dynasty*, 26, first part, "Board of Revenue Administration Category: Managing Finances, first part: Petition By the Board of Revenue Honoring an Imperial Edict to Discuss Economizing on the Sources of Revenue": "In *guangxu* 10, 9th month, 5th day, there was respectfully received . . . an imperial edict proclaiming . . . that the remittance bank merchants enter to explain their accounts. We find that the peasantry laboring in the fields all pay capitation and transport taxes. Merchants who deal in goods and pawnbroking merchants also pay excise taxes. It is only the rich merchants who set up chains of remittance draft banks in the capital and provinces who do not pay anything into the official coffers. Depending upon remittance drafts to capture profit, they sit athwart generous amounts of capital. If we consider silver and cash coins, we find that the regulations of the Board of Punishments do not permit private establishments, and do not permit private emission of bills. . . . Recently, however, the draft shops have opened everywhere as they pleased, without any limitations. Wicked merchants have set them up to cheat people. . . . Last year, the Fukang and Hutongyu Draft Banks set up by Hu Guangyong went bankrupt, losing extremely large amounts of public and private funds. This was especially detestable. Hereafter, remittance draft banks in the capital and provinces must request licenses from the Board to make it more convenient [1972]

to investigate the firms. It is intended to carry out such licensure. If there are to be remittance draft banks . . . each bank should pay an annual license fee of 600 ounces of silver. Before the 8th month, each province should construct a concise and clear ledger for the banks' condition during the previous year. . . . If a silver house is privately established without a license, the punishment is to be in accord with the penalties set for private establishment of a coin shop."

business of their own, and so lacked the strength to pay the full tax.³⁴

When the government was thinking of halting [1967] the remittance of public funds by the draft banks, Ding Baozhen of Sichuan defended the nine firms of Shanxi draft banks in Sichuan, and strongly praised their accomplishments.³⁵ He said that they differed from the money shops and silver houses of the south, and that they were all substantial and reliable.³⁶ He also said that insecure roads created a

³⁴*Ibid.*, Li Hongzhang, "Petition Advising On the Restoration of the Source of Wealth and Frugality."

³⁵*Ibid.*, Guangxu 11, 6th month, 2nd day, Ding Baozhen, "Petition Advising the Board of Revenue On the Restoration of the Source of Wealth and Frugality": "The remittance draft banks established in Sichuan Province include only the Tianchengheng, Xietongqing, Weifenghou, Xiehe, Xintaihou, Yuanfengjiu, Baichuantong, Rishengchang and Weitaihou, in all nine firms. They have all been established by managers who have come to Sichuan from Pingyao and Jiexiu districts in Shanxi. Because in recent years Sichuan province has received a great deal of supply funds from the capital and other provinces, and because the routes are of different lengths, and because of the great variety of prices in different provinces, the handling of such matters is quite difficult. These nine firms have all been ordered to undertake the remittance of funds so as to save time and for convenience. Aside from this, what and how much trade these firms have engaged in is not known to us. . . . These merchants all claim that after the great disaster in Shanxi last year, their eastern branches put out capital, but only gradually collected back a small amount. Combined with this, the severe restrictions on doing business in recent years make it easy for them to loan out money, but hard to recover it. Each of them is doing its best to uphold its position, but they are absolutely powerless to pay in so great a sum of money for the privilege of remitting drafts for the Board. Moreover, each of the home offices has its owners, for whom they must provide management. They are responsible to the firm owners, and must report to them."

³⁶*Ibid.*, 26, latter part, "Managing Finances, latter part," Ding Baozhen, "Brief Arguing That Sichuan Province Should Be Relieved of Capital Supply Payments and Continue to Issue Commercial Remittance Drafts": "I have again responded to the Board of Revenue's inquiry in the matter of halting remittances. . . . Investigation reveals that circumstances in Sichuan differ from those in other provinces. Western merchants' silver houses differ greatly from those of the southern merchants. The southern merchants' silver houses in other provinces are either not deeply rooted, or their exchanges are too reckless, so that they do not avoid the abuse of transgressing the limits of prudence. Their going bankrupt is truly of their own doing. The silver houses of Sichuan Province have hitherto not been run by southern merchants, but only by Shanxi merchants. They are all

great many dangers for the transport of ready money. Xu Yingkui of Fujian made the same argument.

Most officials continued to deal as before with the draft banks, even after the establishment of new style banks, because the draft banks guaranteed secrecy of their accounts. None of the officials dared to deposit their illicitly gained funds in new style banks for fear that their existence might by some chance be revealed, and their money would be confiscated by the government. If they kept their funds in the draft banks, they would not face this hazard, because even when an official was placed under investigation, the draft bank would not let this information come to light.

There were around thirty draft banks in Beijing during the '20s of Guangxu [1894-1904]. Their total capital was around 10.7 million ounces.³⁷

engaged in substantial business, and bring surpluses to make up for deficiencies. Most have been in business for years. There has never been a loss or shortage of either public or private funds at their hands. They are to be distinguished from the Kang and Fu firms of the southern provinces. There are now nine Shanxi draft banks in Sichuan managing public funds. All of them have mutual guarantors. Whenever a sum of 200,000 ounces is released, each firm remits only some 10,000 ounces of silver, which is not much. Their transmission of these funds is not delayed or in error. Should something unexpected occur, such as one firm going bankrupt, the remaining eight firms would divide its obligations among themselves, and they simply could not all go out of business on the same day. . . . Moreover, these Shanxi merchants all know that every year they must have silver bullion to forward to the capital, and must be prepared with the proper amount of reserves. The capital city markets can also count upon this rotation for their commerce. . . . Recently I have heard that there have been many cases of robbery in various places in Shanxi. . . ." In addition, Xu Yingkui of Fujian also requested continuance of remittance by such mercantile banks.

³⁷The manager of the Beijing branch of Japan's Yokohama Specie Bank, Sawamura Tairō, conducted a survey at the end of Qing, and said there were altogether 33 draft banks, having a total capital of 40 million ounces, but he only provided the names of 30 firms, the capital of which only adds up to 10.7 million ounces. The names of the 30 firms and the capitalization of each are as follows (Cf. *Complete Book of the Chinese Economy*):

Zhiyitang (400,000oz)	Sanjinyuan (300,000)
Weichanghou (400,000)	Changshengchuan (200,000)
Xintaihou (400,000)	Dadewang (300,000)
Xietongqing (500,000)	Henglongguang (200,000)
Dadeheng (300,000)	Gonghequan (150,000)
Tiandelong (200,000)	Rishengchang (500,000)
Yuyuanong (200,000)	Weishengchang (400,000)
Xiechengqian (400,000)	Yongtaiqing (300,000)

CATEGORIZATION OF LATE QING BEIJING DRAFT BANKS
BY AMOUNT OF CAPITAL

Amount of Capital	Number of Firms
100,000 ounces	2 firms
150,000	1
200,000	6
250,000	1
300,000	7
400,000	7
500,000	4
1,000,000	2

The two largest of these were southern. Most of the rest were from Shanxi. In addition to the main offices, there were 414 branch offices, distributed among 21 provinces (18 provinces plus the three provinces in Manchuria) as well as Mongolia and Xinjiang. Beijing, Tianjin, Hankou, Shanghai and Shashi were the five cities where draft banks were most numerous, having one-quarter of the total number of draft banks. Shanxi, Zhili, Jiangsu, Hubei and Sichuan were the five provinces where they were most numerous, these constituting 62 percent of the total.³⁸

Weitaihou (400,000)	Deshengchuan (200,000)
Baichuantong (500,000)	Dameiyu (300,000)
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Xietongxin (300,000)	Fuchengde (250,000)
Dadetong (300,000)	Gongshengqing (100,000)
Heshengyuan (200,000)	
Yishenglian (100,000)	Southern Group
Cunyigong (500,000)	Yiyangyuan (1 million)
	(Hefei Li family)
Weifenghou (400,000)	Yuanfengrun (1 million)
	(Ningpo people)

Chen Qitian, in his *Outline Investigation of the Shanxi Note Shops*, based upon the accounts in *China semi-monthly*, *Rise and Fall of the Merchants of Jin* and *Organization and Evolution of the Shanxi Draft Banks*, supplements this to come up with 49 firms, but since the dates of the investigations in each of these works differs, I have not recorded any of this here.

³⁸According to the figures in *Complete Book of the Chinese Economy*, there were 22 in Shengjing, 1 in Jilin, 58 in Zhili, 25 in Mongolia, 46 in Jiangsu, 3 in Anhui, 7 in Shandong, 120 in Shanxi, 21 in Henan, 22 in Shaanxi, 11 in Gansu, 2 in Xinjiang, 9 in Fujian, 1 in Zhejiang, 5 in Jiangxi, 40 in Hubei, 23 in Hunan, 27 in Sichuan, 12 in Guangdong, 6 in Guangxi, 1 in Yunnan and 1 in Guizhou. The location of 5 is not known. Several of these do not belong to the Shanxi group. There are several others that I suspect were money shops (*Outline Investigation of*

The organization of the draft banks was quite unusual. It involved a feudal style joint management by labor and capital. There were shareholders who had paid out money

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for what were called silver shares [*yingu*]. There were also shareholders who had put forth effort for what were called personal shares [*sheng*]. They mostly recruited their personnel from among literate and numerate youths. At first these young men served as clerks. After a few years, if the managers considered them promising, they would be given personal shares. They received no salaries, but merely incidental expenses every year. At the end of three years, the books would be closed, and the profit would be distributed among the shareholders.

The idea was to cause everyone to work as hard as possible, so this was nothing but a way of ensnaring the employees. Before a clerk had won a personal share, he was not permitted to return home. If he committed some transgression, he would be dismissed, and none of the other draft banks would hire him.³⁹ Since most of their personnel were from Shanxi, if some corruption occurred, the owners could very easily locate the malefactor's family to look into the matter. This was one reason why they liked to employ their fellow provincials.

Their internal table of organization consisted of a manager, deputy manager, external cashier, internal cashier, street-runners, receptionist, silver manager, petty clerks and office workers. The power of the manager was very great.

Draft bank deposits were of two types: time deposits and freely withdrawable deposits. Time deposits were held for periods between three and six months. The interest paid on them ran from 4 or 5 to 8 percent per month. Interest on the freely withdrawable deposits ranged from 2 to 4 percent. Interest paid by loans ran from 5 to 10 percent.

The draft banks were more conservative than the money shops. In guangxu 29 [1903], when Yuan Shikai became a high official in the north, he invited the Shanxi merchants to manage the silver houses of Tianjin, but they were unwilling to do so. The following year, when the Board of Revenue's bank was created, he pressed them to become shareholders, but they resisted doing this too. The government finally removed its funds from the draft banks and

the Shanxi Draft Shops). J. Edkins, in his *Banking and Prices in China* (1905) states that there were 20 draft banks in Shanghai, but he does not make it clear whether these were branch offices or main offices.

³⁹Xu Ke, *Minor Qing Certificates*, "Agricultural and Commercial Categories," p. 70, "The Shanxi Draft Banks."

deposited them in the new style banks. The draft banks were greatly affected by this move.⁴⁰

By then the railroad and steamship had come into use and had rendered communications more convenient, so that not only did the new banks engage in remittance of funds, so too did the post office and letter offices. As a consequence, the draft banks went into decline. Some people within the draft banks advocated converting them into banks, but this was opposed by the main offices in Shanxi.

⁴⁰A public letter to the Shanxi main offices written in guangxu 34 by the branch offices in the capital of the Qi, Tai and Ping draft bank groups stated: "... and since years jiaowu and gengzi [1900], not only have deficits accumulated, business with officials and merchants has also daily been lost. When we seek the reasons for this, we find that it is indeed because of the emptiness of the market, and because the Board of Revenue and the provinces have established banks one after the other, and have taken away our profitability. Moreover, banks from other countries have jumped into the market, and exerted all their strength in competition with us. There are some twenty firms in our guild, and their business has gone down by 40 or 50 percent. Some 60 or 70 percent of deposits have been withdrawn. In places where the Board of Revenue Bank has branches, remittance of official funds has been entirely taken over by them, and our firms' exchange business has by now rendered us entirely helpless. We pay only 4 percent on deposits, while at the banks one may draw 5 or 6 percent. Because the interest the banks offer is higher, people borrow from us, and move the funds to them. With the power of the national and provincial treasuries behind them, their capital is swelling, and as it grows, they can reduce the interest rates they charge, and spread their funds over the market, leaving us with no choice but to reduce our loan rates as well. If that proves insufficient, then, having become winded, our profits disappearing, we have no choice but to raise our rates. Their power is such that we are constantly trailing along behind them. What will be the size of the deficit? As for the foreign banks, they have gradually penetrated into the interior. All trade by merchants and deposits by officials and gentry must eventually be usurped by them. The foreigners' adeptness in war and commerce makes it still more impossible for us to compete with them." Quoted from Chen Qitian, *Outline Investigation of the Shanxi Draft Shops*, p. 40.

4. The Rise of the New Style Banks

Though the Chinese term for "bank" [*yinhang*, literally, silver firm or guild] is a translation of a foreign word, it also has rich traditional connotations in China.

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Though silver and gold diverged in price, beginning during Tang times, the monetary status of the two metals had become approximately the same, though there was a tendency for silver to be favored. From Song on, silver came to be used more often than gold, so that by the daoguang period [1821-1851] of the Qing Dynasty, silver had occupied the dominant position in the Chinese monetary system for a millennium.

The word for silver often symbolized money in general, and over the course of history many credit institutions had incorporated the character for silver into their names, as in silver store, silver shop and silver house. Though the word *hang*, meaning guild or collection of businesses on a single street or lane [also *hang*], was previously used to refer to businesses, such as the Tang Dynasty gold and silver guild, and the Yuan Dynasty silver guild, it was a collective term. During the kangxi period in Guangdong, there was a guild hall of the silver guild.¹

Eventually, however, it was used only to mean a business establishment. During Ming times a store might be called a *puhang*.² During early Qing the term *gonghang*, usually translated "Co-hong," and meaning public firm, came into use. Later, foreign commercial establishments were often called *yanghang*, foreign firm. In his second letter to the King of England, the Qianlong Emperor mentions that the number of *yanghang* was very large. We also encounter the term *huohang*, or goods emporium. So it was a very natural thing to translate the name of the

¹In the Loyalty and Fidelity Hall of the silver trade which the Guangdong silver houses organized, there was a bell on which was engraved the motto "silver guild guild hall," and the date kangxi 53.

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Cf. Muto Chozo, "Verification of the Term *Yinhang*," *Upper Commercial School Graduate School Annual* (Nagasaki, Japan), Vol. III. Cf. also, "Verification of the Term *Yinhang*," *Banking Weekly*, Vol. XIII, number 47.

²*Ming Emperor Shenzong's Wanli Veritable Record*, 66, wanli 5, intercalated 8th month, xinmao, Pang Shangpeng of Fujian, "Fourteen Matters Involving Illegal Mercantile Activity": "There are certain *puhang* which are really private, but are allowed to mint coins and hold deposits of government silver to use as their capital. This money should be returned to the officials at the originally fixed commutation rate."

new style credit institution, the bank, as *yinhang*.³

When did China first begin to use the term *yinhang*? In jiaqing 24 (1819), the *Dictionary of the Chinese Language* by the Englishman R. Morrison contained only the terms silver shop and silver bill, but not *yinhang*.⁴ The *Anglo-Chinese Calendar*, 1849 of daoguang 29 (1849) includes in a list of names of foreigners in Canton the firm name "Oriental Bank," but translates the word "bank" with the Chinese *yinfang*. Evidently the term *yinhang* was not yet in use. However, by that time the practice of attaching to the names of commercial establishments the suffix *hang* was already present, as in the names for businesses *Longshunhang* and *Gongsihang*. Probably later on businesses which specialized in handling silver and copper cash were called *yinhang*.

The earliest use of the term *yinhang* seems to have been in the book *Knowledge Circle Primer School Lesson First Steps*, printed in Hong Kong during xianfeng 6 (1856), in which the term "Bank note" is translated as *yinhang qianpiao*. In xianfeng 9, the book by the Taiping Prince of Gan, Hong Rengan, entitled *A New Financial Policy*, has a section called "The Rise of the *Yinhang*." Hong Rengan had just come from Hong Kong, so obviously the term *yinhang* was already in circulation there. In the *English-Chinese Dictionary* published in Hong Kong in tongzhi 5 (1866), under the word "Bank," the first translation given is *yinhang*, with *yinpu* only coming second, followed by *yinhao* and *qianpu*. On the notes issued that year by the English Oriental Bank, the Chinese title of the institution is given as *Dong fan huili yinhang*.

Instead of saying that the circulation of foreign silver dollars in China represented the invasion of China by the power of capitalism,
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it would be better to say that the appearance in China of foreign *banks* represented the invasion of China by the power of capitalism. This is because the inflow of foreign silver dollars began during the Ming Dynasty, and they were circulating in abundance during early Qing.

Nor were the silver dollars which flowed into China in the largest quantities from those countries

which later committed the most severe aggression against China, i.e. England, France, Russia and Japan. Rather they were from countries with relatively minor connections with China, like the Spanish silver dollars, or from countries which had virtually no hostile connection with China, like the Mexican silver dollars. These silver dollars did not only circulate in China. They also circulated in a number of other countries. Even England had used Spanish silver dollars, and the United States relied on them for an even longer period.

The situation differed with respect to foreign banks. The strength of the foreign banks in China was entirely the consequence of aggression by the great capitalist powers. The timing of their appearance in China paralleled the timing of the aggression of the capitalist powers against China. The places where they were found within China coincided with the spheres of influence of these nations. It is very clear that the business they carried on in China was tainted with aggression, and encroached upon China's sovereignty.

No nation committed aggression against China earlier than had England. Hence the earliest foreign banks to appear in China were established by Englishmen. The English had already established banks in India during the jiaqing period [1796-1821]. These came to China later. Some say⁵ that even before the Opium War there were English merchants who were planning to open Bank of India and Bank of Asia branches in Canton, but were prevented from doing so by the British East India Company. At that time the Far Eastern trade of England was monopolized by the British East India Company. The Chinese government also opposed this plan. Hence the silver shops remained the credit institutions of Canton.⁶

After the opening of the five Treaty Ports, movements of foreign merchants in China were no longer hindered. In daoguang 22 [1842] or a bit later, England opened a branch of the Bank of Western India in Hong Kong. The bank's main office was in Bombay. In daoguang 25 this bank changed its name

"Bankruptcy" is translated as *daohang*.

⁵A. S. J. Baster, *The International Banks*.

⁶Lin Zexu, *Xinji Record*, "Draft Discussing the Foreign Merchants' Responsibility For Having the Barbarians Turning Over Their Opium" (year jilai, 2nd month, 4th day): "In addition, the barbarian factories are responsible for what these merchants do, and they rent their residences from the barbarians. . . . The neighboring silver shops have all been making exchanges with these merchants for more than a decade. All of them have drawn drafts on the silver shops; all horse post stations have been open to them."

³Some say that the word *yinhang* [Japanese pronunciation *ginkō*] was first used in Japan to translate the term bank in the Meiji 5 "National Banking Law." Meiji 5 was 1872, or tongzhi 11 of the Qing Dynasty. By then the term *yinhang* had long since come into use in China.

⁴Volume III of Morrison's work, translating English into Chinese, contains as the translation for "Bank bill" the Chinese word *yinpiao*, and for "Banker" the Chinese word *yinpu*, but

to the Oriental Bank, and its main office was shifted to London.⁷ In Hong Kong it was called by a Chinese name translatable as Oriental Remittance Bank. The name remittance bank was generally used then by foreign banks engaged in the foreign remittance trade. The Canton branch office was probably established in daoguang 28 [1848], and another branch was set up a year or two later in Shanghai. The English government granted authority to this bank to issue paper money in China. In Canton or Shanghai this bank was probably known as the *Liru yinhang*, since the same bank was sometimes called by different names in Hong Kong than elsewhere.

The Commercial Bank of India set up a branch office in Canton during xianfeng 1 (1851). It set up a Shanghai branch in xianfeng 4. The Mercantile Bank of India,

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London and China⁸ also opened a branch in Shanghai that year. There was another new bank in Canton at that time, the Agra and United Service Bank.⁹ The Chartered Bank of India, Australia and China was called the *Chada Yinhang* in Hong Kong. It too opened a Shanghai branch in xianfeng 7 [1857].

In tongzhi 3 (1864), Chinese, English, American, German and Persian merchants joined to found the Hong Kong & Shanghai Banking Corpo-

ration. Later, with the withdrawal of Chinese and American capital, it became a purely English commercial bank. Its main office was in Hong Kong. An administrative branch was set up in Shanghai, and branch offices were established in Fuzhou, Amoy, Hankou, Tianjin, Beijing, Chongqing, Canton and Dairen [Dalian]. It holds an extremely important position in the history of banking in China. Chinese tariff and salt excise tax collection were managed exclusively by it for several decades. During these decades it served as England's official representative, and contributed to the rise of the Chinese financial world and of Chinese fiscal policy.

After the English commercial banks, the most important financial power was exercised by Imperial Russia. The Sino-Russian Daosheng Bank (or Russo-Kitajskij Bank) was the representative of this power. This bank was founded after the First Sino-Japanese War, when Russia, France and Germany pressured Japan into returning the Liaodong Peninsula to China in exchange for payment of an increased indemnity by China. The money for this indemnity was borrowed from Russia. In that same year (guangxu 21) [1895], this bank was founded.

Though containing the words Sino-Russian in its title, Imperial Russia and France put up the capital for its establishment, and its management was also in the hands of these two countries. The year after its founding, the Chinese government was permitted to deposit in it 5 million treasury ounces of silver, and it distributed dividends. This was called joint management.

By guangxu 29 (1903), it had branch banks in 15 places: Harbin, Kirin [Jilin], Hailar, Fengtian, Tieling, Lüshun, Yingkou, Tianjin, Beijing, Shanghai, Hankou, Hong Kong, Kalgan [Zhangjiakou], Colombo [Ceylon] and Vliastai. It also obtained the right to build a Chinese-Eastern Railway, and later on the Chinese-Eastern Railway Company shares bought by this bank were transferred to the Imperial Russian government.

The Russo-Japanese War dealt this bank a severe blow. By xuantong 2 (1910), at the advice of France, it merged with the Northern Bank, and its Russian name was changed to Russko-Aziatskij Bank.¹⁰ Its Chinese name was not changed. It issued an additional 24,000 shares, of which only one-sixth were taken up in Russia. The remainder probably fell into the hands of French capitalists.¹¹ Russia also had

⁷A. S. J. Baster, *Imperial Banks* (London, 1929), chapter III.

⁸In guangxu 18 (1892) it changed its name to The Mercantile Bank of India.

⁹For the original names of the foreign banks between daoguang 28 and xianfeng 5, cf. the *Anglo-Chinese Calendar*, for 1848, 1849, 1851, and 1855. For example, the *Dongfang Yinhang* (or *Liru Yinhang*) is given in the daoguang 28 (1848) *Anglo-Chinese Calendar* as Oriental Bank, Hongkong, but in later documents it is always rendered as Oriental Banking Corporation. This bank is already stated as being present in Canton that year, but no mention is made of the establishment of a Shanghai branch. Nor does the daoguang 29 *Calendar* mention Shanghai. I have not seen the daoguang 30 *Calendar*. It is not until xianfeng 1 (1851) that the *Calendar* mentions an "Oriental Banking Corporation, Hongkong, Canton and Shanghai." Therefore the Shanghai *Liru Yinhang* could have been established in that year. It might also have been set up in daoguang 30 [1850], but it also could have been a year or two earlier, if we assume that the *Calendar* had omitted it. However, English businesses in Hong Kong then were not yet numerous, and the managers of that bank must have seen the *Anglo-Chinese Calendar*. If it had made such an omission, it would be reasonable to assume they would have immediately corrected it. In recent years, several books published in China have said that the Shanghai branch was established in daoguang 28, but they provide very little evidence of any kind.

¹⁰For information on this bank, cf. D. K. Lieu, *Foreign Investments in China* (1929) and C. F. Remer, *Foreign Investments in China*.

¹¹M. S. Atlas, *Nationalization of the Banks of the U.S.S.R.*

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a lending bank in Harbin, which was established in xuantong 1 [1908].

Japanese activity was mostly by Japanese banks specially brought to China. The earliest of these was the Yokohama Specie Bank, which established branches in Shanghai and Hong Kong in guangxu 23 [1897], and not long thereafter in Tianjin, Niu-zhuang, Yingkou, Dalian, Fengtian, Changchun, Tieling, Andong and Gongzhuling. The Bank of Taiwan opened a branch in Amoy prior to guangxu 26 [1900]. Japan's financial power was especially robust in the Northeast [Manchuria], especially after the Russo-Japanese War, when it exerted itself to overcome Russian power, with the intention of taking over a monopoly position.

In addition to the Yokohama Specie Bank, the Bank of Korea and Seiryu Ginkō were present. The Bank of Korea pushed into Manchuria at the end of Qing and the beginning of the Republic. The Seiryu Ginkō was founded in Yingkou during guangxu 31 [1905]. After reorganization in xuantong 3 [1910], its main office was moved to Dalian, and branch offices were established in Yingkou, Fengtian, Changchun, Lüshun, Kaiyuan and Tianjin. There were also some other small banks, like the Tieling Bank (Japanese Tetsurei Ginkō).

France had in China the Comptoir d'Escompte de Paris and the Banque de l'Indochine. The former was a branch of a large French commercial bank. The latter was a colonial bank. Though its main office was in Paris, it served as the central bank of Vietnam, with a monopoly of note issue within Vietnam. It had branches in Siam and Singapore. Its Chinese branches were in Shanghai, Hankou, Tianjin, Beijing, Canton, Wuzhou and Kunming.

The Belgian banks in China were the Banque Sino-Belge and the Credit Foncier d'Extrême Orient. The former was founded in guangxu 28 [1902] in the capital of Belgium, Brussels, and a Shanghai branch was set up simultaneously. Another branch was placed in Tianjin during guangxu 32. It mainly invested in Chinese railways. The main office of the Credit Foncier was also in Brussels. The bank opened a branch office in Tianjin in guangxu 33 [1907], and before long opened others in Shanghai and Hankou, which made mortgage loans secured by houses and land.

The Germans had the Deutsche-Asiatische Bank, established in guangxu 15 [1889], with its main office in Berlin, and Chinese branches in Qingdao, Shanghai and Hankou. It issued paper notes in China, including both silver ounce bills and silver dollar bills.

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The Bank of Holland was established in the Dutch capital in 1824. It opened a Shanghai branch in guangxu 29 [1903], and issued paper money.

The United States had the *Baoxin Yinhang* and the International Banking Corporation. The former was founded in tongzhi 3 [1864]. The latter placed a branch in Shanghai during guangxu 27 [1901], and later other branches in Beijing, Tianjin and Hankou, but with the Shanghai branch as the administrative control center. It issued notes in these places.

Therefore, by late Qing, there were more than 20 foreign banks within the borders of China.¹²

These foreign banks took in deposits,¹³ issued

(Chinese translation of the Russian text by Peng Jianhua), p. 8.

¹²Notes on the Current Shape of Official Life, 33: "The next day, the steamship reached Shanghai. The Shanghai district head welcomed him into his office, and took him by the hand into the city to pay a call on the Daotai of Shanghai. After they were introduced, he said he wanted to go to the bank to look into his account. The Shanghai Daotai said, 'But I do not know in which bank you have placed your money.' In great alarm, Fan Tai blurted, 'Surely there are not two banks?' The Daotai replied, 'The English alone have the Chartered Bank of India, Australia and China and the Hong Kong & Shanghai Banking Corporation. In addition there is the Russian Sino-Russian Daosheng Bank and the Japanese Shoryu Bank, as well as the Banks of Holland and France.

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Altogether there are more than a dozen of them.' Fan Tai heard this, stood dumbly for a long time, and then said, 'In the provinces we had only thought there was the Hong Kong & Shanghai Banking Corporation, and their foreign bank notes. Over the course of a few years, whenever my brothers were in Shanghai, they sent me several of them. But I never thought there were a number of banks.'

¹³Zheng Guanying, *Words of Warning to a Flourishing Generation*, 4, "Banks," first part: "The Western countries have both official banks and merchants' banks. In former years, the Western merchants in Hong Kong and Shanghai attracted Chinese and foreign shareholders to found the Hong Kong & Shanghai Banking Corporation, and permitted people to deposit in it silver bullion and silver dollars as they pleased. Anyone could make deposits in silver bullion of from \$1 to \$100 so long as the rate of deposit came to \$100 in a month. Amounts beyond \$100 were applied to the following month. In a year \$1,200 would accumulate. Amounts of \$5,000 or more were categorized as large, and did not come under the rules for small deposits. The interest was set at 3.5 percent reckoned by the month, with the minimum size of the total account during a month used as the basis for calculations."

Flowers of the Sea of Evil, chapter 22: "Manager Guo laughed and said, . . . 'He has big ideas. His silver had all been deposited in a foreign bank, the Hong Kong & Shanghai, or the

bank notes,¹⁴ and offered loans to the government of the day. By means of these loans they assumed a number of special privileges in China. The banks of the imperialist governments of England, the United States, Japan, France, Germany and Russia were most active on this front.

For example, the invasion of Xinjiang in guangxu 3 [1877] by Yaqub Beg allowed Imperial Russia to occupy Ili. To permit it to respond to this situation the Qing government borrowed 5 million ounces from the Hong Kong & Shanghai Banking Corporation, using the Maritime Customs revenues of Wenzhou, Canton, Shanghai and Hankow as security. This was the beginning of the takeover of the management of the Chinese Maritime Customs by the imperialist nations.

In guangxu 4 [1888], to create a navy, the government borrowed 2.5 million marks from the Deutsche-Asiatische Bank at an interest rate of 5.5 percent. In guangxu 5, it made another loan for fiscal purposes from the Hong Kong & Shanghai of 16.15 million ounces at an interest rate of 7 percent. In guangxu 21 [1895], the government borrowed 400 million francs (£15.82 million) from a consortium of French and Russian banks to pay off the Sino-Japanese War indemnity owed to Japan. The following year, to make the second payment to Japan, the Qing borrowed £16 million from the Hong Kong & Shanghai and Deutsche-Asiatische Banks. These loans were all secured by the customs revenues.

To fund the nationalization of the Canton-Hankow Railway, in xuantong 3 [1910], Sheng

Xuanhuai memorialized a request to take a loan from the Japanese Shoryu Bank of \$10 million. This roused the people of Hunan and Sichuan to fight to protect the railroad. At this point the English Hong Kong & Shanghai, the French Banque de l'Indochine, the German Deutsche-Asiatische and the American Morgan Group, the Kongluobu [?] Company and New York First National Bank formed a four power banking consortium, and attempted to secure a monopoly over loans to China.

The first large loan was made in xuantong 3, 3rd month, when the Secretary of the Board of Revenue and Finance, Zaize, borrowed £10 million, nominally to rectify the monetary system and stimulate business, but actually to meet a government deficit. The United States hoped by means of this loan to counter Japan and Russia in Manchuria, but because of resistance by these two nations, only £400,000 was actually paid out.

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These foreign banks were of no particular help to China's production. To the contrary, they sometimes discriminated against Chinese capitalists, refusing to do business with them. The shares of Chinese companies could not be placed as security for loans from them. Naturally there has been no shortage of people to emphasize the behavior of these "men who came to dinner."

The first man in China to advocate establishment of modern banks was the Taiping Prince of Gan, Hong Rengan. In xianfeng 9 [1859] he urged creation of banks to issue paper money.¹⁵ In guangxu 18 (1892), Zheng Guanying also forcefully spoke of the

Sino-Russian, or whatever. Our Chinese money shops had stopped dreaming about finding the way to his side. Then, wonder of wonders, today he suddenly changes his mind, he withdraws all his money, and spreads it out among the money shops of the capital and Tianjin."

¹⁴*Words of Warning to a Flourishing Generation*, 4, "Banks," first part: "If, as now, you have silver bills used by foreign merchants, with the quality of their backing attested by neither Chinese nor foreign official, then the quantity issued is solely at the whim of the issuers. I have heard that the English merchants' Hong Kong & Shanghai Banking Corporation has over a million in bank notes in circulation in Guangdong, and that this bank has gained a book profit of over 2 million. Although there are Chinese merchants who are shareholders, the bank does not do business with Chinese merchants. Even shares from prosperous Chinese companies are not accepted as security, but all foreign company shares are equally accepted as security for loans. Western merchants hold the power, and Chinese merchants lose their profit. The Chinese merchants help with their capital, but the Western merchants receive the benefits from it. What sort of intentions must they have to force such discrimina-

tion?"

¹⁵Hong Rengan, *A New Financial Policy*: "Item: Encourage banks. If we have families with wealth of a million, we should first allow this wealth to be deposited with the treasury, and then permit the issue of 1.5 million worth of silver in paper. The engraving on the notes should be of finely wrought flowers and plants, and they should be stamped with the national seal. Silver and goods would be exchanged for each other, and paper and silver would also be exchanged for each other. All would be given 3 percent interest. If three or four rich people jointly request permission to set up a bank, or if one person makes such a request, none should be denied permission. This would be very profitable for merchants, gentry and commoners: Deposits and withdrawals of such notes will be more convenient than carrying specie. One might carry the equivalent of 10,000 in metal without anyone realizing it. Should these notes be lost in the depths of a river, only the particular individual would suffer a loss, but this would be an advantage to the bank, since the specie would remain in existence. Should a traveler encounter bandits, it would be less hard for him to run away carrying the paper notes."

importance to China of establishing banks.¹⁶ Advocates of banks became more numerous after the Sino-Japanese War. Finally, upon the advice of Sheng Xuanhuai, the Imperial Bank of China was founded in Shanghai on guangxu 23 [1897], 4th month, 26th day. This was China's first new style bank. In succession it opened branches in Tianjin, Hankou, Canton, Swatow, Yantai, Zhenjiang and Beijing.

The Imperial Bank of China was originally founded by the government, with government capital. At first it was intended to be a government bank, and so the word "China" appeared as part of its name both in the Chinese and English version. Zhang Zhidong, however, preferred merchant management, and the government looked into this possibility.¹⁷ Therefore it cannot be viewed as a bank managed purely privately.

It was no accident that China's first capitalist bank was born in Shanghai. This shows that Shanghai had become China's financial center. Later, some banks put their main offices in Beijing. This was merely to keep up political connections. Their business centers remained in Shanghai.

The Imperial Bank of China was modeled on the Hong Kong & Shanghai Banking Corporation in all respects. It even invited Englishmen to take on its management. A Chinese manager was also selected from the traditional banking side. Though this bank had something of the nature of a government bank, even after it was opened, all categories of government funds were still deposited in draft shops and silver houses, and the money of rich merchants of the capital continued to be deposited in foreign banks.

The bank advocated by Zheng Guanying would have been a government bank, with 40 percent of customs revenue serving as its capital. The Maritime Customs was at that time taking in 22 million ounces per annum. Forty percent of that would have come to 8 or 9 million ounces. Aside from this, the Pekin Syndicate (called in Chinese the "English

Merchants Wealth Company") had "recommended" to the Qing court in guangxu 24 [1898] that it run the Chinese official bank, to be called the Great Qing Bank, for a 50 year period, and with a capitalization of £10 million. Of this amount, £6 million would be held by Chinese shareholders. Annual dividends on these shares would be 8 percent. Thirty percent of the remainder

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would revert to the government, and 70 percent would be retained by the bank.¹⁸ Such a procedure was undoubtedly intended to be patterned on the rules of the Bank of England, since that bank was also founded on the basis of an agreement between merchants and the government. The Chinese financial world then was, however, under the sway of foreign merchants. Since China was getting ready to set up such a bank precisely in order to recover its sovereignty, it could hardly have allowed foreigners to run a government bank.

Establishment of a government bank was needed mainly so as to rectify the monetary system. One might say that China did not have a standard money then. The guangxu 28 [1902] "Sino-English Commercial Treaty" contained a clause requiring that China set up a uniform legal tender money. In guangxu 30, the Board of Revenue memorialized to request establishment of a central bank, and the same year it was decided to set up the Great Qing Board of Revenue Bank, with capital of 4 million ounces, and only Chinese as shareholders.

People did not jump at the chance to acquire these shares, since the Chinese still did not understand the nature of banks. Most rich people preferred to buy real estate, and were not used to making financial investments. In the end the government put up the first 200,000 ounces, and the bank did not open for business until the following year in Beijing's Xijiaomin Lane. It was not until guangxu 34 [1908] that the remainder of its capitalization was fully subscribed. Since business was not bad, the amount of its capital was raised to 10 million ounces.

The main office of the Board of Revenue Bank was in Beijing. It had branch offices in Shanghai, Tianjin, Hankou, Colombo, Jakarta, Kalgan, Yantai, Qingdao, Yingkou and Fengtian.

In guangxu 32 [1906], 9th month, the Board of Revenue was renamed the Board of Revenue and Finance, and so the two characters for Board of Revenue were excised from the bank's name, and it

¹⁶*Words of Warning to a Flourishing Generation*, 4, "Banks," first part: "A Chinese money shop has capital of 20-30,000, and makes loans of several hundred thousand. Should there be a slight deficiency in repayments, they will not be able to respond to it. In effect, they are holding the sword by the wrong end. Their debtors are the ones holding the handle. Is this not the case? If our current plan is not to accumulate large sums of money to found banks, then we will be unable to save our commerce, or preserve our markets."

¹⁷*Complete Works of Duke Zhang Wenxiang*, 46, "Memorial Honoring the Imperial Edict to Discuss the Profits From and Abuses Associated With Banks."

¹⁸*Notes on Major Events in China and Abroad During Guangxu 24*, "Announcement of the Pekin Syndicate to Establish an Official Bank."

was called the Great Qing Bank. In accord with the newly promulgated "Great Qing Bank Regulations," it was charged with issuing paper money on behalf of the nation, and exercised control over its quantity on behalf of the treasury.

After the creation of the joint official-merchant run Board of Revenue Bank, new style banks gradually increased in number. In guangxu 31 [1905], for example, the Sichuan Rongchuanyuan Official Bank became the first provincial bank. In guangxu 33, the Bank of Communications was founded in response to a memorial by the Postal Ministry. It too was jointly managed by officials and merchants. The total value of its shares came to 10 million treasury ounces, of which half was initially subscribed. In addition to ordinary banking business, it also handled official funds for roads, telegraph, post and navigation activities, and issued paper money. Hence the range of activities of the Bank of Communications was comparable to that of the Board of Revenue Bank.

Beginning in guangxu 33 [1907], joint stock company banks gradually increased in number. Two Xingye Banks opened in Zhejiang that year, and the following year there were 4 Siming Banks. The Bank of Zhejiang opened in xuantong 1 [1908]. In xuantong 2, there was the Northern Protection of Commerce Bank, and the year after that the 3 Zhibian Banks. Hence by the end of Qing, China already had over a dozen new

[1981] style banks. If we include foreign banks, then there must have been no less than 30 to 40 firms.

At the same time the "Great Qing Bank Regulations" were promulgated in guangxu 34, "General Bank Regulations" were also promulgated, fixing the nine kinds of business banks could engage in: 1. Cashing of checks, 2. Short-term discounting of funds, 3. Deposits, 4. Loans, 5. Buying and selling of uncoined gold and silver, 6. Money exchanging, 7. Taking of acceptances, 8. Issue of acceptances, 9. Issue of silver and cash bills. Any establishments carrying on these nine functions were to be called banks. Therefore, draft banks, silver houses and money shops all came under these regulations. The regulations permitted the banks' capital to be organized as either individual proprietorships, or partnerships, or to take on corporate form, but did not fix the amount of capital.

In fact the provincial official silver and cash houses had begun to be renamed banks at the end of Qing. In xuantong 1, the Zhejiang Official Cash Office was renamed the Bank of Zhejiang. In xuantong 2, the Guangxi Official Silver House was changed into the Bank of Guangxi. In xuantong 3, the Fujian Official Cash Office became the Fujian Provincial

Bank. The Guizhou Official Cash Office became the Bank of Guizhou.

The provisions on issue of silver and cash bills decreed that before the proclamation of a legal tender paper money, both public and private banks could temporarily issue silver and cash bills. It was only necessary that the officially established institutions file monthly reports with the Board of Revenue and Finance of the quantity issued and the amount of backing for this issue. The Board was authorized to send personnel to conduct audits at any time. Private institutions seem, on the contrary, to have not been subject to such supervision. It was not until xuantong 2 [1909] that the "Exchange Paper Money Regulations" fixed the backing for paper money issues at 50 percent in hard money, and 50 percent in securities of equivalent value.

The banks then, whether jointly managed by officials and merchants, or private shareholder banks, focused almost exclusively on issue of paper money. One might even say they depended entirely on issue of paper to maintain themselves and earn money. The basic function of a bank is to support industry and commerce, and so they should take deposits and make loans as their main business, but since Chinese industry and commerce were not well developed then, unless the banks themselves had accumulated plans for the development of industry and commerce, and taken the initiative in such matters, there would have been no significant commerce or industry for them to support.

Very few of the people who ran banks then worried about promoting the wealth of society. As for the rich, they buried any money left over from buying real estate in hoards.¹⁹ Therefore, the banks had no way to gather in large deposits. Small-scale deposits were all taken up by foreign banks and by Chinese draft banks and money shops. As a consequence, the new style banks of late Qing were unable to have a normal development.

¹⁹Mao Xianlin, *Surplus Ink Record*, 4, "Unearthing Hoards": "After the military shelling in Jiangnan, fields and gardens were abandoned to grow wild, and the people had nothing off which to live. Those who had fled into hiding during the time of disorder had dug holes and buried most of their wealth. For this reason, poor people who had lost their livelihoods kept themselves going by picking through the broken tiles and gravel. . . . There were two brothers in Changzhou . . . who were digging things up in square excavations, and at a depth of more than a *zhang* indeed found a number of bills in a hoard. They then took these to a bank. Now they have built a house and opened a silver shop at Ganchang Bridge, and are said to be rich."