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Sinews of Paper: Public Debt and Chinese Political Economy, 1850 – 1914

A dissertation submitted in partial satisfaction of the
requirements for the degree Doctor of Philosophy in History

by

Dong Yan

2019

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2019

ABSTRACT OF THE DISSERTATION

Sinews of Paper: Public Debt and Chinese Political Economy, 1850 – 1914

by

Dong Yan

Doctor of Philosophy in History

University of California, Los Angeles, 2019

Professor Roy Bin Wong, Chair

This dissertation offers a new narrative on the history of public debt in late Qing and Republican-era China (1850 – 1914), highlighting its links with late Qing and Republican political economy. A history of economic ideas and institutions, the dissertation draws from official and diplomatic communications, contemporary newspapers and journals, academic studies and private letters to explore the process of its embedment into Chinese fiscal system and its evolution in China as a set of discourses and practice, including its reception by officials, merchants and general public, and its adjustment to established discourses of political economy in late Qing and Republican China.

Adopting an expansive conception of public debt to include related public credit mechanisms and discourses, the dissertation traces the impact of pre-1850 official debates on late 19th Century Chinese officials' ambivalence towards modern public debt. It argues that a

domestic intellectual and policy reorientation in favour of growth was needed and mostly achieved before Qing's military defeat in 1895, paving the way for large-scale borrowing that in turn reconfigured state-society relations in late Qing. The dissertation also investigates how mid-Victorian liberal discourses on public debt were co-opted by Chinese reformists, which in their modified form of political and fiscal accountability, proved to be effective in dominating late Qing and Republican discourses on public debt.

This dissertation is one of the first English-language studies discussing the evolution of economic ideas surrounding Chinese public debt. Recounting China's historical experiences with public debt, and discourses on political economy that resulted from these experiences would promote a more layered understanding of public debt's role for peripheral economies in the late 19th and 20th Century.

The dissertation of Dong Yan is approved.

Dora Luisa Costa

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To My Family

TABLE OF CONTENTS

Introduction	1
<i>Can the Fiscal State Speak?</i>	9
<i>Naturalising Growth for “Wealth and Power”</i>	16
<i>Debt and Mutating Configurations of Power</i>	20
<i>Chapter Outline</i>	27
Chapter One	
1.1 <i>An Empire without Debt? Mid-Qing Public Finances in Retrospect</i>	32
1.2 <i>Wartime Debt during the Taiping Rebellion: Domestic and Foreign</i>	45
1.3 <i>Counting General Tso’s Chickens: Xinjiang Campaign Loans in 1870s</i>	56
Chapter Two	
2.1 <i>Unformed Opinions: Debating Credit Creation in the Daoguang Era</i>	77
2.2 <i>“Wealth that should be spent, must be spent”:</i> <i>Zhang Zhidong and Public Debt</i>	92
Chapter Three	
3.1 <i>“Chasing heavy profits with light interests”: Adopting to New Ideas</i>	117
3.2 <i>“No Chinaman cares two-pence about representation”: He Qi and</i> <i>Accountability in Public Debt</i>	142
3.3 <i>Grafting a new branch of learning: Liang Qichao and Japanese</i> <i>Sources on Public Debt</i>	151

Chapter Four

- 4.1 *From the Throne to the People: Direct Bond Issuances and its Aftermath* 160
- 4.2 *Fleeced in Their Name: Forced Subscriptions and Popular Politics* 168
- 4.3 *The Novel Politics of Bailout Loans: Shanghai Rubber Share Bubble of 1910* 189

Chapter Five

- 5.1 *“What amount can China pay?”: Boxer Indemnity and assessing
Qing fiscal capacity* 208
- 5.2 *Foreign Devils in Details: Boxer Indemnity as Levers of Fiscal Reform* 219
- 5.3 *Foreign Debts through a Chinese Revolution: Loan Negotiations 1908-1913* 233

Conclusion

- Sinews of Paper, or Continuities and Ruptures in Public Debt* 260

- Bibliography** 271

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Introduction

On the evening of April 25th, 1913, the Chinese parliament held another stormy session, as successive legislators denounced an impending loan of 25 million pounds between Yuan Shikai administration and a consortium of European and Japanese banks. In return for this loan, China was to accept foreign management of its salt taxes, and budgetary oversight by the banking consortium. Much of the negotiation and final agreement bypassed the parliament, whose approval was mandated by law. The task of signing off on the loan triggered a sudden bout of ill-health for the Minister of Finance, who fled to Tianjin the day before and sought to resign. A chartered train and emissaries from Yuan persuaded the Minister that Beijing was also suitable for convalescence.

While cabinet ministers prepared to conclude negotiations before midnight, President of the Senate urgently requested another audience with Yuan, who approved the loan in the afternoon and decided to turn in early. Another cabal of parliamentarians made straight for the Hong Kong and Shanghai Bank's Beijing office, blocking its entrance while their leader, the Yale-educated Senate vice-president harangued British bankers on the loan's illegality without parliamentary approval. Politely parrying the demands of these distinguished protesters (many of whom banked here), the foreign bankers nonetheless instructed Chinese ministers to enter from tradesmen's entrance to avoid scenes. Although the agreement was finally signed at 3 am on April 26th, the parliamentarian-protesters stayed long enough to force another undignified exit by the ministers. Public denouncement of the loan was immediate, followed by armed

uprisings in Southern China two months later.

In an age when China is often the largest creditor to many countries, this image of Chinese parliamentarians protesting in frock coats over public debt is not a familiar one.¹ Instead, we are more likely to associate raucous parliamentary debates over debt with crises and political convulsions in Greece, Argentina, and host of highly indebted countries throughout the twentieth century. The question becomes: why was this image unfamiliar to our view of modern China?

A short answer is that modern public debt, in formats encountered in either 1913 or 2013, was not the main vehicle of capital inflow and accumulation in 20th century China. This answer is more intriguing, when we think about the ubiquity of public debt (domestic or foreign) in fiscal structures of most countries in the past century. The successive debt crises that rotated through much of sub-Saharan Africa, Latin America, and Eastern Europe with distressing regularity

¹ Recent Chinese investment in Sri Lanka's Port Hambantota was reported as amounting to "a debt trap for vulnerable countries around the world". "How China got Sri Lanka to Cough Up a Port", *New York Times*, June 25, 2018. Although some regional experts suggested that "this example (Hambantota) does not support the claim." Deborah Brautigam, "Did China "seize" Sri Lanka's Hambantota Port for Unpaid Debt?", *The China-Africa Research Initiative Blog*, July 1, 2019. In a recent compilation of Chinese overseas lending records, the authors noted that "China's overseas loans share many features with French, German and British 19th Century foreign lending, which also tended to be market based, partially collateralized by commodity income, and characterized by a close link of political and commercial interests." Sebastian Horn, Carmen M. Reinhart, and Christoph Trebesch, "China's Overseas Lending", *NBER Working Paper*, 26050 (July 2019): <http://www.nber.org/papers/w26050>.

demonstrated its importance to countries across the ideological spectrum. Yet 1913 Reorganisation Loan, the one scrutinised by the parliamentarians above, was the last major foreign loan for China issued on global capital markets until 1982; for a while in the frenzied 1960s and 1970s, official publications proudly advertised the line of “neither foreign nor domestic debt”, and halted domestic debt issues until 1981. In the reform era, foreign loans with commercially priced interest were mostly ignored in favour of foreign direct investment and project-based aid by international organisations.

This was not limited to the 20th century; economic historians analysing the divergent trajectories of early modern Europe and China have remarked on an absence of public debt/credit instruments in the Chinese fiscal framework that were comparable to contemporary European institutions.² By the late 19th Century, as fellow Eurasian empires like the Ottomans took up foreign debt with a vengeance, Qing bureaucrats and intellectuals remained broadly ambivalent, until their hands were forced by massive war indemnity bills in 1895.

Nonetheless, the short answer does not explain scholarly oversight for the period between 1870s and 1914 (and arguably to 1937) when public debt played a far more prominent role in Chinese politics and public finance. The few English-language discussions of Chinese public

² A point noted by both Pomeranz in *The Great Divergence: China, Europe, and the Making of the Modern World Economy* (Princeton, NJ: Princeton University Press, 2001) and Wong & Rosenthal in *Before and Beyond Divergence: The Politics of Economic Change in China and Europe* (Cambridge, MA: Harvard University Press, 2011); a broader musing on forms of commercial credit between China and Europe can be seen in Braudel’s *Afterthoughts on Material Civilization and Capitalism* (Baltimore: Johns Hopkins University Press, 1977).

debt during this period tend to surface in larger narratives of political and diplomatic histories. Thus episodes of parliamentary uproar over the Reorganisation Loan of 1913 could be found at footnotes to histories of early Republican politics, if at all. This has relegated public debt and its debates to the backgrounds of social-cultural histories, leaving generalisations from earlier nationalist historiography about public debt mostly intact, and perpetuating the impression of a declining and disintegrating late Qing economy.

Another consequence of eliding over issues of political economy for late Qing and early Republic, in this case public debt and related contentions, involves relying on a reified, minimalist definition of public debt that closely adhered to its transactional features. There are benefits to this approach, as it allows comparisons across countries and time to be conducted more efficiently and analysed under similar metrics, supporting a new crop of quantitative studies on economic history and political economy. But its limitations are also clear; by excluding related forms of public credit and debates on Chinese public debt from analysis, a minimalist definition of public debt can result in more stringency on the scope of topics and materials for analysis.³ At the same time, a reified definition of public debt meant excluding

³ For example, the thorough work done by Chun-yu Ho and Dan Li in amassing bond price data for Republican era bond market reactions to contemporary events was affected by their choice of methodology that paralleled research on mid-19th C. American bond markets, which demanded high-quality data that only the 1920s-30s Chinese bond market could provide. It also left unaddressed potentially fruitful comparisons between how signals from the bond markets were transmitted to the political arena (and vice versa) in 1920s Republican China, as opposed to those during the American Civil War. See Chun-yu Ho and Dan Li, “A mirror of history: China's bond market, 1921–42”, *Economic History Review* 67, no. 2 (May 2014): 409-434.

narratives of its internal evolution and adjustment to different social-economic contexts. For many of the accounts on Chinese public debt, history began in the late 1870s or 1895, when the Sino-Japanese War indemnity loans were negotiated, accentuating the *deus ex machina* quality of modern public debt. As a result, this approach to understanding the role of public debt often has less to say for periods before 1895, when many projects relating to public debt were explored and debated. More importantly, it does not explain why public debt was later superseded as a form of state financing and for a while shunned in 20th Century Chinese ideologies.

While acknowledging such a minimalist definition can be useful in quantitative social sciences and historical sociology, this dissertation presents a more inclusive and fluid conception of public debt, or rather, what should be taken into context when analysing public debt in historical studies.

For late Qing and Republican China, there are two aspects to this broadened conception of public debt. The first is institutional: credit relationships between different segments of Qing state and Chinese public long predated the introduction of modern public debt. This became even more apparent by mid-19th Century, as fiscal deficits for the Qing state became perennial, and older practices transferring obligations spatially to avoid temporal obligations no longer worked.⁴ These credit relationships, deeply entrenched in late Qing fiscal and political

⁴ This refers to the system of inter-provincial transfers in place throughout most of 18th and first half of the 19th century, where subsidies were transferred directly to poorer provinces by their richer neighbours. Many of

networks, shaped the terms of engagement for modern public debt in China. To understand why modern public debt was late on arrival in China, and how it quickly evolved into other forms of credit in the 20th Century, it is essential to include and explore interactions between these related institutions of credit.

Of course, exploring these interactions means identifying what differentiated modern public debt from other institutions, but it also requires identifying features of modern public debt that were specific to the period between 1870s and 1914. This leads to the second aspect of reconceptualising public debt, which is discursive. The study of public debt in late Qing history should not be stripped to its bare transactional features, but must also include the constellation of contemporary discourses on political economy that surrounded it.⁵ As the episode in 1913 demonstrated, Chinese governments and the public found that adopting modern public debt was not as simple as signing on the dotted line. Modern public debt brought along a host of new discourses on economic growth, fiscal reorganisation and political accountability that were specific to late 19th and early 20th Century. For late Qing officials, merchants, and intellectuals, adopting to modern public debt involved negotiating with these challenging discourses, often under varying degrees of duress. In contrast to a reified and normative definition of public debt,

the Qing military campaigns in 18th Century were also funded through accumulated reserves and sale of public office, relieving, but not eliminating the need to enter debt relationships with the public, which of course would represent a claim to future revenues. See Jean-Laurent Rosenthal and R. Bin Wong, *Before and Beyond Divergence*, 163 for a more thorough discussion of this point.

⁵ Of course, within the realms of European and American financial history for this period, it is much more viable and fruitful to construct a narrative that focuses on the historical evolution of these transactional features.

a more historical reading recognises when new ideas of political economy swam into public debt's orbit, and examines the agency Chinese actors exercised in adopting these ideas for domestic consumption.

This dissertation works with these broader conceptions of public debt, and explores the historical and intellectual processes in late Qing and early Republic that gave us the introduction's opening scenes. For if we accept the premise of a broader and more fluid reading, then the Chinese story becomes more distinctive; the spread of modern public debt was a global phenomenon throughout the 19th century, as independent countries and colonies in the Americas, the Middle East and East Asia successively adopted this instrument. Yet compared to most of its non-Western contemporaries, the late Qing state retained much of its fiscal autonomy until around 1895.⁶ This autonomy was accompanied by a set of discourses and practices on political economy, with vibrant debates on fiscal expansion, credit creation, and the role of state in economic governance. Furthermore, these discourses possessed their own intellectual lineages and cycles that were at best ambivalent about many of the basic assumptions that girded late 19th and early 20th century public debt.

The embedding of modern public debt into this framework of public finance thus occurred in

⁶ It is arguable that late Qing fiscal autonomy was already compromised through the loss of tariff autonomy throughout the 19th Century, and there is much to be said for this claim. Fiscal autonomy is defined here as the space in which governments disposed of their revenue in ways as they saw fit, without being significantly hampered by existing claims on their revenue from domestic or foreign agents.

a setting that was both distinctive, given the sophistication and tenacity of established discourses on political economy, and reflective of a global pattern of capital flows that expanded between 1870 and 1914. This dissertation can be read as a case study on how modern public debt, as an integral component of late 19th Century capital flows, was reshaped from its historically specific encounter with China.⁷ The selective reading of mid-Victorian discourses on debt by its Chinese readership, its application in treaty-port speculative bubbles, and the preservation of European coordination vis-à-vis China long after its fracturing in Europe, all suggested a mutation in the nature and function of public debt in an environment that was unusually porous to capital flows, even by the standards of its time.⁸ As a result, this dissertation also complicates existing narratives of capitalist expansion in the late 19th Century, which often left readers with the impression of China as another geographic entity to be incorporated, without sufficient coverage of the historical process, or how aspects of capitalism itself were reshaped.

⁷ Remarkings on the institution of shareholding in Chinese commerce in 1870s and 1880s, David Faure made the similar point that “tradition-bound attitude were not replaced by shareholding in the modern companies. Rather, it was shareholding that was being absorbed into the Chinese business tradition.” David Faure, *China and Capitalism: A History of Business Enterprise in Modern China* (Hong Kong: Hong Kong University Press, 2006), 52.

⁸ Following the de-monetization of silver by British India and Mexico, late Qing and Republican China was a while the only large country that remained on silver standard and allowed for *de facto* free coinage. The multinational origins of its banknotes, documented in Niv Horesh’s *Shanghai’s Bund and Beyond* (Yale University Press, 2009), was only matched by that of the Ottoman Empire. The porousness of Chinese borders to movement of capital and goods was a feature of Republican Chinese political economy until its end and beyond, see Philip Thai’s *China’s War on Smuggling* (Columbia University Press, 2018).

Can the fiscal state speak?

The 19th Century was not kind to administrators or historians of Qing public finance. The century began with a decade-long rebellion in central and southwest China that depleted surpluses accumulated from the late 18th Century, followed by decades of persistent deflation which manifested through high silver prices (relative to copper cash) and formed perennial deficits in central and provincial treasuries. Silver prices didn't revert to norm until 1855-56, but the Qing government was in no state to replenish its reserves, as the Taiping Rebellion and its aftershocks swept through China in the 1850s and 1860s, leaving 20-70 million dead in its wake and a bankrupt Court that resorted to paper currencies.⁹ Fitful efforts to streamline public finances throughout the 1870s and 1880s were constantly side-tracked by new spending in defence and industrialisation, which did not prevent Qing's defeat by Japan in 1895 and an indemnity of 200 million taels (*tls.*). Another bill for 450 million *tls.* from the Eight-nation occupation of Beijing in 1900 rounded off the century.

Faced with such a litany of woes, historians of late Qing public finance generally took up one of two approaches. The more established reading of this period pointed towards a narrative of decline and fall, with the decentralisation and disorganisation of late Qing fiscal structure a symptom of the ineptness of the Qing state. This reading has been favoured by Chinese

⁹ See Cao Shuji, *Zhongguo Renkou Shi* (中国人口史)(Shanghai: Fudan Daxue Chubanshe, 2001), 454-456.

historians of nationalist or Marxist persuasions alike for much of the 20th Century, although their expectations and diagnoses of the Qing state differed considerably. A less ideologically charged variation to this theme came to prominence in Mainland Chinese scholarship since the 1980s, where modernisation became the standard against which public finance in late Qing was judged, with the stress slightly less on its decline, and more of its objective inadequacies as institutions.¹⁰ This reading was informed by both the delayed diffusion of modernisation theory into Chinese scholarship in the 1980s, and exposure to new ideas from institutional economics on taxation and economic growth.

The second approach is of a more recent vintage, but overlaps with the modernisation school by referencing models from new institutional economics. Applying the concept of “fiscal state”, with its origins in historical sociology and early modern European history, historians of late Qing public finance and its political economy have opted for a more neutral, and at times positive reading, casting the process as one comparable to similar instances of early Modern global history. There are, again, two key components to this reading of Qing fiscal history; the first part attributed the design and functioning of fiscal institutions for early to mid-Qing (1650s-1800s) to related sets of discourses on political economy, as well as the distinctive geographic and political patterns of late imperial China. These interlocking factors sustained a fiscal apparatus that differed considerably from its European contemporaries in the prevalence

¹⁰ And as Rebecca Karl noted (albeit for a slightly different scholarly debate), with “pre- and postwar Japan’s successful modernisation” as the spectre. See Rebecca Karl, *The Magic of Concepts: History and the Economic in Twentieth-Century China* (Durham, NC: Duke University Press, 2017), 34.

of public debt, and formed part of a larger conversation on divergence of economic performance between Western Europe and parts of China before the 1800s.

The second part took its cue from the Taiping rebellion in 1851, which served as the exogenous jolt that set various revenue extraction mechanisms in motion. This included the rise of commercial transit levies (*likin*) and custom duties within the revenue structure, accompanied by institutional reforms that enabled greater revenue extraction. The introduction of modern public debt in late 19th Century was also viewed as part of this process of fiscal state-building, producing patterns of revenue and taxation growth recognizable to historians of 18th Century Britain and France.¹¹ The jury still seems to be out on whether the late Qing bureaucrats succeeded in fiscal state-building; Wenkai He thought not, with 17th-18th Century Britain and Meiji Japan as his framework for comparison, while Stephen Halsey gave a more positive assessment, although the latter's points of reference involved modern China's international standing and the fates of formally colonized countries.¹²

¹¹ Although as Regina Grafe convincingly argued, such a pattern of fiscal state-building for 18th C. Britain and France should not be automatically applied to Spain and its colonial empires. The restraint applied to public debt by Spanish Bourbons in early 18th C. led Grafe to remark that “evidently, revenue maximization was not the only game in town for early modern emerging nation-states, even if it was undoubtedly a very important one”, a comment that historians of mid-Qing public finance would probably agree with. See Regina Grafe, *Distant Tyranny: Markets, Power, and Backwardness in Spain, 1650-1800* (Princeton, NJ: Princeton University Press, 2012), 44.

¹² Wenkai He, *Paths toward the Modern Fiscal State* (Cambridge, MA: Harvard University Press, 2013); Stephen R. Halsey, *Quest for Power: European Imperialism and the Making of Chinese Statecraft* (Cambridge, MA: Harvard University Press, 2015).

This dissertation is sympathetic to the process-driven approach of fiscal state-building school, which have carefully sidestepped some of the more overtly normative positions taken by its predecessors. That said, a key aspect of this dissertation is addressing some of the oversights of this approach to our understanding of late Qing public finances.

Firstly, the current approach on fiscal state-building for mid-Qing and post-Taiping eras has rendered the period between 1800 and 1850 an awkward age for historians. This is not limited to discussions on public finance; much of the comparative discussions of economic performances in the Yangtze Delta and Britain used 1800 as a cut-off date, with the deflationary patterns of early 19th Century treated separately.¹³ At the same time, the majority of English-language scholarship used to construct a framework of mid-Qing discourses and practices on fiscal management and political economy have focused on figures who commented based on events from China's long 18th Century.¹⁴ In contrast, the detailed studies of economic policies

¹³ See Kenneth Pomeranz's *The Great Divergence*. Incidentally, Pomeranz's earlier work on economic geography of late Qing Shandong also began in the midst of the Taiping Rebellion. See Kenneth Pomeranz, *The Making of a Hinterland: State, Society, and Economy in Inland North China, 1853-1937* (Berkeley, CA: University of California Press, 1993), Chapters 1-2.

¹⁴ For English-language discussions on this, see Madeline Zelin, *The Magistrate's Tael: Rationalizing Fiscal Reform in Eighteenth-Century Ch'ing China* (Berkeley, CA: University of California Press, 1984); Helen Dunstan, *State or Merchant? Political Economy and Political Process in 1740's China* (Cambridge, MA: Harvard University Asia Center, 2006); William T. Rowe, *Saving the World: Chen Hongmou and Elite Consciousness in Eighteenth Century China* (Stanford, CA: Stanford University Press, 2001). A partial exception to this is Pierre-Etienne Will and R. Bin Wong, with James Lee, *Nourish the People: The State Civilian Granary System in China*,

and ideologies during the Jiaqing and Daoguang eras have been selective in when to venture beyond the 1850s dividing line; terms such as “proto-nationalist” and “economic liberalism” suggested echoes of debates on economic policy in early 20th century, rather than their immediate post-1850s successors.¹⁵ Although the Taiping Rebellion was a seismic event in 19th Century Chinese history, it also enabled a large group of Han officials steeped in economic debates of 1830s and 1840s to wield effective power in the various levels of the Qing government. To overlook patterns of continuity and dialogue in their thinking on political

1650-1850 (Ann Arbor, MI: The University of Michigan Center for Chinese Studies, 1991), although the sections on early 19th Century focused more on the institutional evolution of the granary system, with few perceptible shifts in the discourses supporting these granaries as compared to the 18th Century.

¹⁵ The term “proto-nationalist” was used by William Rowe to assess Wang Liu, an early 19th C. scholar of monetary policies, in Rowe’s article “Money, Economy, and Polity in Daoguang-era Paper Currency Debates”, *Late Imperial China*, Vol. 31, 2 (Dec 2010): 69-96. This is a theme that was developed in Rowe’s recent book *Speaking of Profit: Bao Shichen and Reform in Nineteenth-Century China* (Cambridge, MA: Harvard University Asia Center, 2018), where “an incipient Chinese nationalism” was detected through Wang Liu’s correspondence with Bao Shichen regarding currency reforms. It is interesting that only in the final sections of Rowe’s book do readers detect an extended discussion on the influence of Bao’s economic ideas to late-19th Century discussions. See Rowe, *Speaking of Profit*, 186-195. The phrase “economic liberalism” came from Man-houng Lin’s descriptions of a school of economic thought during early 19th C. in her work *China Upside-Down: Currency, Society, and Ideologies, 1808-1856* (Cambridge, MA: Harvard University Asia Center, 2006). Chapters 4-5 of Ni Yuping’s *Qingchao Jiadao Caizheng yu Shehui* (清朝嘉道财政与社会) (Beijing: The Commercial Press, 2013) also alluded to some of the fiscal reforms for this period, although the focus of Ni’s monograph was chiefly quantitative. It is left historians of early 19th C. Qing thought to cover some of the grounds here, although fiscal policies was clearly not their forte. See Duan Chao, *Tao Shu yu Jiadao Jingshi Sixiang Yanjiu* (陶澍与嘉道经世思想研究)(Beijing: Zhongguo Shehui Kexue Chubanshe, 2001).

economy can be puzzling.¹⁶

Secondly, this oversight of early 19th Century discourses on fiscal and monetary policy meant that when we read current literature on fiscal state-building in late Qing China, its discursive aspects recede from scholarly view. For a period in Chinese history when its economy and polity was rapidly marginalised, this muting of local debates and genealogies of political economy is problematic. Since the term fiscal state (or “military-fiscal state”) originated from historical sociology and quantitative social sciences, the role of ideas and debates in the fiscal state-building process has been contentious. But as studies of early modern European and mid-Qing public finance have demonstrated, contemporary discussions on political economy can give useful insight into the formation and mutation of fiscal policies. An absence of these discussions might lead historians to mistake a catalogue of results for the policymakers’ intention; to give one example, the rise in *likin* proceeds throughout late 19th Century was matched by continuous demands for its abolition, with provincial officials uncertain about the amount collected. The particular form of agency (ie. engaging in fiscal state-building) that we bestow on late Qing reformers through the rear view mirror might not have occurred to them at all, given the absence of statistical instruments and knowledge. For the case of public debt in particular, if discourses on political economy became exogenous to the process of fiscal

¹⁶ An exception to this is Philip A. Kuhn’s *Origins of the Modern Chinese State* (Stanford, CA: Stanford University Press, 2002), especially Chapters 1-2, which dealt with mid-19th C. figures such as Wei Yuan and Feng Guifen, and their influences throughout the rest of 19th Century. However, Kuhn’s priority was on Wei’s writings on constitutional affairs, as opposed to “practical mechanics of change”. See Kuhn, *Origins of the Modern Chinese State*, 31-32.

state-building, then any explanation for its late appearance in Qing China must rely heavily on historical contingencies, an odd place to be for a process rooted in historical sociology.¹⁷

Thirdly, as the narrative of modern public debt's introduction in China moves into the 1890s and 1900s, it is no longer clear if the concept of fiscal state (and its relation, military-fiscal state) is encapsulating the full range of demands made by the Chinese public and state on this institution. Indeed, there seems to have been a growing mismatch between the performance of late Qing and Republican fiscal state, and the social-economic aspirations placed on this system.¹⁸ Another key feature of public debt's evolution in China by the 1900s is its connections with the rise of conceptualising China as a distinct economic unit, both by the Chinese themselves and by her foreign creditors. The role of modern public debt in the era's popular political movements and financial crises signals a need to assess its impact on the formation of a national economy, a concept with distinctly early 20th Century implications. This need for expansiveness can also be seen in Hans van de Ven's recent work on Maritime Customs, which staked a claim not only as an institutional history, but also reprised the role of

¹⁷ *Ceteris Paribus*. "other things" being different forms of public credit that could have developed into models of public debt as seen in early modern Europe.

¹⁸ A mismatch that is more apparent for the Republican era, and noted by Julia Strauss in her examination of the bureaucratic detachment/autonomy in the Nanjing era. See Julia Strauss, *Strong Institutions in Weak Polities: State Building in Republican China, 1927-1940* (Oxford: Clarendon Press, 1998), 181. Furthermore, this was not a phenomenon limited to late Qing and Republican China; lofty social-economic aspirations mismatched against rudimentary fiscal state capacities is also a common theme in many late-colonial and post-colonial countries. See Leigh Gardner, *Taxing Colonial Africa: The Political Economy of British Imperialism* (Oxford: Oxford University Press, 2012), Chapter 9.

this fiscal institution in the larger debate on Chinese modernity, which was arguably an even broader concept.¹⁹

Naturalising Growth for “Wealth and Power”

To discuss late 19th and early 20th Century Chinese discourses on public debt and political economy, we need to engage with the theme of “wealth and power (*fu qiang*)”, one of the few intellectual concepts shared between modernisation and fiscal-state schools of historiography.²⁰ For historians exploring this period through narratives of fiscal state formation in particular, it marked a transition in governing priorities for late Qing, from one that was focused on internal stability and welfare, to emulation and competition with external forces. This intellectual and political transition made it much easier to relate the Chinese experience to early modern European historiography of emulation and competition between emerging fiscal-states.²¹

For this dissertation, two aspects within the theme of “wealth and power” should be noted. One

¹⁹ Hans van de Ven, *Breaking with the Past: The Maritime Customs Service and the Global Origins of Modernity in China* (New York: Columbia University Press, 2014).

²⁰ A working definition of the term could be a “quest for military, political, and economic power as a means of preventing the further erosion of China’s sovereignty and ensuring its existence as an independent country.” Halsey, *Quest for Power*, 7.

²¹ Although whether that is an advisable comparison is more of an open-ended question. See Sophus A. Reinert, *Translating Empire: Emulation and the Origins of Political Economy* (Cambridge, MA: Harvard University Press, 2011) for a recent series of case studies on the process of transmitting and translating concepts of political economy in 18th Century Europe.

is its temporality; for Chinese reformist officials and intellectuals in late Qing, the notion of “wealth and power” involved responding to a highly specific reading of political economy propagated by mid-19th Century classical liberalism, with distinct implications for public debt’s adaptation in China.

An example from Benjamin Schwartz’s intellectual biography of Yan Fu might be useful; in refuting Adam Smith’s criticisms of 18th Century British debt, Yan thought that “Smith simply failed to realise the nuclear potentialities, as it were, of the economic liberation which he was proposing”.²² But here lies a question of attribution; this sentiment of public debt sustained by economic freedom did not originate from Yan Fu, but a mid-Victorian reaction against earlier anxieties over public debt by Hume, Smith, and Ricardo, and as a dominant discourse on public debt in the 1870s, transmitted to Yan Fu during his time at Woolwich. The effects of this classically liberal discourse on debt not only lingered in Yan’s own writing (published in 1898), but by rearranging the narrative of Britain’s own experiences with public debt before mid-19th Century, set up a normative standard of public debt for Chinese commentators and historians²³.

²² Benjamin Schwartz, *In Search of Wealth and Power: Yen Fu and the West* (Cambridge, MA: The Belknap Press, 1964), 120.

²³ For example, had late Qing and Republican era historians and critics been aware of the percentage of 18th Century British public debt spent on warfare or the percentage of treasury revenue devoted to repayments on interest and principal (around 30% in wartime and 56% in peace), their criticism of the “unproductive” use of public debt might have been somewhat modified. For discussion of productive vs. unproductive use of public debt, see Chapter 3. British figures came from Patrick K. O'Brien, “The political economy of British taxation, 1660-1815”, *Economic History Review*, 2nd ser., XLI (1988): 1-32.

Another quality of “wealth and power” as a theme for late 19th Century reformists is its dynamism; it was not simply acknowledging the military and economic innovations of the West, as strands of Chinese conservatism (especially post-WWI) have done, but also catching up to them through military and economic growth. Although the notion of catching up through growth has become a truism in our time (and at times synonymous with contemporary China), growth as a distinct agenda of governance was not a priority for late imperial Chinese governments. For late Qing officials and intellectuals debating adapting to public debt in this dissertation, growth was mainly conceptualised as fiscal growth, that is, expansion of state revenue and spending.²⁴ To late Qing treasury bureaucrats steeped in a long intellectual lineage of ambivalence over fiscal growth, modern public debt was doubly ominous, as it required the literal embedment of growth in the shape of interest on both sides of the ledger. Naturalising the concept of growth, at least between 1870s and 1895, meant adjusting to the role of interest in both the late Qing fiscal framework, and its discourse of political economy.²⁵

²⁴ I tend to be cautious in using the term “economic growth” to characterise pre-20th Century policy planning and priorities, especially for peripheral settings such as late Qing China. The rise of growth economics in the Interwar era and its mutation into development economics as a separate category of analysis has been summarised in Arturo Escobar’s *Encountering Development: The Making and Unmaking of the Third World* (Princeton, NJ: Princeton University Press, 1994), Chapter 3. It is interesting that one of the few non-Western pre-WWII thinkers on development mentioned in passing was Sun Yat-sen and his *The International Development of China* (New York: G. P. Putnam's Sons, 1929 Reprint).

²⁵ Perhaps ironically, this took place at a time (1870s) when the discipline of economics was moving away from classical political economy of growth and distribution, towards the neo-classical model of market equilibrium through optimal pricing.

This is where connections to vibrant debates on monetary and economic governance in early 19th Century comes in; the character for “interest” in Chinese (*li*) also took on connotations of profit and benefit in different textual settings, and *pace* Schwartz, Yan Fu was hardly exceptional (or particularly profound) in his attempts to bride “the cleavage between ‘righteousness’ and interest”.²⁶ Many late Qing officials and intellectuals were adept at connecting different strands of early 19th Century debates and policy precedents to expand the discursive space for discussions and pursuit of profit, which was in turn channelled into a tacit acceptance of interest being embedded into late Qing public finances. At the same time, late Qing reinterpretations went beyond Chinese sources; Chinese intellectuals and officials also selectively amplified elements of classical liberal tenets on public debt that legitimised the state incurring these debts for “productive” (translated into Chinese as profitable) purposes. Rather than characterising this selective reading as a case of distortion (implying an pre-existing, reified version of public debt), this dissertation argues that the reinterpretation of public debt by late Qing produced new forms of conceptualising relationship between the state and nascent economy, which would in time reverberate back to metropolises of capital.²⁷

Yet, this is not altogether an account of Chinese intellectual agency. The ambivalence of late

²⁶ Schwartz, *In Search of Wealth and Power*, 125. Much of the focus in William Rowe’s *To Speak of Profit* revolves around this issue in the context of early 19th Century debates.

²⁷ More broadly speaking, the re-interpretation of public debt’s functions was not limited to late Qing China, but a global phenomenon in the 1870s and 1880s by other peripheral economies like the Ottoman Empire and Japan, while at the same time informed by colonial state’s interventions in British India and Egypt.

Qing officials towards incorporating interest into the fiscal structure was not a sign of their ignorance; on the contrary, high interest rates and debt delinquency have featured prominently in Qing-era commercial transactions, with the imperial household and local officials engaging in lending practices with market rates. In a sense, official ambivalence in the 1870s and 1880s stemmed from scepticism that potential revenue growth from the various industrialising projects would meet the multiplier effects of public debt. But as these officials gradually found out, the dynamic process of attaining “Wealth and Power” was a process of industrialisation through debt.²⁸ Furthermore, the sums required for their infrastructural and steelmaking projects meant some form of engagement with the global capital market in late 19th Century was unavoidable, overshadowing existing arrangements of short to medium-term credit between domestic lenders and the state. This was a process already in motion before the major indemnities of late 1890s. Thus historical contingencies of the major indemnities between 1895 and 1901 did not foist modern fiscal state onto Qing China; what it did do, however, was to stamp out the likelihood of a version that stemmed from domestic credit institutions and intellectual lineages of fiscal expertise. In other words, it was the rapid quantitative accumulation of public debt that prompted a qualitative change in the discursive framework of fiscal and economic policies.

²⁸ This is where notions that “Wealth and Power” was simply transplanted from classical Legalist traditions need to be complicated by pointing out that for late Qing officials and intellectuals, what galled them was the gradual realization that their competitors were not technically nor economically static targets. This realization could be best found in literature studying the creation and stagnation of Jiangnan Arsenal.

Debt and Mutating Configurations of Power

The imposition of major debt burdens on China between 1895 and 1901 was when modern public debt became a distinct cause for public anxiety. This was also when, through an erosion of fiscal autonomy, the Chinese experience with public debt became much more identifiable with other peripheral regions in the early 20th Century networks of global capital flows. In particular, the lineage of knowledge, precedents, and practices surrounding fiscal and economic governance was rapidly superseded by Western (and Japanese) sources, at least for much of the central and provincial level.

Emphasizing the global aspects of late Qing public debt here balances earlier sections of this dissertation, which have focused on uncovering domestic-sourced debates on public debt and credit. It also serves as a reminder of the disruptive force and at times, violence that propelled the rise of new discourses and practices on public debt and political economy. Similar to Tianjin under Ruth Rogaski's analysis, a distinct epistemology of public debt was indeed imposed by force through the assessment of Boxer Indemnities.²⁹ Beyond the outright imposition of force, efficient negotiation between Chinese and their foreign counterparts over public debt and monetary reform relied on the internalization of early 20th Century liberal-technocratic discourses on public debt by the Chinese negotiators. Even then, as the American-educated Republican parliamentarians found out in 1913, (forced) convergence in discourses and

²⁹ Ruth Rogaski, *Hygienic Modernity: Meanings of Health and Disease in Treaty-Port China* (Berkeley, CA: University of California Press, 2004), 13.

practices had to contend with differentials in power and capital, with clear implications to broader characterizations of Sino-foreign interactions during this period.³⁰

The pressure to replace established discourses and institutions of fiscal and economic governance came through public debt and its rapid increase throughout 1890s and 1900s, and made itself felt through two major and interlinking channels.

The first refers to successive efforts by foreign creditors and governments to entice and impose a particular version of national economy through foreign debt, which, through a convergence of fiscal and monetary practices and discourses, would protect the flow of foreign capital to China. These efforts were hardly unique to China; similar programs were extended to varying degrees in Ottoman Empire, Egypt, Greece, British India, and Latin American Republics. Realigning the late Qing experience with its peripheral contemporaries, as suggested in this dissertation, might be more useful in understanding key issues of contention in late Qing public debt.³¹ Furthermore, in contrast to the implied agency in narratives of fiscal state-building,

³⁰ This of course refers to earlier discussions on the use of “colonialism” and “semi-colonialism” as analytical terms for late Qing and Republican era history (Hevia, Barlow, and Goodman etc), a debate that interestingly was refracted through an absence of these terms in more recent institutional histories of the Customs Service and Chinese Railways. See Hans van de Ven, *Breaking with the Past*, or Elisabeth Köll, *Railroads and the Transformation of China* (Cambridge, MA: Harvard University Press, 2019).

³¹ Few studies of economic history or history of economic ideas for late Qing have made an explicit attempt to place the Chinese experience in a different, more peripheral context. Cultural-intellectual history is of course another matter, where works such as Rebecca Karl’s *Staging the World: Chinese Nationalism at the Turn of Twentieth Century* (Durham, NC: Duke University Press, 2002) directly addressed this phenomenon, and it

formation of national-scale economies could and did take place in settings where local agency was deeply compromised.³²

These efforts relied on the foreign occupation of Beijing to expand on late 19th Century attempts at extracting more economic knowledge from the Qing government, which originally began as a project to discipline China into a recognized borrower on global capital markets.³³ But since public debt was (and is) intimately entwined with credit creation, the debt burden from foreign occupation in 1901 became *raison d'être* for reorganising the means of credit creation (and debt

famously formed the topic of inquiry for Theda Skocpol in historical sociology. More often, scholarly attention (especially in Chinese) have focused on comparisons with the exceptional case of Meiji Japan, which although understandable from a historical perspective, since this was also a comparison made by late Qing officials and intellectuals themselves, perpetuates a normative dichotomy of order/disarray, progress/turmoil that might be of limited explanatory power. Future works by Andrew Liu might serve as a corrective in this regard, including "Production, Circulation, and Accumulation: The Historiographies of Capitalism in China and South Asia." *The Journal of Asian Studies* (2019): 1-22.

³² Most notably Manu Goswami's *Producing India: From Colonial Economy to National Space* (Chicago: University of Chicago Press, 2004), but also sections on British colonial policies in Egypt in Timothy Mitchell's *Rule of Experts: Egypt, Techno-Politics, Modernity* (Berkeley: University of California Press, 2002).

³³ As more recent works by Marc Flandreau and his co-authors recognised, procedures for issuing sovereign debt on European markets in late 19th Century were heavily influenced by preferences of key financial institutions and banking groups, which selectively fed the market with favourable (or otherwise) pieces of information, as well the reputational effects of their imprimatur on new bond issuances. See Marc Flandreau, *Anthropologists in the Stock Exchange: A Financial History of Victorian Science* (Chicago: University of Chicago Press, 2016) and Marc Flandreau, Juan H. Flores, Norbert Gaillard, and Sebastián Nieto-Parra. *The end of gatekeeping: underwriters and the quality of sovereign bond markets, 1815-2007*. No. w15128. National Bureau of Economic Research, 2009.

repayment), which in this era meant attempted convergence to gold-exchange standard funded by foreign loans. In other words, European and American bankers and governments sought to convert overt displays of military power into discreet levers of financial might through the promise of larger loans.³⁴ What made this global phenomenon of particular interest to the late Qing government, as I argued here, was its preference for a centralised bureaucracy that has internalised contemporary tenets of public debt and currency management, which by the 1910s has evolved into a highly technocratic operation under a liberal veneer.³⁵ This functionalist preference for centralised bureaucracy opened up space for limited co-operation between foreign creditors and the Qing government, whose adaptation of new discourses and institutions

³⁴ Again, this is a topic where the Chinese position could be better understood within a context of peripheral nations' experiences, although Chinese language literature on monetary reform plans for late Qing have tended to overlook the role of foreign debt and foreign advisers, which in many instances presaged their intervention in the 1930s (a topic that *did* receive extensive coverage by Wu Jingping and his students). English language discussions tended to come from historiography and perspectives of the creditor nations, such as Emily Rosenberg, *Financial Missionaries to the World: The Politics and Culture of Dollar Diplomacy, 1900-1930* (Durham, NC: Duke University Press, 2004) for the United States, E. W. Edwards, *British Diplomacy and Finance in China, 1895-1914* (Oxford: Clarendon Press, 1987) for Britain, and Michael Schlitz, *The Money Doctors from Japan: Finance, Imperialism, and the Building of the Yen Bloc, 1895-1937* (Cambridge, MA: Harvard University Asia Center, 2012) and Mark Metzler, *Lever of Empire: The International Gold Standard and the Crisis of Liberalism in Pre-war Japan* (Berkeley: University of California Press, 2006) for Japan. In these case, the late Qing and Republican responses were understandably discussed as responses to initiatives from creditor countries.

³⁵ The previously under-emphasised centrality of Asian economies in the framework of pre-1914 Gold Standard and central bank coordination is well explained in Mark Metzler and Simon Bytheway, *Central Banks and Gold: How Tokyo, London, and New York Shaped the Modern World* (Ithaca, NY: Cornell University Press, 2016), Chapter 1.

of fiscal and economic governance was intended to preserve and expand the writ of its central government.

The intentions of late Qing and Republican governments lead the discussion to the second channel through which public debt and related discourses made its pressure felt; namely how domestic configurations of power and discourses of political economy were affected by modern public debt. For “Wealth and Power” was a concept that decisively reshaped late Qing’s approach vis-à-vis foreign competitors, and naturalisation of growth into domestic repertoire of political economy did not offer a template for how to reorient existing patterns of distribution across geographic and social groups within the Qing polity.³⁶ Nor was it clear on the extent of state’s role in search of “Wealth and Power”, or its relationship with other domestic actors.

These uncertainties, coupled with a ballooning debt burden between 1895 and 1913, formed the backdrop to repeated negotiations between the Qing and Republican state and Chinese public over the relationships between the state and financial intermediaries, and between the state and potential domestic bond subscribers. While the relationship between Qing state apparatuses and financial intermediaries was of long standing, domestic bond subscribers was a new category. Here, the constellation of discourses surrounding modern public debt exerted

³⁶ The distributional effects of late Qing’s economic and fiscal policies have received more attention from economists than historians, but Shuang Chen’s *State-Sponsored Inequality: The Banner System and Social Stratification in Northeast China* (Stanford, CA: Stanford University Press, 2017) and last chapter of Pomeranz’s *Making of a Hinterland* both addressed distributional effects at a regional level.

divergent pressures on different constituencies; attracted by a populist reading of public debt and its experiences with foreign banking groups, the Qing government sought to reduce the role of financial intermediaries in domestic bond issuance.³⁷ In response to the state's attempt to forge a direct relationship with the subscribing public, a liberal discourse of fiscal and political accountability became widely endorsed by reformist intellectuals. Such a discourse shared with foreign creditors the demand for fiscal reforms and more financial data, while their points on political accountability became part of a larger constitutionalist movement in the 1900s. Yet, as the cases of Railway Protection Movement demonstrated, reformist intellectuals, as missionaries of new ideas on public debt and political economy, could form temporary alliances with gentry and provincial governments, and legitimise a form of enforced bond subscription by the peasantry.³⁸

³⁷ That this point was quickly adopted by the late Qing government might also have something to do with the traditional ideal of reducing extra-state intermediaries between state apparatus and the general population. See Bradley W. Reed, *Talons and Teeth: County Clerks and Runners in the Qing Dynasty* (Stanford, CA: Stanford University Press, 2000) for Qing official ambivalence towards extra-state intermediaries. Similarly, the relationship between Qing state and established financial intermediaries such as remittance firms (*piaohao*) during this period was also contentious, with treasury officials deploring the monopoly these firms had on provincial revenue remittances (in return for short and medium-term loans to provincial governments), as opposed to pre-1850 practice of direct transfers from provincial treasuries to Beijing.

³⁸ This both parallels the findings made by Jean-Laurent Rosenthal on *ancien regime* taxation rates and state-elite bargaining (See Jean-Laurent Rosenthal, "The Political Economy of Absolutism Reconsidered", in Robert H. Bates et al., *Analytic Narratives* (Princeton, NJ: Princeton University Press, 1998), 64-108), and presages the type of heavy rural taxation burdens by Nationalist and Communist regimes in 20th Century China.

In a sense, the midnight dramas at the beginning of this introduction represented a confluence of these channels of pressure, as foreign demands for a national economy conducive to foreign bondholders ran up against domestic goals of political accountability for public debt. Both were progenies of the larger classically liberal discourses on public debt adapted to Chinese settings, and have previously worked in tandem to limit the late Qing state's Weberian tendencies. The underlying fissure was latent in 19th Century liberal discussions on public debt, but the debacle over Reorganisation Loan of 1913 was its first major appearance in the Chinese context, and opened the door for the Republican state's repurposing of modern public debt.

Chapter Outline

One of the challenges in pushing an account of Chinese public debt to the mid-19th Century is picking out different threads of Qing public finances before, during, and immediately after the Taiping Rebellion, and weaving them into a coherent narrative that demonstrates its relevance to debates in the next chapter. **Chapter 1** begins by sketching an overview of public finances up to the Taiping Rebellion, noting the preference of Qing governments in alleviating regional and social disparities through inter-provincial fiscal transfers, as well as a widening of government deficits even before 1850. These factors meant that provincial authorities were forced to seek other means of funding their campaigns in the 1850s, including the formation of a symbiotic credit relationship with domestic remittance firms, and incurring court-sanctioned loans from foreign trading houses. This dissertation makes a distinct intervention here, by stressing the continuity of credit relations between provincial authorities and foreign merchants

in the Canton trade to Zuo Zongtang's military campaign loans in the 1860s and 1870s, something that has been truncated in existing historiographies. The presence of domestic remittance firms and Zuo's exploration of medium-term bonds with these agents also suggested an alternative form of public credit that relied on existing patterns of political economy and domestic financial institutions.

Just as Chapter 1 sought to extend the span of public debt to the mid-19th Century, **Chapter 2** argues for the importance of revisiting mid-19th Century debates on credit creation and economic governance. In mid-19th Century discussions on credit creation, we can already detect an enlarged vision of state capacity and its role in mediating market behaviour. Although their aim was to return public finances to a more balanced state (in response to perennial deficits of the 1830s and 1840s), their debates on expanding sources of economic knowledge and monetary innovation clearly carried over to protégés of debates' participants, who exerted greater influence in policy-making of the 1870s and 1880s. The chapter's second half addresses intellectual legacies of these debates for the late 19th Century task of naturalising discourses of growth and profit. In contrast to mid-19th Century debates, our lens focuses on provincial governors such as Zhang Zhidong (1837-1909), who had an outsized role in articulating versions of reformist policies that were widely endorsed by late 19th Century Qing officials and gentry. The key, I argued, was to endorse a discourse of state-directed profit-seeking that had its roots in 18th and mid-19th century precedents, which opened up a discursive space for Zhang's industrialising projects in the 1880s and 1890s, although the scale of public financing needed for these projects was clearly beyond Zhang's initial projection.

The task of naturalising growth was not limited to sources from domestic pedigree of political economy. **Chapter 3** traces how foreign ideas surrounding modern public debt in late 19th century were read and adapted not only by reformist Chinese intellectuals, but also that of merchants. In contrast to later Chinese historiographies that decried against exploitative foreign financiers and imperialists, first receptions of public debt in treaty-ports were broadly positive, emphasising mid-Victorian discourses of mutual growth through productive use of foreign loans. This reception was backed up by actual subscriptions by Chinese merchants to foreign bond issuances, but Chinese readers also made significant modifications to the liberal discourse, by expanding the discursive space for state's role in borrowing for growth, and protecting merchants' interests. The multiple overlaps between these agendas and those endorsed by some Qing officials, albeit from a different intellectual tradition, formed the intellectual basis for the reformist camp's arguments for public debt for much of 1880s and 1890s. China's defeat against foreign powers in late 1890s did not dampen this message, but the element of accountability, both fiscal and political, was added to the repertoire of demands for modern public debt. That said, in examining the intellectual sources of arguments by late Qing intellectuals such as He Qi (1859-1914) and Liang Qichao (1873-1929), we can already detect a superseding of domestic precedents of fiscal governance in favour of foreign sources by early 1900s.

Having traced the evolution in how discourses on public debt were read, **Chapter 4** discusses how they were actually deployed by different segments of the late Qing society in their

experiments with modern public debt. Both the late Qing court and overseas Chinese students offered visions of how a new relationship between the State and perspective bondholders should be constructed, with the Qing state reworking rhetoric of dynastic loyalty into a direct relationship between the Court and its subjects, while the student groups took up the discourse of nation-saving and political accountability to legitimise their collaboration with provincial governments for forced subscription from Sichuanese peasants. Particularly for the case of Sichuan Railways, the discursive power that foreign-sourced ideas surrounding public debt exerted reflected the intellectual turn first detected in Chapter 3. However, both the Qing Court and Sichuanese gentry relied on a conceptualisation of state-bondholder relationship that was notable for its absence of financial intermediaries. The last section of this chapter offers a study in contrast, by looking at how Qing provincial officials were forced to rescue treaty-port domestic financial intermediaries in 1910, and incurring public debt through the process. The degree to which Qing authorities' hands were forced by global capital flows and China's peripheral position in it would lead us to the concluding chapter, which concentrates on foreign efforts to remould late Qing economy and government through foreign debt between 1900 and 1913.

In a dissertation that has thus far stressed domestic receptions and evolutions, the last chapter stands out somewhat for its emphasis on external pressures via public debt. In a way, this is a reflection of how quickly China's fiscal autonomy eroded following successive defeats in 1895 and 1901, and the latter is where **Chapter 5** began, at the negotiating tables of Beijing under foreign occupation. The careful selection of revenue streams as debt collateral in Boxer

Indemnity negotiations provides an example of how foreign creditors wished to effect fiscal reform within late Qing, but without overt administrative interventions. The second and third section, which dealt with Chinese responses and negotiations over currency reform (to be underwritten by another foreign loan to China), offers a functionalist perspective on why Anglo-American bankers and governments in particular preferred a centralised bureaucracy in late Qing and Republican governments. Such an overlap with the aims of central government in Beijing partially explained the comparative ease of the negotiations in 1910 and 1911, yet their efforts were rendered moot by the 1911 Revolution, whose exigencies led to a different loan being negotiated by 1912 and 1913. The chapter concludes by reviewing how the Republican bureaucracy in Beijing attempted to cope with conflicting demands from their foreign creditors and Chinese parliamentarians.

Chapter One

1.1 An Empire without Debt? Mid-Qing Public Finances in Retrospect

When modern public debt was first reported in Chinese newspapers in 1873, the editorials noted that “national debts are widespread in the West but not in China, since it is inappropriate for the imperial majesty to seek loans from the people.”³⁹ That said, the assortment of fiscal issues public debt dealt with in Europe also existed in the Qing empire, namely that of inter-temporal collection and distribution of revenue for multi-year spending commitments. The Qing also shared with some of the European empires the task of distributing resources across a wide geographic area with uneven economic development. And unusually for its time, the empire’s governing class also professed a set of beliefs on political economy that acknowledged the needs of rural peasantry.

In contemporary economies, public debt plays a major and integral role in addressing these needs, a role that it gradually acquired as early modern and modern governments took on more responsibilities. That the Qing government managed to fulfill a similar range of tasks for much of 18th and early 19th Century without this institution, in a highly commercialized society where credit transactions were common, deserves a closer examination in this section. The discussions here also form a basis for understanding the difficulty late Qing reformers had in persuading officials and scholars to move away from this policy framework on public finances.

³⁹ “On National Debt (国债说)”, May 17, 1873, *Shenbao*.

For its main source of revenue, the Qing continued the practice of relying on land-based taxation from the Ming and earlier dynasties, comprising roughly 60.3% of general revenue accounted for in 1753.⁴⁰ More specifically, it also meant that they inherited land tax and surtax quotas from the Ming authorities in mid-17th Century. These quotas were disproportionately weighted towards the Yangtze Delta region, which were economically most active. For the most productive land parcels surrounding Suzhou and Shanghai, the amount assigned per unit would be 3-4 times higher than neighbouring counties, and ten to twenty times higher than peripheral provinces.⁴¹ In addition to land tax and surtaxes, the provinces surrounding lower Yangtze (Jiangsu and Zhejiang) were also required to supply a majority of grain for consumption in Beijing. Jiangsu alone was required to send almost 25% of the nationwide quota in 1753, at around 2.21 million piculs it was about six times as much as Hubei, and 21 times more than Hebei in northern China.⁴²

This emphasis on lower Yangtze was essentially an inheritance from the economic geography and tax policies of late Ming (1572 – 1644), but was slow in catching up with the rise of provinces in middle and upper reaches of the Yangtze (Hunan, Hubei, and Sichuan) in grain

⁴⁰ Zhang Tingyu (张廷玉) ed., *Qingchao Wenxian Tongkao* (清朝文献通考) (Hangzhou: Zhejiang Guji Chubanshe, 1988 Reprint), Vol. 1, 5250.

⁴¹ Xu Ke (徐珂) ed., “Jiading Fufu Sandayu (嘉定浮赋三大狱)”, in *Qingbai Leichao* (清稗类钞) (Beijing: Zhonghua Shuju, 2010 Reprint).

⁴² Ye-chien Wang, *Land Taxation in Imperial China, 1750–1911* (Cambridge MA: Harvard University Press, 1974), 92-93.

supply and economic activities in the 18th and early 19th Century. Although aware of the problem, government responses were half-hearted, with minor surtax reductions and intermittent tax reliefs in the 18th and early 19th Century, but permanent reductions in land tax and grain quotas for the lower Yangtze were not enacted until late 1860s. A particular feature of Qing land taxes is the merging of poll tax with land taxes in 1711, which meant official taxes would no longer be tied to population growth. Given the significant increase in population in 18th and early 19th Century, this decision was significant in understanding fiscal constraints faced by the Qing state, and subsequently the importance of public debt alleviating some of the constraints.

Other key sources of Qing revenue during this period also reflected significant geographic and social disparities in 18th and early 19th Century. Salt levies, which formed around 13 - 16% of general revenue between 1753 and 1812, were also concentrated in modern-day northern Jiangsu and Zhejiang provinces.⁴³ Available figures from early 18th Century indicates that salt farms in Zhejiang and northern Jiangsu contributed up to 83% of production taxes accounted for by the Treasury.⁴⁴ Similarly, custom earnings from three stations of Canton, Suzhou, and Jiujiang (along the middle reach of Yangtze) alone comprised 54% of all custom revenues received in 1799, with the port of Canton taking up over a third of the entire revenue.

⁴³ Xu Tan (许檀), Jing Junjian (经君健), “Qingdai Qianqi Shangshui Wenti Xintan (清代前期商税问题新探)”, *Zhongguo Jingjishi Yanjiu* (中国经济史研究), Issue 2 (1990).

⁴⁴ Figures from Wang Shouji (王守基), *Yanfa Yilve* (盐法议略) (Beijing: Zhonghua Shuju, 1991 Reprint), and Wang Qingyun (王庆云), *Shiqu Yuji* (石渠余记) (Taipei: Wenhai Chubanshe, 1967 Reprint).

Moreover, the extraction of revenue from these regions, in particular Canton and Jiangsu, went beyond official taxation. A stream of revenue with implications to regional and social inequality were the practices of enforced contributions and sale of public offices. Due to the dubious nature of these transactions in the eyes of bureaucrats, who were mainly selected through the system of examinations, these incomes were only allowed with great reluctance. However, since multi-year projects such as river management and military expeditions could not always be met from the stagnant sources of land and salt taxes, the sale of offices and honours became a regular source of income for the mid-Qing government at around 2 million taels annually between 1796 and 1850. Later research indicated that the economically vibrant provinces of the Yangtze Delta and Canton were the chief purchasers of these offices and honours.⁴⁵ Since these sales of offices were by and large voluntary, this represented a significant transfer of private wealth from a targeted section of the population, which were used for projects that benefited other regions and social groups. In the case of proceeds from office sales between 1820 and 1850, over 25% were used specifically for projects in water management, disaster relief, and subsidies to western provinces.⁴⁶ An involuntary equivalent of office sales in mid-Qing finances consisted of extracting “contributions” from salt merchant groups and those involved in overseas trade in Canton, which formed one of the very few effective means of taxing wealthy merchant groups during the Qing period. Between 1800 and 1820 alone, salt

⁴⁵ Tang Xianglong (汤象龙), *Zhongguo Jindai Caizheng Jingjishi Lunwenxuan* (中国近代财政经济史论文选) (Chengdu: Xi Nan Caijing Daxue Chubanshe, 1987), 188 – 190.

⁴⁶ *Ibid.*, 204.

merchants of Yangzhou alone contributed to around 12.8 million taels through this arrangement,⁴⁷ while a highly incomplete source puts contributions made by Canton merchants between 1773 and 1832 at 5.4 million taels.⁴⁸

Despite not framing the issue explicitly in the context of regional inequality, with implications of active State intervention unpalatable to mid-Qing officials, they were acutely aware of disparities in tax revenues and the need to adjust for these variations in policy formulations. The central government responded by requiring bi-annual revenue reports from the provinces, on the basis of which grouped the provinces into ones that generally ran surpluses (mainly coastal and southern provinces), remaining even (Canton and Fukien), and those requiring fiscal subsidies (Sichuan and other western provinces). For provinces with revenue surpluses, they were required to deliver a portion of which to Beijing, and another portion to the (usually) the nearest neighbouring province with a fiscal deficit. These inter-provincial transfers here were usually used to cover expected deficits in army pay in poorer provinces, since these figures usually remained stable during peacetime. For 1744, five western provinces were scheduled to receive around 4.17 million taels in pay subsidies from six coastal and eastern provinces. According to revenue estimates between 1734 and 1820, approximately between 10 – 30% of total provincial revenues were permitted to remain under provincial administration,

⁴⁷ Ruan Yuan (阮元), Wu Changhua (伍长华) eds., “Contributions”, in *Liangguang Yanfazhi* (两广盐法志) (Beijing: Guojia Tushuguan Chubanshe, 2008 Reprint), Vol. 27.

⁴⁸ Chen Feng (陈锋), *Qingdai Yanzheng yu Yanshui* (清代盐政与盐税) (Zhengzhou: Zhongzhou Guji Chubanshe, 1998), 220.

with the remainder coming under the disposal of the central government, if not always actually transported to Beijing.⁴⁹

Having sequestered significant revenues under its disposal, government expenditure in mid-Qing was distributed across a wide spectrum of regional and social categories. The parsimonious official stipends paid to civil servants and the military, although still comprising the bulk of peacetime expenditures, meant that it would be sensible to assume that once received, these stipends were probably spent locally. In 1782, additional stipends, sometimes by as much as 50%, were stipulated for green standard army officers stationed in Western and Southwestern borderlands compared to those stationed in inland areas.⁵⁰ This was also related to the incessant expeditions carried out by the Qing state in those areas for much of the 18th Century; suppressing the White Lotus movement in Sichuan and southwestern China took over eight years and around 200 million taels in accountable expenditure.⁵¹ On the other hand, except for Beijing, where a concentration of bureaucrats and bannermen under official pay created a centre of conspicuous consumption disproportionate to the size of its regional economy, the major urban centres of the Yangtze delta and surrounding rural regions did not

⁴⁹ Liang Fangzhong (梁方仲), *Zhongguo Lidai Hukou Tiandi Tianfu Tongji* (中国历代户口、田地、田赋统计) (Shanghai: Shanghai Renmin Chubanshe, 1980), 426 – 427.

⁵⁰ The point on different circumstances for military officers in Xinjiang, Yunnan, and Fujian-Taiwan was explicitly made in imperial rescripts. See Kun Gang (昆冈) eds., “Hubu Fengxiang – Waiguan Yanglian Er (户部俸饷 – 外官养廉二)”, *Guangxu Chao Daqing Huidian Shili* (光绪朝大清会典事例), Vol. 262.

⁵¹ Zhao Erxun (赵尔巽) eds., *Qingshi Gao* (清史稿) (Beijing: Zhonghua Shuju, 1998 Reprint), Vol. 125, Section 6.

receive much official spending during this period, certainly nothing in proportion to their tax burdens. This did not prevent some of these cities to thrive in late 18th and early 19th century, but as Jiangsu, Zhejiang, and Hubei provincial officials typically retained only 25 – 30% of its declared tax revenues in this period, it was difficult to find accounts of sustained official investment in local projects.

Another major source of expenditure, unique to the Chinese state, is the significant resources devoted to taming the country's major waterways, with the Yellow River and the Grand Canal receiving most of the funding for maintenance and specific flood-control projects. Between 1805 and 1845, regular spending on the two waterways came to around 4.9 million taels annually, excluding emergency flood-relief projects.⁵² These perennial maintenance and preventive projects could employ over 200,000 – 400,000 labourers at any one time, and were disproportionately beneficial to the peasantry and seasonal labourers in major agricultural provinces of North and Central China, while of limited impact to the Yangtze Delta Region and other parts of Southern China.⁵³ The third channel of major expenditure consisted of intermittent tax remission and disaster relief. Although by the early 19th century, the central government were no longer able to continue the practice of regular nationwide tax break in the

⁵² Estimates from Wang Qingyun (王庆云), *Shihe Yujì* (石渠余记), Vol. 3. Stipends for the Civil Service in 1812 came to around 6.16 million tals. per annum.

⁵³ Scholarship on the history of regions surrounding the waterways in Southwest Shandong attests to the importance of government investment and oversight of major waterworks in maintaining local stability. See Kenneth Pomeranz, *The Making of a Hinterland*.

late 18th Century,⁵⁴ intermittent national tax breaks in celebration of imperial anniversaries were still conducted in 1819, 1835, and 1845, reliving a total of around 62 million taels.⁵⁵ In addition to this, partial tax reliefs and subsidies in the form of silver and grains form an integral part of the mid-Qing public finances, as the government remained dedicated in allocating funding for official granaries, while encouraging local gentry to contribute to charitable granaries. Due to backlogs of provincial fiscal deficits, a significant portion of the tax remissions were simply striking off unpaid tax claims from previous years, nonetheless, the express intention of alleviating tax burdens for the peasantry should be acknowledged.

Overall, it could be argued that fiscal arrangements of the mid-Qing state did attempt to distribute the gains of greater market commercialisation and political stability across regions and social groups, although the rhetoric used were generally focused on alleviating the plight of the peasantry, with the underlying fear of social instability. Qing bureaucrats and their exceptionally well-educated masters were deeply conscious of the historical examples of their Ming predecessors, whose collapse they attributed to the imposition of unbearable levies across the country, leading to peasant rebellion from its most fragile and impoverished provinces, but not from the Yangtze delta region.⁵⁶ If anything, the various smaller uprisings in late 18th and

⁵⁴ Nationwide tax breaks were implemented approximately every ten years during the Qianlong era, reducing the tax burden by around 27 million taels per break. Estimates from Wu Qingdi (吴庆坻), *Jiaolang Cuolu* (蕉廊胜录) (Beijing: Zhonghua Shuju, 2008 Reprint), Vol. 1.

⁵⁵ Estimates according to *Qing Xuanzong Shilu* (清宣宗实录), Vol. 327, 460.

⁵⁶ Of course, this narrative conveniently absolved the Manchus from their role in the disintegration of Ming Empire.

early 19th Century tended to enforce this perception, most of which taking place in peripheral provinces. Certainly the merging of poll tax with land taxes in 1711 was held up by the Qing officials as an unparalleled act of imperial benevolence, although as mentioned before, this also meant that the Qing government gave up one of the most direct means of benefiting from the surge in population during the 18th and 19th Century. It could also explain the relative stagnation in official revenue receipts between 1725 and 1842, which fluctuated between 35 and 48 million taels per annum. In fact, the revenue figures accounted for in 1842 were only 1.29 million taels higher than that of 1725.⁵⁷ This stood in contrast with revenue figures from 1885, a mere forty years later, at 77 million, and of 1911 at 296 million taels.⁵⁸

Despite the stagnation in official revenue, the Qing state still embarked upon a series of large-scale military expeditions throughout the 18th Century, incorporating and solidifying their rule over much of modern-day Xinjiang and Tibet. This was partially financed through the residuals of surpluses accumulated through ‘contributions’ by merchant groups, sale of offices, and *ad hoc* increases in salt levies. Estimates puts the amount of salt merchant contributions to military campaigns between 1734 and 1820 at 41 million taels, and this is not including the contributions of other domestic merchant groups, as well as factory merchants based in Canton. Yet due to the nature of public offices, these sales could not be adopted on a large-scale, regular basis without massive disruptions to the system of state bureaucracy. Similar logic also applied

⁵⁷ *Qingshi Gao* (清史稿), Vol. 125, Section 6.

⁵⁸ Liu Jinzao (刘锦藻) ed., *Qingchao Xuwenxian Tongkao* (清朝续文献通考)(Hangzhou: Zhejiang Guji Chubanshe, 2000 Reprint), Vol. 66 – 68.

to the extraction of contributions from major merchant groups, while proceeds from land taxes were mostly earmarked for regular civil service and military expenses. Ultimately, within the public finance framework at the time, large-scale projects with multi-year commitments were contingent on long periods of peace and surplus accumulation through intermittent extractions.

This led one to the issue of credit, for it revealed a highly complicated and ambivalent relationship between the Qing state and the issue of growth and interest rates. On the one hand, the Qing state was highly adept at taking advantage of the trend towards commercialisation in the 18th and early 19th Century.⁵⁹ Imperial household finances were controlled separately from state finances, and officials managing the privy purse have long relied on large-scale lending to private merchants, with monthly interest rates usually ranging between 0.5% - 1%.⁶⁰ Furthermore, at times it even pressed loans on reluctant salt merchants in late 18th Century, since they were eager to charge higher interest rates, with interest proceeds of up to 1.4 million taels per year from these sources.⁶¹ In general, what experience the Qing officials had of public credit before the 1850s was mainly from the position of a creditor.

⁵⁹ “Shanxi governor Ming De reports that (since) numerous well-run pawnshops operate in Shanxi, 80,000 silver taels of surplus funds currently in provincial treasury should be lent to merchants at 10% interest (per annum). After 5-6 years, in addition to the original amount, one could accrue over 70,000 silver taels with an annual interest of 8,600 taels, enough to subsidize provincial military expenses. The request was granted through an imperial edict.” *Qing Gaozong Shilu* (清高宗实录), Vol. 517, P. 102.

⁶⁰ Wei Qingyuan (韦庆远), *Mingqingshi Bianxi* (明清史辨析) (Beijing: Zhongguo Shehui Kexue Chubanshe, 1989).

⁶¹ “Zhuanyun Shier – Jie Nu (转运十二 - 借帑)”, *Jiaqing Lianghuai Yanfazhi* (嘉庆两淮盐法志) (Yangzhou: Guangling Shushe, 2015 Reprint), Vol. 17.

Yet the blurring between public and private domains of commercial activity, and a distinction between rhetoric and practice, also made it difficult for public lending to become institutionalised and regularised. Government surpluses, even in mid-18th century, were few and far between, and only by directing the proceeds towards educational and military spending were the governors able to avoid opprobrium by government censors. The bannermen who managed imperial household finances were not so fortunate; they were often compared to the grasping eunuchs of late Ming, who scoured the countryside for additional profits.

Instead, up until the 1850s, government borrowing from private merchants consisted of rare emergency loans from money brokers on the county level, appropriations from Canton merchants dealing in overseas trade, and periodic sale of honours and minor offices to individual merchants.⁶² That these transactions should be more considered as borrowing rather than a tax lies in the promise of specific financial rewards as a result of these transactions. For government offices and honours, the price of different offices reflected a calculation of potential financial gains for the individual and his family, while contributions made by Canton merchants guaranteed their roles in the lucrative Canton trade with the West.⁶³

⁶² Perhaps not surprisingly, the Canton merchants were wary of these *ad hoc* demands for ‘contributions’ and often complained of their plights to their foreign counterparts. See Paul van Dyke, *Merchants of Canton and Macau: Politics and Strategies in Eighteenth-Century Chinese Trade* (Hong Kong: Hong Kong University Press, 2011) for further discussions.

⁶³ Lawrence Zhang, “Power for a Price: Office Purchase, Elite Families, and Status Maintenance in Qing China” (PhD diss., Harvard University, 2010).

Beyond scattered instances of conferring monopoly rights to the merchant groups (especially salt), the Qing government, at almost all levels, was not prepared to invest more into the growth and well-being of their commercial enterprises. A significant portion of records from the imperial household archives concerning commercial loans made to merchants did not even reveal the purpose of these loans beyond the most general terms. High interest rates, it seemed, were not enough to entice the Qing government at this time to actively bend market mechanisms in its favour, or to take over these enterprises altogether, but they were high enough to render these businesses highly leveraged and prone to bankruptcies. This was unfortunate, since the imperial household was one of the few institutions that could contemplate long-term lending, and some of debt write-offs for favoured merchant-borrowers made their debts *de facto* long-term loans⁶⁴.

At the same time, asymmetrical relations of power between the Qing government and merchant groups meant the constraint of high interest rates was a one-way street, applied by the state to merchants, but not vice versa. It also reflected an understanding of commerce-based revenue by Qing officials as ultimately supplementary and ad hoc, not integral sources of state revenue. This also implied an acceptance of long-term fluctuations (rather than sustained upward growth) in its agricultural-based land taxes, especially when the growth factor of population has been

⁶⁴ The credit relations between Imperial Household Agency (内务府) and major merchant families such as the Fans of Inner Mongolian trade are well documented in related studies.

partially neutralised through the merge of poll taxes with land taxes⁶⁵. Such an acceptance also meant that other than warfare, court and famine relief expenditure, it was difficult for the Board of Revenues to justify other multi-year expenditures.

By the 1840s, this fiscal system of centralised redistribution was coming under increasing strain. Giving up demographic gains of the poll tax did not absolve Qing rulers from the consequences of population growth. In early 19th Century, domestic discussions of political economy increasingly focused on the issue of over-population and resource scarcity with Malthusian undertones, and its implications for social and political stability⁶⁶. The state responded by regular remissions of land taxes, which despite reducing state revenue, proved to be gradually less effective as a mean of poverty alleviation, as copper to silver ratio for early 19th Century was heavily stacked against the peasantry. This resulted in effective increases in copper coin payments by almost 50%, while the state received the same and often less in revenue based on silver. Since raising revenue through commercial-based taxation remained unfeasible, the government attempted to cope through stealth surcharges on land taxes and salt levies, as well as further retrenchment in its operational expenses on the provincial level. Given that provincial treasuries were only allowed to retain about 20% - 30% of its revenues, this meant that by the 1840s, more provincial treasuries began to call on local merchant groups for stop-gap loans,

⁶⁵ This does not necessarily mean that rural tax burdens were light; the topic of land-based surcharges has been covered in great detail, it is simply that these surcharges were only partially featured in budgets, as local governments have an incentive not to disclose these sources to their superiors at the Board of Revenue.

⁶⁶ For a short summary of key positions in early 19th C. thinkers, see Wang Fansen (王汎森), *Zhongguo Jindai Sixiang yu Xueshu de Xipu* (中国近代思想与学术的系谱) (Taipei: Linking Publishing, 2001), 81.

although the size of each loans were quite small, with interest and repayment contingent on personal and political factors.

Even with provincial officials scrambling for revenues to meet the demands of the central government, significant deficits still appeared at the national level. From 1840 to 1848 alone, the treasury was owed around 24 million taels from various provinces (estimates for annual revenue during this period stood at around 37 – 40 million taels, excluding the sale of offices), or equivalent to around 4% of annual revenue.⁶⁷ As the Chinese economy suffered from a prolonged period of deflation induced by silver shortage, it became more challenging for the imperial treasury to replenish its silver reserves after bouts of military defeats and water work projects. Yet, this system might have muddled along if it weren't for the Taiping Rebellion between 1851 and 1865, which hastened the adaptation of new fiscal instruments and credit relations.

1.2 Wartime Debt during the Taiping Rebellion: Domestic and Foreign

The Taiping rebellion dealt a devastating blow to Qing officials' austerity measures in late 1840s, leaving the treasury in Beijing with merely 227,000 tls. on paper in 1853.⁶⁸ As with

⁶⁷ Estimates for annual revenue during this period stood at around 37 – 40 million taels per year, excluding sale of offices according to *Qing Xuanzong Shilu* (清宣宗实录), Vol. 460, Daoguang 28, Tenth Month. Also see Man-houng Lin, *China Upside Down*, 156.

⁶⁸ To give a sense of proportion to this figure, in 1781, the imperial treasury enjoyed an annual *surplus* of around 70 million taels on paper, and before the Opium War, the annual surplus remained at around 5 million taels.

public credit in Early Modern Europe, war finance became the chief catalyst for fiscal and financial innovation. Exigencies of warfare became an unanswerable justification for experimenting with some of the ideas debated by Daoguang-era scholars and officials, most notably the printing of paper money, and the minting of large-denomination copper coins. The ensuing inflation and havoc caused by these policies in Beijing have been well-documented in English and Chinese language studies.⁶⁹ Instead, this section will stress two major innovations in credit relations between the Qing state and merchants, which stemmed from new sources of revenue; *likin*, a commercial transit levy collected by provincial authorities, and a reorganised maritime custom duty, now under foreign management.

Historians of Chinese public debt often began their narratives with loans by the circuit intendant of Shanghai in 1853-54 from British and American merchants; a small-ish sum of around 120,000 tls. for the purposes of fending off local insurrections.⁷⁰ Not a particularly conspicuous beginning, especially for historians in the early years of the People's Republic, who felt bound to condemn its use to suppress internal rebellions. However, to write off the

Qing Wenzong Shilu (清文宗实录), Vol. 97, P. 33.

⁶⁹ A list of related Chinese-language studies could be found in notes for Chapter 5 of Wenkai He's *Paths Towards the Modern Fiscal State*. An econometric analysis of inflation trends of the period is featured in Xun Yan, "In Search of Power and Credibility: Essays on Chinese Monetary History (1851-1945)" (PhD diss., London School of Economics, 2015).

⁷⁰ About 37,000-40,000 pounds sterling according to fluctuating exchange rates of the time. The loan itself was delivered and repaid in silver. "Memorial by Yi Liang on Recent Victories in Shanghai", December 1853, in *Chouban Yiwu Shimo Bubian* (筹办夷务始末补编)(Taipei, Datong Shuju, 1984 Reprint), Xianfeng Era, Vol. 1, 135.

loan and its successors in the 1850s and 1860s would be too hasty, for the loans themselves, although small in sum (most were around 100,000 – 300,000 tls.), were indicative of larger trends that would resurface in later periods.

Firstly, it is debatable whether these were actually the first foreign loans borrowed by the Chinese government; although Qing government in Canton explicitly banned credit dealings between Chinese and foreign merchants, they were rarely enforced. And there were records from British merchants about their Chinese counterparts seeking a loan due to demands by the governor; certainly for the family of Howqua and others. A portion of the indemnities during the First Opium War stemmed from the Qing government taking up unpaid debts incurred by Chinese merchants, which could also be considered as a form of nationalising private debt holdings.

Secondly, this connection with credit relations in Canton was carried over by Cantonese and foreign merchants in the 1840s and 1850s, who gradually migrated from Canton to the more secure settlements of Shanghai. An example of this group of Cantonese migrants was the circuit intendant of Shanghai (referred as “Mayor of Shanghai” by expatriate newspapers) Wu Jianzhang (1791-1866), who assumed his purchased office in 1854. A successful merchant during the last years of the Canton System, he was a major shareholder in Russell & Co., a general exports firm under American management, and reputedly a fluent speaker of pidgin English.⁷¹ During the uprising by Little Swords Society (*xiaodao hui*), his life was apparently

⁷¹ “Memorial by Huang Zonghan.” 1854, in *Chouban Yiwu Shimo* (筹办夷务始末) (Beijing: Zhonghua

only saved due to his familiarity with the Cantonese rebel leader, and rescue efforts by American missionaries⁷².

In Wu's negotiation with foreign merchants over the loan, custom duties were for the first time explicitly pledged as a source of repayment.⁷³ This marked the first transmission of European practices on public debt to Chinese context, for the pledging of custom duties in Latin American loans as collateral or repayment have been accepted practice on the London market for a period of time by the 1850s. That the customs were able to be pledged was also due to an agreement between Wu and foreign consuls in June 1854, which for the first time formed a committee of Chinese and Western custom inspectors to manage the Shanghai customs, and a precursor to later reorganisation by Robert Hart. Credit relations between Chinese officials and foreign merchants during this period, however, remained fairly fluid; no major foreign banks were involved in the lending until the mid-1860s, and for some of the later loans in Guangdong, *Hong* merchants stood surety for its repayment. With the important exception of customs duty as source of repayment, it would be difficult to distinguish between these loans and earlier commercial transactions between foreign merchant firms and Chinese merchants in Canton.

However, loans from foreign merchants were only available to officials in a few treaty-ports,

Shuju, 1979 Reprint), Xianfeng Era, 381. Also Osmond Tiffany, *The Canton Chinese* (Boston and Cambridge, MA: James Monroe & Co., 1849). 115.

⁷² *Shanghai Xiaodaohui Qiyi Shiliao Huibian* (上海小刀会起义史料汇编) (Shanghai: Shanghai Renmin Chubanshe, 1958), 17-18, 57.

⁷³ *Qing Wenzong Shilu* (清文宗实录), Vol. 182, December 1855.

since much of the custom duties were also used to repay war indemnities for the Second Opium War, and it was difficult to foreign consuls to effectively intervene in cases of delayed repayment for these local loans.⁷⁴ Thus provincial officials were forced to look for other channels of credit from domestic sources, including a massive expansion on the scale of sales for public office and honours, with officials such as Zeng Guofan given blank certificates of official rankings for his discretionary use.

As these sales reached unprecedented proportions while the empire tottered, Shanxi merchants, who operated money brokerages throughout the country and traditionally formed the backbone of office purchases, became less willing to finance government expenditures unconditionally.⁷⁵ Successive efforts by provincial governors to raise ‘contributions’ lead to ever declining amounts (from around 2 million taels in 1853 to around 40,000 taels in 1857), and they were forced in 1853 to instead print receipts (*vinpiao*) to merchant lenders, promising repayment (the calculation of interest remained unclear) after the war.⁷⁶ Although emergency loans to aid military expenditures by money brokerages were not unknown prior to this, the printing of

⁷⁴ American consul in Canton had to complaint to the *Zongli Yamen* in 1863 for the timely repayment of an official loan negotiated by *Hong* merchants. The court responded by ordering the merchants to assume repayment instead. “Memorial by Prince Gong”. September 1863, in *Chouban Yiwu Shimo* (筹办夷务始末) (Beijing: Zhonghua Shuju, 1979 Reprint), Tongzhi Era, Vol. 28, 27-31.

⁷⁵ Contemporary officials wryly recorded the news of a teashop apprentice in Jiangxi purchasing the title of Circuit perfect (a level beneath provincial governor). Zhang Jixin (张德馨), *Daoxian Huanhuai Jianwenlu* (道咸宦海见闻录) (Beijing: Zhonghua Shuju, 1981 Reprint). P. 201.

⁷⁶ Peng Zeyi (彭泽益), *Shijiu Shiji Houbanqi de Zhongguo Caizheng yu Jingji* (十九世纪后半期的中国财政与经济) (Beijing: Renmin Chubanshe, 1983).

receipts with a promise to pay back, instead of the usual grant of offices and honours, constituted a significant departure from the usual practices, and one was almost entirely driven by domestic pressures for reform. But as merchant-lenders to Philip II of Spain discovered, official promises and receipts without tangible collateral cannot be relied upon, and historical records suggest only a very partial repayment of the Shanxi *yinpiao* loans⁷⁷. To address the issue of collateral for public credit, money brokers and their official patrons from the provinces took up another financial service that has been rapidly developing during this period: remittance transfers.

Before the Taiping Rebellion, annual inter-regional fiscal transfers were conducted by government officials, who oversaw and accompanied the overland transportation of actual silver ingots, a time-consuming and expensive process. Throughout the early 19th century, as remittance services became commonly adopted in private financial transactions of urban areas, some officials did attempt to employ money brokerages to transfer their remittances to the Treasury in Beijing, as a part of the tentative economic reforms enacted during the Daoguang era. But as massive amounts of actual silver were needed as method of payment for Mongolian and Russian tea trade, and to finance expeditions to Dzungaria and Kashgaria in the 18th Century, Treasury officials remained wedded to the tradition of storing silver ingots in Beijing,

⁷⁷ See Mauricio Drelichman and Hans-Joachim Voth, *Lending to the borrower from hell: debt, taxes, and default in the age of Philip II* (Princeton: Princeton University Press, 2014) for discussions on Spanish bond issuance and restructuring. It is worthwhile to note that governments in Early Modern Europe borrowed from a similar group of inter-regional money brokers to China in the 1860s.

and officials who employed money brokerages for remittance were reprimanded for withdrawing liquidity from the Pekingese market.⁷⁸

However, the patterns of war were different for the Taiping Rebellion, in that most of the fighting took place in Southeast provinces (also happened to be the main source of Qing revenues), both endangering the security of overland silver transports, and reducing the need for actual transportation to Beijing, only for it to be sent back to the South. Moreover, the rise of Shanghai as a major financial centre ensured an easily accessible supply of silver from aboard to the theatres of war via commercial remittances.⁷⁹ By late 1862, delays in transporting silver to Beijing became critical due to widespread insurrections in Central and North China, with only 1.1 million out of around 7 million taels reaching the capital, forcing the central government to approve of requests by provincial authorities in using commercial money brokerages to transfer annual remittances to Beijing and other provinces.⁸⁰

The use of commercial remittance transfers from money brokerages anchored the growth of these brokerages to affairs of the state in an unprecedented manner. Shanxi financiers have long

⁷⁸ Memorial by Shao Jiaming, January 17, 1829, *Junjichu Lu Fuzouzhe* (军机处录副奏折) 03-3178-006, First Historical Archives, Beijing. A similar case of preferring actual coinage over remittances would be Duke of Wellington's Peninsular campaigns, when transfers from Rothschild were minted into gold guineas for local transactions, at a loss to the British government.

⁷⁹ Due to the Taiping conquest of Suzhou in the late 1850s, most of Shanxi brokerages' Jiangnan regional branch were transferred to the treaty-port of Shanghai. *Shenbao*, January 12, 1884.

⁸⁰ Wang Xianqian (王先谦) ed. *Tongzhi Chao Donghua Lu* (同治朝东华录). Tongzhi 1, Vol. 1, p. 7.

tried to cultivate relationships with aristocrats and mandarins in a manner reminiscent of private bankers in Early Modern Europe, and although they were rewarded with private deposits and political protection from their patrons, the sources of their profits remained private and commercial, with political favours difficult to quantify and easily disrupted. In contrast, between 1860s and 1900s, the turbulent state of Chinese politics and geographical reach of Shanxi merchant houses meant that their service in transferring remittance became difficult to replace. Thus beyond the lucrative nature of handling official remittances (with fees ranging between 4% to nearly 8.5% depending on the distance and amount of transfers in 1862 - 1863), the merchant houses secured an easily redeemable source of collateral that would result in a significant growth of public credit.⁸¹

A similar source of collateral for official borrowing involves the reminting of silver pieces collected by the newly established Maritime Customs under Robert Hart during this period. A subset of money brokerages, usually their district branches in major treaty ports, have cornered the business of reminting silver pieces, duties collected by the Maritime Customs, into standardised silver ingots as required by the Board of Revenue. In addition to charging for reminting fees, a system of monthly transfer of reminted proceeds to the Board meant that these brokerages possessed an interest-free source of short-term liquidity for their own purposes.⁸²

⁸¹ Later fees declined to around 2% - 5% by 1889, still much higher than fees charged for private commercial transfers.

⁸² These brokerages also take advantage of exchange differentials between local tael, Haikwan (Customs) tael and Treasury tael standards, generally calculated at around 1-1.5% of the total.

The literal handling of custom duty proceeds, a secure source of government revenue under foreign collection, meant that it was even more secure and profitable than remittance transfers as collateral.

Holding government remittance and custom duty proceeds as *de facto* security, money brokerages became far more obliging in lending significant sums of short-term loans to provincial authorities, with fiscal transfers from other provinces and provincial transit taxes (*likin*) as main sources of repayment. The phenomena of short-term loans were most prevalent in southern provinces of Guangdong (Canton), Fujian (Fukien) and their customs, as they bore a disproportionate amount of fiscal transfers to the central government. For example, between 1862 and 1881, the customs office in Canton borrowed an average of 1.313 million tael per year simply to meet its quotas for annual fiscal transfers, with an average remittance fee of 2.03% in addition to interest rates.⁸³ The interest rates for these loans remain unclear, but similar short-term loans incurred by Yunnan provincial government in 1886 were set at 6% per month to be paid in six months, with emergency military loans at 15% per month in 1877.⁸⁴ Given the rate of interest, it was inevitable that defaults began to accrue; in Fujian province, unpaid loans and interest have reached over 700,000 taels by 1876.⁸⁵

⁸³ From *Qingdai Guanshui Shouzhi Baogao Biao* (清代关税收支报告表), Customs 24. Grand Council Memorial Archives. Institute of Economics, Chinese Academy of Social Sciences.

⁸⁴ Memorial by Cen Yuying, August 21, 1886, *Junjichu Lu Fuzouzhe* (军机处录副奏折) 03-6102-039, First Historical Archives, Beijing.

⁸⁵ Memorial by Wen Yu, December 15, 1876, *Junjichu Lu Fuzouzhe* (军机处录副奏折) 03-6322-020, First Historical Archives, Beijing.

As the debts piled up, attempts by the central government to ban remittance transfers via commercial brokerages became even less likely to succeed, despite recurring episodes of brokerage bankruptcies in major treaty-ports and financial centres.⁸⁶ In their frequent memoranda to the Treasury objecting to the ban on money brokerages, provincial officials argued that short-term loans have become an essential component of their efforts at meeting annual quotas for fiscal remittances, and by depriving these brokerages of their most profitable line of business, they would no longer be able to service the needs for emergency lending from provincial authorities.⁸⁷ That said, a realistic assessment of the interdependence between public credit and official patronage does not in itself indicate a particular liking for this relationship by the officials, a sentiment that was probably returned by the money brokers, since the brokers could not say with certainty when the loan will be repaid.

In appraising the relationship between various levels of the Qing state and money brokers, much of Chinese scholarship tended to emphasise either their collaboration (from an older Marxist historiographical tradition) or the exploitation of money brokers by Qing officialdom (a more recent reading with an eye to current affairs). This dichotomy ignores both the recent nature of financial innovation in public credit, and omits to mention the crucial link of public

⁸⁶ In late 1883, the collapse of another well-connected brokerage in Shanghai, resulted in the loss of over 12 million taels, a significant portion of which consisted of government funds ready for transfer. It also triggered a severe liquidity crisis in Shanghai and Beijing. *North China Daily News*, December 12, 1883.

⁸⁷ Memorial by Rui Lin, April 16, 1865, *Junjichu Lu Fuzouzhe* (军机处录副奏折) 03-4938-038, First Historical Archives, Beijing.

credit in maintaining (and ultimately dissolving) their ties.⁸⁸ It also connects the purchase of official honours and offices by money brokers with actual participation of the governing class between 1860 and 1895, a problematic assumption that needs qualification here.

For example, if we examine the 1879 survey conducted by Maritime Customs on treaty-port banking systems, where the names and official ranks of those in charge of reminting silver pieces are given, we would see that almost all of them were merchants by profession, and the titles and offices purchased honorary positions devalued by the rampant sale of offices in the 1860s and 70s.⁸⁹ During this period, the bureaucracy was still mainly selected from candidates who passed the requisite civil service exams, while leaving positions open for those who participated in suppressing the Taiping rebellion. It was for the latter group, who already formed connections with the mandarins through ties of lineage, locality and career, that offices for sale became a successful route for social mobility. While even the most successful of merchant bankers of the period – Hu Guangyong (1823-1885) – did not manage to transform catapult himself into the inner sanctums of the central government, despite having been awarded the rankings of a provincial treasurer.⁹⁰

⁸⁸ Although in this, past historians may have been misled by contemporary reports, both domestic and foreign, on the supposedly ancient heritage of the money brokers. That ancient institutions might also innovate of its own accord would not have served the proponents of traditional/modern dichotomy very well.

⁸⁹ Chinese Imperial Maritime Customs, *Haikwan Banking System and Local Currency at the Treaty Ports*, (Shanghai: 1879). The publication was a response to Hart's 1877 circular requesting reports on local banking systems.

⁹⁰ In letters between Zuo Zongtang and Hu Guangyong, a sense of boundaries between Zuo and Hu persisted,

This ambivalence in government relations with money brokerages was reflected in how these public loans were negotiated and used; although these loans possessed guarantees of repayment through specific channels of provincial revenue, and *de facto* collateral in the form of remittance and reminting operations, they were not tradable as securities in the event of liquidity crises or bankruptcies. The difficulties in pricing these loans, that is, the calculation of their default likelihoods, made the repayment contingent on the brokerage maintaining its existing relationship with provincial authorities.⁹¹ Furthermore, as most of these short-term loans were used to cover remittance deficits, and since merchants were not privy to official budgetary estimates, it was impossible for merchant to predict its returns beyond the most cursory guesses based on commodity and silver prices.⁹² However, as we shall see from the next section, faced from institutional competition from modern public debt, Qing officials did attempt to institutionalise existing credit relations with domestic brokerages.

1.3 Counting General Tso's Chickens: Xinjiang Campaign Loans in 1870s

Xinjiang Campaign Loans, also termed Western Campaign Loans (*Xizheng Jiekuan*), refer to

not dissimilar in tone to letters between British aristocrats and their estate agents, even as Hu was entrusted with negotiations for funding in Shanghai.

⁹¹ Or more specifically, the priority which a particular tranche of loans will be repaid, and the proportion of its repayment.

⁹² Government budgets in China, unlike trade figures published by the Maritime Customs, were not organised and made publicly available until the 1900s.

six loans negotiated between 1867 and 1881 by agents of Zuo Zongtang with Western merchants and bankers. The first two loans in 1867 and 1868 were used to suppress Hui rebels in Shaanxi and Gansu provinces, and as these rebels retreated and merged with forces of Yakub Beg in Xinjiang, a further four loans were needed for Zuo's re-conquest of Xinjiang between 1875 and 1881.⁹³ Zuo was permitted by the court to directly negotiate with foreign lenders.

This represented a change from pre-1850s practices of major wartime finance, where the grand council (founded to manage wartime provisions in 1726) took the lead in coordinating between boards of war and revenue as well as arranging provincial transfers to the front. The emptying of treasury reserves from suppressing Taiping rebellion in the 1850s, however, meant provincial governors were given room to secure funding locally and regionally. This led to “within the confines of the old three-partite system of powers—of the throne, the central government (in our case, specifically, the Board of Revenue), and the provinces—the rules of revenue sharing were renegotiated during the era of war”.⁹⁴

A key feature of this renegotiation was the greater importance attached to local discussions and

⁹³ For a succinct account of Yaqub Beg's regime in Xinjiang and Zuo's re-conquest, see Ho-dong Kim, *Holy War in China: The Muslim Rebellion and State in Chinese Central Asia, 1864-1877* (Stanford, CA: Stanford University Press, 2004). Also see Wen-chang Chu, *The Moslem Rebellion in Northwest China, 1862-1878: A Study of Government Minority Policy* (The Hague: Mouton, 1966).

⁹⁴ Elisabeth Kaske, “Fund-Raising Wars: Office Selling and Interprovincial Finance in Nineteenth-Century China”, *Harvard Journal of Asiatic Studies* 71, No. 1 (June 2011): 139.

individuals on political economy. The Taiping rebellion gave Daoguang-era *jingshi* scholars a chance to shape local fiscal policies, by working as advisors to officials (such as Hu Linyi in setting up *likin*) and gentry (in Feng Guifen's collaboration with local officials at tax relief), or directly stepping up to serve as officials themselves, as in the case of Zuo Zongtang. Their voices could be heard through drafting provincial governors' memorials, and with the rise of provincial fiscal capacities, even works under their own names were noted by court officials.⁹⁵

Their agenda for post-war renegotiation included writing-off accumulated tax arrears to the court, followed by reassessment and reductions in prefectural levy quotas. These initiatives, advocated since the 1830s, were joined with new demands to streamline *likin* collection and disband local militias. Nor were these initiatives necessarily limited to the local level; the waiving of *zuoxiao*, an integral block of pre-Taiping fiscal structure, by the Board of Revenue in 1864 also reflected a willingness by board officials to renegotiate central-provincial fiscal relations.⁹⁶ Both the Board of Revenue and local gentry-scholars were uncomfortable with the

⁹⁵ In conversation with Robert Hart over his memorandum, Dong Xun (1807-1892), a senior official in Board of Revenues, noted that Hart's memorandum resembled that of Feng Guifen's writing, referring to Feng's treatise *Xiaobinlu Kangyi* (校邠庐抗议) (1861).

⁹⁶ *Zouxiao* refers to the practice of provincial officials submitting military and other project-based expenses for assessment and approval by the Board of Revenues. A required feature of accounting for public spending before the 1850s, it was essentially ignored in the exigencies of suppressing the Taiping rebellion. Had this procedure been applied in 1864, provincial authorities would have accumulated new arrears that were essentially unpayable, reverting to the state of perennial arrears by the provinces during the Daoguang era. Board of Revenues, "Memorial on Waiving Accounting Requirements for Military Expenses (请免军需造册报销疏)", Wang Yunwu

increasingly complicated structure of public finance accrued since the Daoguang era (especially *ad hoc* funding arrangements tolerated during the Taiping rebellion) and believed that they could be disciplined and in cases, reversed⁹⁷. Worryingly for funding needs of the throne and provincial governors like Zuo, this discomfort with growth also extended to new branches of revenues.

This was the framework of fiscal relations Zuo Zongtang operated under, one that differed significantly from those twenty years later, and whose considerations could not be easily described as one of fiscal state-building. As protégé and later estate manager to Tao Shu (1779-1839), Zuo was well-versed in the substance of Daoguang-era debates on curbing historical arrears, and as governor of Zhejiang in mid-1860s, was supportive of gentry petitions to reduce grain levies (along with Li Hongzhang).⁹⁸ Like many of his contemporaries serving as provincial governors, Zuo would have been quite at ease within this framework of retrenchment and its arguments, had he not been tasked with raising funds for the Xinjiang campaigns.

Zuo began his search for campaign funding by continuing with many of the practices tested

ed., *Daoxian Tongguang Sichao Zouyi* (道咸同光四朝奏议) (Taipei: Taiwan Shangwu Yinshu Guan, 1981 Reprint), 1860-61.

⁹⁷ See the surge of local petitions (and endorsed by censors) in mid-1860s calling for the abolition of *likin*.

⁹⁸ Memorial by Zuo Zongtang, November 24, 1864. *Junjichu Lu Fuzhe* (军机处录副奏折) 03-4862-085, First Historical Archives, Beijing.

during the Taiping rebellions, including setting up contribution bureaus in southeastern provinces to sell offices in 1867, as well as extracting short-term loans from Shanxi and Shaanxi merchant groups as stopgap measures.⁹⁹ However, the northwestern campaigns also resembled eighteenth-century warfare in that its main theatres of war were too impoverished to raise revenues from, unlike the setting up of *likin* collection bureaus in Hubei and Hunan during the Taiping rebellion.¹⁰⁰ Given that the Board of Revenues was depleted of reserves following the Taiping and Opium wars, Zuo, at the early stages of his campaign had to rely heavily on transfer of funds from his provincial colleagues.

Bearing in mind the policies of retrenchment advocated by gentry in post-Taiping Jiangnan, funding for transfers could only be found from two new revenue sources: custom revenues and *likin*. Custom revenues, administered by various regional custom authorities, were more consistent than *likin* in their remittance of funding to Zuo, although this was also influenced by local contingencies, it also formed a major portion of grants made by the Board of Revenue to Zuo.¹⁰¹ *Likin* in contrast was administered by provincial governors, and the return of peace

⁹⁹ This specifically refers to the practice of decentralising office selling, which increased enormously during the Taiping Rebellion. Mostly discussed in Kaske, “Fund-Raising Wars: Office Selling and Interprovincial Finance in Nineteenth-Century China”, 127-129.

¹⁰⁰ A point made by Zuo, in Zuo Zongtang to Wu Zijian (答吴子健), 1868, in *Zuo Zongtang Quanji* (左宗棠全集) (Changsha: Yuelu Shushe, 1996), Letters 6 (Vol. 17), 46.

¹⁰¹ The custom offices in Fujian were consistent only in their inability to meet transfer quotas throughout Zuo’s campaign, as local funding demands from Fuzhou arsenal took up much of its revenue surpluses during 1860s and 1870s. Zuo Zongtang to Peng Yulin (答彭雪琴宫保), 1865, in *Zuo Zongtang Quanji* (左宗棠全集)

prompted calls by local gentry to curtail or even abolish its collection. Some governors conceded by streamlining and limiting the number of collection booths under their administration, leading to relative stagnation in *likin* revenue in most southern provinces between 1865 and 1875.¹⁰² This perception of revenue stagnation from *likin* by provincial governors is particularly important in understanding their later reactions to Zuo's debt proposals, as *likin* and increased office sales were the only two new sources of revenue under their administration, and their intimate knowledge of its stagnation and inefficiencies in *likin* collection far outweighed their acquaintance with international trade, leading to skepticism on revenue streams for debt repayment.¹⁰³ This path dependency in their sources of economic knowledge deserves greater recognition when we evaluate the era's policy debates on debt.

In addition, the suppression of Taiping rebels did not immediately open up resources within *likin*; rather, existing resources from *likin* were often diverted to special interest groups under

(Changsha: Yuelu Shushe, 1996), Letters 1 (Vol. 10), 617.

¹⁰² Despite its compilation by Customs Service under Hart beginning from 1868, trade statistics were not at all mentioned by regional governors in their debates on revenues for most of 1870s, nor were they featured in the collection of references by private advisers to Zeng Guofan. However, ministers at the Zongli Yamen were certainly sent summaries by Hart on the feasibility of replacing *likin* with treaty port customs duties.

¹⁰³ In figures given by Zhou Yumin (周育民), "Wanqing Lijin Linian Quanguo Zong Shouru de Zai Guji (晚清厘金历年全国总收入的再估计)", *Qingshi Yanjiu*, 2011(3), we can see that after a rapid increase between 1853 and 1863, estimates for *likin* collection essentially stagnated between 1863 and 1873. Thus it would be difficult, if not illogical for provincial governors to assume a trajectory of revenue growth to offset the high interests charged by foreign loans.

each governor's patronage, such as the Huai army under Li Hongzhang, which used up most of Jiangsu (including Shanghai)'s *likin* proceeds. Hence the delay and reduction faced by Zuo in his quest for inter-provincial transfers was a structural one, constrained by stagnation in *likin* and other revenue sources. This is not to discount elements of personal rivalry between Zuo and his colleagues, an aspect emphasized in Chinese-language historiography, but to stress that even provincial governors' space for maneuver was limited to the amount they might divert from *likin* and other miscellaneous sources, at the expense of their own projects.

Beyond lobbying the Court to enforce provincial transfer quotas, Zuo turned to foreign merchant houses in treaty-ports, who readily offered their services in conversation with Zuo and his advisors.¹⁰⁴ This readiness stemmed from their earlier transactions with Zuo while as governor for Zhejiang and Fujian, part of the larger group of Taiping-related short-term loans negotiated between provincial governors and foreign merchant houses. The resulting loans of 1867 and 1868 amounted to 2.2 million tls., a raising of stakes compared to Taiping-era loans (which averaged at around 0.25 million tls. per loan), with similar terms and most importantly, similarly high interest rates of 1.5% per month. The remarkably high interest rates charged by foreign merchant houses were, in fact, a sign of their diminishing competitiveness in treaty-port financial markets, as British colonial banks began to set up branches across East Asian

¹⁰⁴ First broached by British merchants stationed in Fuzhou, and later resurfacing in conversations between Zuo and German merchants to his campaign headquarters in Gansu. For the latter case, see Zuo Zongtang to Hu Guangyong (与胡雪岩), early 1880, in *Zuo Zongtang Quanji* (左宗棠全集) (Changsha: Yuelu Shushe, 1996), Letters 10, 633.

treaty ports.

British merchants and banks stepped in again in 1875, as structural deficits in provincial transfers to the Xinjiang campaign left a gap of 27.4 million tls. in outstanding arrears.¹⁰⁵

Following a successful issue of silver bonds of 2 million tls. by the Hongkong and Shanghai bank in late 1874, the Oriental Bank partnered with Jardine & Mathesons Co. to offer a stop-gap loan of 3 million tls. to Hu Guangyong (1823-1885), Zuo's middleman in Shanghai.¹⁰⁶

The structure of these loans represented a gradual transition from those negotiated between provincial governors and foreign merchants throughout the 1850s and 1860s; foreign merchants were paid through custom revenues of major ports assigned for this purpose, but now custom offices would later be reimbursed by different provincial treasuries responsible for repayment. As the size of these loans expanded throughout late 1860s and early 1870s, anxiety over Qing state's ability to service these debts increased amongst provincial governors, as Zuo sought court approval for an even larger loan of 10 million tls. (approx. 3,000,000*l.*) to be repaid over ten years, citing outstanding arrears from provincial transfers as the key cause.

¹⁰⁵ Approx. 8,590,000*l.* at 1874 exchange rates. Memorial on Proposing to Borrow Large Foreign Loans (饷源涸竭拟续借大批洋款权济急需折), 1875, in *Zuo Zongtang Quanji* (左宗棠全集)(Changsha: Yuelu Shushe, 1996), Memorials 6. 340-343.

¹⁰⁶ This was publicly issued to investors in Hong Kong and Shanghai markets in silver, a first in Chinese history, at an annual coupon rate of 8% and issued at 95. A portion of this bond was also privately placed on the London market. *North China Daily News*, January 8, 1875.

However, it is important to note that in Zuo's conception of debt, the use of debt as an inter-temporal lever, albeit at a much longer timespan than the previous debts, did not include a conception of growth in fiscal revenue to accommodate the effects of interest rates in these loans. Rather, Zuo's concept of these loans resembled arrangements made by the Qing court at paying war indemnities for the first and second Opium Wars, that is, earmarking a portion of future revenue under the assumption that the revenue structure would remain stable. This assumption of revenue stagnation for the foreseeable future was also one that was shared by the critics of the foreign loans. If public revenue were not expected to grow, or fluctuate at a cyclical pattern, then the addition of high-interest loans would indeed pose a significant burden on public finances. This was indeed the tenor behind much of the dissent against increased borrowing, as seen in Ding Richang, governor of Fujian's memorial in March 1876: "Take ten million tls. and repay it in ten years, other than the ten million tls. itself, (one) need to pay an interest of ten million tls. The previous loan of five million tls. meant 1.5 million tls. of interest to the foreigners. The state's revenue sources are stable and scheduled, so how can it bear this sudden increase in unplanned liabilities?"¹⁰⁷

Furthermore, this anxiety over interest rates and fiscal capacities prompted some of the first official debates on the nature of public debt. In Shen Baozhen (1820-1879)'s memorial, a distinction was made between borrowing from foreign and domestic sources. The use of public debt for productive (memorably termed as "chasing heavy profits with light interests") as

¹⁰⁷ Memorial by Ding Richang, March 10, 1876. *Junjichu Lu Fuzhe* (军机处录副奏折) 03-9527-022, First Historical Archives, Beijing.

opposed to those balancing budgetary deficits was alluded to, as major investments in mines, roads, and canals could be repaid through taxes collected through these projects. Contemporary cases of Spain, Turkey, and Japan, on the other hand, were all cautionary examples against borrowing for budgetary rebalancing from foreigners. Shen shared with Ding an unease over existing revenue sources' capacity to grow and repay debt payments, noting that:

“foreigners are agreeing to lend us large sums stems from the ease of repayment through custom revenues. Once foreigners take them from customs, the customs would still need to be recompensed by various provinces.....should provincial remittances to customs fall short...customs would have to delay transfers to the Board of Revenues. When the Board of Revenues is in deficit, although it might threat to impeach provincial governors and treasurers, remittance figures would still remain the same, what comes up as surpluses here must result in deficits elsewhere...”¹⁰⁸

Again, concerns over the musical chairs of transferring fiscal commitments between agencies only made sense under the assumption that revenue won't grow by much under the various institutions.

Since Shen had previously supported Zuo's efforts at setting up Fuzhou Arsenal, and was behind previous negotiations with Hongkong and Shanghai Bank for loans in 1874, his

¹⁰⁸ Memorial by Shen Baozhen, March 2, 1876. *Junjichu Lu Fuzhe* (军机处录副奏折) 03-6059-049, First Historical Archives, Beijing.

opposition also provided a glimpse at the depth of official anxiety over potential fiscal burdens, one that transcended their positions on modern industrial projects. In Zuo's public response to Shen's memorial, Zuo was first to make the distinction between infrastructural and industrial debt incurred by public entities such as *gongsi* (although often with official sanction), and debt incurred directly by the state.¹⁰⁹ This distinction blunted the force of Shen's bifurcation of productive and unproductive debt by asserting that those deemed as productive debt in Shen's opinion were not incurred by the state in Western countries anyways. And by making this distinction, Zuo brought in the possibility of semi-public or private organizations issuing public debt into official discussion for the first time, presaging the debates over railway loans in the 1880s and 1890s.

Against Shen's claim that foreign debts would result in national decline and the transfer of wealth to foreign debtors, Zuo noted that "signs of decline among nations are self-inflicted, and it is by no means certain to say that those who borrowed domestically prospered while who borrowed abroad were diminished, and use this as a caution against foreign loans," arguing that the greatness of Britain and the United States long predated the recent spread of public debt globally. Perhaps most interestingly, although Zuo's memorial began by claiming that "Common income and expenditure levels in Western countries are ordinarily fixed at a set sum," it concluded by suggesting that foreign debt incurred from Xinjiang expedition could be repaid

¹⁰⁹ Although most commonly translated as companies, existing materials made it difficult to ascertain which particular form of companies Zuo referred to, especially the joint-stock companies favored for infrastructural bonds during the Victorian era.

through economies once the campaign is over, and by “organizing new institutions to channel sources of profit. . . . so that interests paid throughout the ten years could be repaid within these ten years”, an oblique reference to the possibility of expanding revenues to pay for foreign debt burdens, one taken up by Zhang Zhidong in Chapter 2.¹¹⁰

Shen’s skepticism towards foreign loans for Xinjiang was shared by many prominent officials.¹¹¹ So Zuo was measured in his private letters to Shen around this period, preferring to direct his ire towards the British government, which he suspected of collusion with Yaqub Bek through Thomas Wade’s injunction against British merchants from lending to the Chinese government.¹¹²

¹¹⁰ Memorial by Zuo Zongtang, March 16, 1876. *Junjichu Lu Fuzhe* (军机处录副奏折) 03-6060-001, First Historical Archives, Beijing.

¹¹¹ Li Hongzhang wrote to Shen to thank him for forwarding a copy of the memorial opposing the Xinjiang campaign loans before its submission to the Court. The treatment of Xinjiang campaign loans as a sideshow of 1870s court politics has been a long-running strand in Chinese-language historiography, which at times obscured the discussion on the nature of foreign debt that surfaced during this period. Li Hongzhang to Shen Baozhen (复沈幼帅), March 8, 1876, in *Li Hongzhang Quanji* (李鸿章全集) (Hefei: Anhui Jiaoyu Chubanshe, 2008), Letters 3 (Vol. 31), 361.

¹¹² In particular, he complained that: “Those opinions that (the British) couldn’t express through themselves, (they) transfer it through *Shenbao* of Shanghai. *Shenbao* was founded by dishonest scholars across Jiangsu and Zhejiang and funded by the British to hoodwink the Chinese. (Although) it contained one or two accounts that are worthy of commentary, intervening on current affairs, collecting random and inappropriate remarks, copying official bulletins have been features in all their editions. The chitchat of unworthy persons, if not officially investigated, should at least be ignored; yet why did Hefei (Li Hongzhang) cite them in his memorandum, and suggest disbanding Western defences to increase remittances for coastal defense?” Zuo Zongtang to Shen Baozhen

Despite his grumbles over perceived British and internal obstruction, Zuo was aware that the bulk of his campaign funding still depended on the cooperation of provincial governors. Shen's opposition to Zuo's foreign borrowing request was a signal that Zuo could not afford to dismiss. The initial figure of a ten million tls. loan was cut to four million tls. in Zuo's later memoranda (the reason cited was unsurprisingly high interest rates), accompanied by requests for provincial remittances to the campaign to reach 80% of the full quota from 1876 on, and for Fujian province to settle its arrear of over three million tls. to the Xinjiang campaign. This compromise by Zuo served as a conciliatory gesture to Shen, and a move to highlight once again the real cause of Zuo's borrowing needs.

The Court, led by Princes Gong and Chun on the Grand Council, has broadly supported Zuo's campaign finances since its beginning, but no longer possessing a reserve of its own, it had to consider provincial positions on foreign borrowing. Even here, it is important to note that the measures selected by the Court attempted to keep revenue levels stable through cutting and transferring from existing revenue sources, rather than attempting to find new sources of revenue.¹¹³ Under these influences and constraints, ministers on the Grand Council tentatively

(答两江总督沈幼丹制军), late 1875, in *Zuo Zongtang Quanji* (左宗棠全集)(Changsha: Yuelu Shushe, 1996), Letters 15, 11906-11910.

¹¹³ In a similar discussion by ministers over Li Hongzhang's petition to seek foreign loans for coastal defense in 1875, Weng Tonghe noted in his diary that "opening up coal or iron (mines for production), and increasing salt levies cannot be carried out, while other measures were not spelt out either. I mentioned that the section on borrowing foreign funds should not be put into discussion, which were much agreed at the time. Prince Chun

raised the ceiling of foreign borrowing by Zuo to five million tls. Knowing that Zuo's request for provincial arrears settlement was an impractical and political ploy, the ministers transferred two million tls. from custom duties under its direct control, and urged provincial treasuries to remit another three million tls. to Zuo posthaste.¹¹⁴

Once permitted to borrow, Zuo Zongtang delegated the task of loan negotiations to Hu Guangyong, a trusted merchant and banker active in Shanghai and Zhejiang. Ironically, for a loan process that was distinguished by official anxieties over interest rates, there were very few indications that interest rate was a major point of contention in actual negotiations between Hu and British bankers in Shanghai.¹¹⁵ In his correspondences with Hu, Zuo seemed to be more concerned by a possible credit embargo by Wade over the Margary Affair, and instructed Hu to seek out potential American and Prussian lenders.¹¹⁶ This lack of involvement on the technical details of bond issuance was not limited to Zuo; Robert Hart, effectively sidelined on Xinjiang

came over to read the (draft response to Li's memorial) and also agreed, thus (the proposal) to borrow abroad was deemed impracticable." Weng Tonghe, *Weng Tonghe Riji* (翁同龢日记) (Beijing: Zhonghua Shuju, 1993 Reprint), Vol. 3, 1112.

¹¹⁴ Zuo Zongtang observed in private letters that the Board of Revenue had intended to block both the loan and transfer of custom funds to Zuo, noting that "it is not for nothing that this edict was first directed to the Board of Revenue." Zuo Zongtang to Liu Dian (与刘克庵), early 1876, in *Zuo Zongtang Quanji* (左宗棠全集) (Changsha: Yuelu Shushe, 1996), Letters 15.

¹¹⁵ Need to explain the acceptance of high interest rates for commercial loans along the Chinese coast at the time.

¹¹⁶ Zuo Zongtang to Hu Guangyong (与胡雪岩), March 1876, in *Zuo Zongtang Quanji* (左宗棠全集) (Changsha: Yuelu Shushe, 1996), Letters 15.

loans at this stage, commented that Chinese ministers at *Zongli Yamen* in 1874 “know nothing about issue at 88 or 92, or whatever it may be: they only talk of the amount to be really touched by them in hard cash.” It was left to Hart to explain to ministers the difference between nominal and real interest rates.¹¹⁷

This lack of involvement by officials left room open to accusations of profiteering by intermediaries such as Hu Guangyong. For the Xinjiang campaign loan of 1877, although subscribers to the bond received an annual interest of 8 percent at 98, the Qing government ended up paying over 15 percent (annualized) for the loan.¹¹⁸ Beyond the 10% percent annual interest charged by the Hongkong Bank and commission for Hu, both seen as standard practice, an additional 1.25% per month was charged by the German firm Telge & Co. In letters between Hu and Zuo, as well as Zuo’s later memorials to the Court, the additional interest rate was justified as a premium for Telge & Co. to absorb any exchange rate fluctuations throughout the seven years of the loan.¹¹⁹ Since earlier, smaller loans were mostly denominated in silver and provided by foreign merchants and bankers in treaty-ports and Hong Kong, this exchange

¹¹⁷ Robert Hart to James Campbell, December 1874, in *The I. G. in Peking: Letters of Robert Hart, Chinese Maritime Customs, 1868-1907* (Cambridge, MA: Belknap Press, 1975), Vol. 2, 1099.

¹¹⁸ The yield was considered fairly generous for its time (higher than most Ottoman and Russian bonds on offer during that period in London). See Hart to Campbell, November 2, 1874, in *The I. G. in Peking*, Vol. 2, 1240. Also *North China Daily News*, January 3, 1878, Vol. 1, 9.

¹¹⁹ This was seen as necessary, because the loan dispensed by the Hongkong Bank was denominated in sterling under the gold standard, while Zuo’s army only accepted silver taels, in the form of sycees and Mexican-Spanish silver dollars. Memorial by *Zongli Yamen*, August 1877, in *Qing Shilu Xinjiang Ziliao Jilu* (清实录新疆资料辑录) (Urumqi: Xinjiang University Press, 2009), Vol. 12, 5321.

hedging marked the first instance where Chinese borrowers attempted to deal with foreign debt's connections to the vagaries of silver standard.¹²⁰

Still, at a time when short-term rates along Chinese ports stood at around 10 percent per annum, this was exceptional. It reaped handsome profits for the bank and vocal disapproval from British commentators.¹²¹ These critiques were picked up by Chinese politicians, such as Zeng Jize while serving as Chinese Minister to Britain, who consequently formed a negative opinion of Hu and Zuo's transactions.¹²² However, foreign critiques over interest rates came from a frustration that China was not sufficiently exposed to the scrutiny of foreign lenders, resulting in an exorbitant interest rate that in the words of *North China Daily News*, "is characteristic of the false position which China holds among nations, and the bad name its government has earned for itself." This perspective of interest rates was diametrically opposed from the view

¹²⁰ This meant that the source of financing for these loans generally came from areas where silver remained the predominant currency, mostly along the Chinese coast, but sometimes also involving Anglo-Chinese settlements throughout Southeast Asia. The Qing government was well-served by Hu's hedging against exchange risk (assuming that the contract was observed), for the silver dollar depreciated against pound sterling by around 50% between 1876 and 1885, when the last instalment of the 1877 loan was repaid. Source: Semi-annual Hongkong Bank abstract of accounts, in Frank H.H. King, *The Hongkong Bank in Late Imperial China, 1864-1902: On an Even Keel* (Cambridge: Cambridge University Press, 1987), 262.

¹²¹ British bankers in Shanghai were succinct: "Our profit will be enormous." David McLean to Thomas Jackson, August 1877, MS 380401, Correspondence of David McLean, SOAS University of London Archive, London. According to some calculations, the Hongkong and Shanghai Bank received a profit of over 203,000*l.* for the loan, or a commission of approx. 13.7%. See *Charles Rivington's Share Report*, March 7th 1879.

¹²² Zeng Jize (曾纪泽), *Chushi Yingfa Eguo Riji* (出使英法俄国日记) (Changsha: Yuelu Shushe, 1985 Reprint), 270.

of Chinese officials, who as noted in their memoranda, were more anxious over its pressure on the existing fiscal structure, and certainly had no plans of increasing their dependence on foreign credit.

Zuo was also affected by this anxiety over foreign credit. Following the edict in early 1876, provincial remittances to Zuo's camp in Xinjiang were sufficiently satisfactory that Zuo wrote to Hu in mid-1877 to hold off from British loans, and explore other sources of credit. It is important to realize that there remained a variety of credit sources and loan terms under negotiation; in addition to the major Xinjiang campaign loans brokered by Hu Guangyong, other merchants with purchased official titles also dangled lucrative loans in front of foreign merchant-bankers in Shanghai.¹²³ In dealing with these potential loans, Zuo hoped to both reduce interest rates and eliminate what he saw as cumbersome court approvals demanded by British bankers. In particular, the element of scheduled repayments struck Zuo as “complicated and burdensome, thus especially annoying”, an expected reaction, since it would entail a semi-permanent addition and embedment to the existing fiscal structure.¹²⁴

¹²³ One of the abortive cases involved merchants claiming to represent the General of Ili and the First National Bank of Japan in late 1876; it contained an unusual request of shipping Japan bronze coins, rice, and Mexican dollars in lieu of silver deliveries. Had this received official sanction, it would have been one of the first Sino-Japanese loans. Copy of Loan Agreement, 1876, *Chinese Secretary's Office: Volume 1. Loans. English and Chinese*, FO 233/73. The National Archives, Kew. Also referred to in Zuo Zongtang to Zongli Yamen (上总理各国事务衙门), December 1876, in *Zuo Zongtang Quanji* (左宗棠全集) (Changsha: Yuelu Shushe, 1996), Letters 15, 1337.

¹²⁴ Zuo Zongtang to Hu Guangyong (与胡雪岩), 1878, in *Zuo Zongtang Quanji* (左宗棠全集) (Changsha: Yuelu Shushe, 1996), Letters 20, 1561.

What Zuo had in mind was a framework of medium-term (7-10 years) loans by Chinese merchants, building upon established networks of credit relations between provincial treasuries and remittance firms. Under Zuo's scheme, provincial treasuries would issue bonds based on annual provincial quotas for Xinjiang Campaign remittances, without explicitly linking custom duties as collateral. There would be no set schedule for repayment, with the amount repaid contingent on local fiscal capacities for that year.¹²⁵ What distinguished this framework from contemporary credit relations between provincial treasuries and remittance firms was the issuance of interest-bearing bonds, more akin to promissory notes on demand, although it was the borrower, not the lender, that would decide on the date and amounts of repayment.¹²⁶ Nonetheless, this represented a change from the highly individualized credit relations between provincial treasuries and particular firms, and a recognition by some Qing officials that a more institutionalized form of credit relations was needed to attract domestic interest.

Although it was unsurprising that Chinese merchant-bankers rejected this scheme (the lack of fixed repayment schedules rendered this particularly unattractive), Zuo's ideas gave one an idea of the types of medium-term credit relations deemed acceptable by Qing officials during this period. And it is important to bear in mind that in his other dealings with Chinese bankers (especially those of Shanxi and Shaanxi), Zuo has been exemplary in punctual repayments, at

¹²⁵ Ibid.

¹²⁶ Throughout the 1850s, provincial officials in Shanxi issued chits to local lenders, but it is unclear whether these loans bore any interest, and they were addressed to individual firms as well.

a time when provincial officials often attempted to settle earlier debts to local merchants (usually incurred during the Taiping Rebellions) by renegeing on payment or offering titles and examination places instead. So at least for Zuo, it was less about the amount or interest rates per se, but the ability to dictate when the loans will be repaid according to the state of local treasuries. This preference makes sense if one accepts his (and other Qing officials') conception of local revenues remaining stagnant from year to year, with loan repayments taking up what remained after remittances to the court and other provinces, as opposed to loan repayments becoming an urgent and fixed category in annual expenditure (as was the case post-1895).

Instead, what Chinese bankers and merchants accepted from Hu Guangyong in mid-1878 was a reworked version of the loan from the Oriental Bank and Matheson's in 1875. A company was formed under Hu Guangyong, and Chinese bankers were invited to subscribe to this company's shares. The pooled capital, at 1.75 million tls., was combined with another 1.75 million tls. from the Hongkong Bank and lent to Zuo at 1.25% per month for 6 years. The loan of 3 million tls. also received its guarantee from customs revenue (but without an edict), with scheduled deadlines for repayment. It is noteworthy that even with these institutional guarantees, Hu failed to reach his desired target of securing 3.5 million tls. exclusively from Chinese sources. Furthermore, in British reports of the loan, Hu himself was said to have subscribed over 1.4 million tls., with Ningbo native banks subscribing 0.4 million tls. or so.¹²⁷

¹²⁷ Arthur Davenport to Hugh Fraser, July 29, 1878, *Chinese Secretary's Office: Volume 1. Loans. English and Chinese*, FO 233/73. The National Archives, Kew. The composition of shareholders for Hu's venture has long been a question of some academic interest, and this British report has not been cited in Chinese-language sources

Even with this lackluster indication of interest, Zuo was annoyed that the final terms followed that of foreign standards, writing to colleagues that “I have written to Hu, stressing that negotiations should not be based on foreign banks’ duration and repayment schedules, nor can it follow earlier (examples of) high interest rates. Yet Hu went to the Hongkong Bank and followed earlier patterns, including the Chinese sourced funds, which was certainly not my intention.”¹²⁸

This running series of complaints over loan terms was, in the end, a symptom of the ideological and fiscal background that Zuo was operating from. For Zuo and his colleagues in the provinces and in Beijing, this expectation of fiscal stability in revenue was not necessarily a constraint; their policies at vigorously reducing arrears and outstanding levies in the 1860s and 1870s meant that they were actually working towards a resumption of fiscal stability last seen perhaps in the 1790s. That they were unable to achieve this did not mean it was not a policy priority when considering other potential expenditures. That foreign (and to a much lesser extent, domestic) debt in this period was so contested was precisely due to the unique, twofold nature of public debt, offering new and immediate sources of revenue while accumulating future arrears. Arrears incurred by delinquent provincial officials in early 1800s were not, by and large,

before. Given the very tight margins that Hu’s business operated during this time, it is possible that his subscription was a stop-gap measure, but it is also possible that Hu subscribed to this loan as a form of insider-dealing, knowing how secure the guarantees were. This type of insider information could also be seen in Robert Hart’s correspondence to his London agent.

¹²⁸ Zuo Zongtang to Yang Changjun, late 1879, in *Zuo Zongtang Quanji* (左宗棠全集) (Changsha: Yuelu Shushe, 1996), Letters 23, 12913.

charged with interest,¹²⁹ whereas public debt brought with it the element of compound interest, provoking greater anxiety from Qing officials over its sustainability.¹³⁰ Finally, domestic merchants' lackluster responses to Zuo Zongtang's version of domestic debt, which represented a more durable and institutionalized form of domestic credit relations, only made sense in the context of modern public debt's arrival in late Qing treaty-ports in the 1870s.¹³¹ In a sense, domestic innovations of credit relations, a feature of fiscal state-building in early modern Europe, were in this case superseded by a new set of institution on public debt that offered security *and* profit to Chinese merchants, a rare combination for late 19th Century treaty-ports.

¹²⁹ This also serves as a rejoinder to Elisabeth Kaske's assertions of state bankruptcy prior to the first Opium War; much like the contemporary Japanese debt levels that persistently baffled outside observers, internal debts (owed between different agencies within the state bureaucracy) does not possess the same scale of urgency as those of the *ancien regime*, when much of their debts were owed by bondholders outside the political apparatuses. Internal debts might be a cause of headaches and frequent bouts of austerity, but the state tends to muddle through.

¹³⁰ Interestingly, this form of anxiety over public debt echoed those expressed by French politicians in the 1780s, as well as that of British politicians in the aftermath of Napoleonic Wars, except through somewhat less specific discourse. In many of these cases, the governments of the day seemed unable to comprehend the effect of economic growth might have towards alleviating public debt, and it wasn't until mid-1850s that this wave of pessimism about debt repayment subsided somewhat in Britain, when incidentally economic growth in Britain was at its height. See Martin Daunton, *Trusting Leviathan: The Politics of Taxation in Britain, 1799–1914*. (Cambridge: Cambridge University Press. 2001).

¹³¹ Perhaps ironically, it was the final loan from the Hongkong Bank in May 1881 that most approximated Zuo's various demands. Although repayment schedules were still fixed, the 4 million tls. loan was issued under the collateral of provincial treasuries in Shaanxi and Gansu without official approval from the customs (thus with fewer involvement from Robert Hart), although it was in fact paid through customs proceeds. Its interest rate was also lowered to 9.75% per annum, and the cost of silver/sterling depreciation was later reimbursed from confiscating Hu Guangyong's personal assets in 1883.

Chapter Two

2.1 Unformed Opinions: Debating Credit Creation in the Daoguang Era

To appreciate the profound change in public credit that took place during and after the Taiping rebellions in Chapter 1, one must look backwards to the Daoguang era (1821-1850), when extensive debates on state's fiscal and monetary policies were held under the backdrop of chronic fiscal deficits. The restoration of peace by the late 1860s in much of China meant not a restoration of high Qing fiscal and monetary policies, but a continuation and adjustment of economic settlements reached right before the Taiping rebellions, led by bureaucrats who either came of age around that time, or owed their political ascendancy to major figures dominant in the earlier era.

An understanding of fiscal and monetary policy ideas during the Daoguang era is also instructive in placing Chinese reception of modern public debt in a comparative setting with its global contemporaries. What is perhaps distinctive about the Chinese case is the institutions of modern public debt, including the set of discourse on political economy and debt, came to China around the same time as its enforced adaptation of other aspects of European dominance, such as military and industrial technology. Whereas in the case of Ottoman Empire and its fiefdom of Egypt, the institutions of modern public debt were preceded by decades, if not centuries of exposure to European technology and statecraft, which led to successive waves of reformist policies from the late 18th Century onwards. In Spanish America, although public

debt played a minor role in the region's public finance for most of the 18th Century, it is not a particularly alien set of institutions, as earlier Habsburg defaults would attest. Furthermore, the ideas of political economy espoused by the generation of Latin American revolutionaries in early 19th Century firmly placed it within the orbit of Anglo-French discourses.

This distinction is important, because it enables one to examine a collection of discussions on fiscal, monetary, and political policies where public debt or questions of Westernisation did not factor, nor was the discourse of foreign emulation, a staple in 18th Century European discussions of political economy, present. The presence of this framework of ideas on fiscal and monetary policies, reflecting more entrenched positions on state's role in markets, also meant that the dissemination and adaptation of ideas on public debt later on would be particularly contentious and surprising.

However, like discussions on *Bakumatsu* thought, it is important to note that while debates over fiscal and monetary policies in the Daoguang era contained germs of ideas on political economy that would later resurface and be refashioned through more contemporary terminologies, certain caution is advisable in applying them retrospectively, or as in the mode of older Chinese-language historiography written in the shadow of 1949, imply structural outcomes resulting from these ideas. Especially in terms of state intervention in markets, parallels to Keynesianism should only be drawn with the qualification concerning the vast improvements in economic statistics in early 20th Century, which made fiscal and monetary interventions on a macro-economic scale truly feasible. Of course, the difficulties in attempting

to delineate the temporal application of terminologies only multiplies if one takes into consideration Polanyian arguments over the term “economy”, and its applications to China prior to the industrial revolution.

With these caveats, the aspects of Daoguang era discussions on fiscal and monetary policies most pertinent to that of public debt involve the issues of revenue extraction and of credit creation. Looming over both of these issues during the Daoguang era is the phenomenon of silver shortages in the country between 1820s and mid-1850s, in particular the decades of 1830s and 1840s. The causes for this shortage remain a matter of considerable dispute, and from currently available quantitative sources, it seems unlikely that a definitive explanation will be found in the near future.

However, in terms of revenue collection for the Qing state, the effects of silver shortage during these decades seem more pronounced. This is mainly due to the refusal by state officials to accept other monetary mediums for tax payment (with the partial exception of grain and agricultural product levies), as their extra-legal salaries partially stem from various stages of assaying and handling silver sycees.¹³² This refusal meant that the circulation of bronze coins and *yinpiao* (silver-denominated paper notes, issued by private moneychangers and remittance firms), which cushioned the effects of silver-led deflation somewhat in the real economy, was ineffective in dealing with the state’s demand for actual silver tls. as the chief form of treasury

¹³² For the grain quotas for transportation to Beijing, Qing officials would also add surcharges titled *Caoxian yin* (漕羨銀), denominated in silver tls..

reserves. The ratio between bronze coins and silver tls. varied significantly from region to region during this period, with local officials usually adding a surcharge on top of regional exchange ratios. For example, in 1829, the ratio between tael (tls.) and bronze cash was approximately 1 : 1,400 on the local market, but between 1 : 2,000 – 2,300 when exchanged for tax payments at official mints.

Despite these unfavourable ratios, which often multiplied the actual amounts of bronze cash needed to pay the same amount in silver-denominated taxes, tax receipts during this period remained stable at first glance; land-based taxes fluctuated around 21 million tls. per annum, while small improvements were detected in the Canton custom duties, which benefited from burgeoning trade links and direct payment in silver. But this impression of seeming stability is contradicted by contemporary treatises, which explained that “grain transports were not delayed, and accounts of local spending were without deficits, (all these) are due to levying future year’s proceeds, using miscellaneous incomes to make up the main taxes, withdrawing from land tax incomes to conduct grain transport, and then using grain transport levies to fulfil land tax quotas. These withdraws go back and forth, and from them are deficits accumulated.¹³³”

Although the practice of “drawing from surpluses to make up deficits” has a suitably long pedigree in Qing fiscal practices¹³⁴, it was deployed as a temporary expediency at times of

¹³³ Miu Zi (繆梓), “Treatise on Silver Coins (银币论)”, in *Miu Wulie gong Yiji* (繆武烈公遗集), 1881, vol. 1. (<http://id.lib.harvard.edu/aleph/007302244/catalog>)

¹³⁴ See Thomas A. Metzger, “The Organizational Capabilities of the Ch’ing State in the Field of Commerce: The

sufficient liquidity, but by the time of Daoguang era (if not earlier), local-level deficits have become a chronic, almost integral feature of Qing public finances, as the stagnant revenue base was burdened with increasing military and water management costs. In 1831, Zhili and other fifteen provinces already owed the board of revenues over 17.7 million tls. in regular tax proceeds, not counting miscellaneous incomes of 8.6 million tls. scheduled for delivery to Beijing. By 1848, the amount of outstanding taxes owed to the board of revenues remained at 23.9 million tls., or approximately half of the country's annual revenues¹³⁵. The spectre of persistent deficits is perhaps most entrenched in the field of salt trade taxes in the Liang-huai region, where a combination of over-extractive quotas and proliferation of salt smuggling seriously depleted local fiscal capacities by the mid-1830s. Interestingly, the quotas also included forced loans from imperial household agency to the salt merchants, one of the few instances of major credit-related activities by government agencies before the 1850s.

Of course, chronic and at times structural deficits are hardly uncommon in early modern polities, but China during the Daoguang period did not possess the instruments of public debt to smooth out inter-temporal imbalances. On the other hand, not possessing public debt as an institution meant that provincial governments owed these deficits to the court alone, and without interest.¹³⁶ For much of the later parts of Qianlong and Jiaqing eras, the Board of

Liang-huai Salt Monopoly, 1740-1840,” in W. E. Willmott, ed., *Economic Organization in Chinese Society* (Stanford, CA: Stanford University Press, 1972): 44.

¹³⁵ *Qing Xuanzong Shilu* (清宣宗实录), 11th Year, 7th Month, and 28th Year, 10th Month.

¹³⁶ With the possible exception of interest-bearing loans to the merchants, but these were rare outside of Guangdong.

Revenue possessed sufficient silver reserves to periodically partially strike off these deficits, as a gesture of imperial munificence (and realistic assessment of provincial capacities at making up these deficits). By the Daoguang era, the relative depletion of treasury reserves meant that deficit forgiveness in itself would no longer be sufficient; for some elements of the Qing bureaucracy, this called for the rehabilitation of regions chronically in deficit.

The series of policy initiatives involving reform of salt monopolies in Liang-huai and the transport of grains through maritime routes, spearheaded by Tao Shu and similarly reform-minded officials in the 1820s and 1830s, was widely applauded during their time and in later Chinese historiography. More recently, this set of policies enacted was compared, to varying degrees, with the systems of *laissez-faire* economic policies first adopted in 18th Century Europe, and in turn contrasted with perceived interventionism in the 1870s and 1880s.¹³⁷ Although this had the benefit of associating these discussions with wider debates on managing the economy (if the term could be accurately used during this era), it is important not to lose sight of the debate's goals, which was to rehabilitate these regions for revenue extraction, and to diminish, if not outright rid of chronic deficits. It is not from the benevolence of the court that policy reforms were enacted, but from their regard to the tax revenues, as could be seen from Tao Shu's memorials, where he boasted of regular supply of salt-related taxes during his tenure, resulting in over 6.44 million tls. in taxes delivered, and an extra 3.27 million tls.

¹³⁷ Although Man-houng Lin criticised this line of historical inquiry in her earlier piece "Two Social Theories Revealed: Statecraft Controversies Over China's Monetary Crisis, 1808-1854", *Late Imperial China* 12, no. 2 (1991): 1-35, her longer treatise *China Upside-down* again referred to these terms in her comparisons.

towards making up past deficits.¹³⁸ This fiscal-minded orientation of Tao Shu and his successors' policies should be noted, not simply because Zuo Zongtang enacted similar sets of reforms on salt in post-Taiping era liang-huai with less effect, but because it gives a glimpse of how the priority of long-term revenue extraction guided the thinking of many Qing officials on issues concerning state-market relations.

Compared to cost-cutting entrenchments adopted by Tao Shu, another aspect of reducing chronic deficits widely discussed during this era was the creation of credit. Since China was not in control of the source of monetary liquidity accepted by the general public (silver), the debates revolved more over the replacement of silver through other means of exchange.¹³⁹ Although these debates have been well-covered by Chinese and foreign-language scholarship, for the purposes of understanding its relation to later issues of public debt, attention needs to be drawn to the assumptions and realities of state capacity surrounding these debates. Here, state capacity is defined as access and control over knowledge on the economy, and the state's ability to enforce its policies once reached through referencing this knowledge.

By the Daoguang era, the gap between assumptions and realities of state knowledge over the economy (in particular its fiscal health) was becoming apparent to well-placed observers. In a

¹³⁸ Tao Shu (陶澍), "Lvchen Banianlai Banli Lianghuai Yanwu bing Baowan Yinshu bijiao zaiqian qingxing fupian (缕陈八年来办理两淮盐务并报完银数比较在前情形附片)", in *Tao Wenyi Gong Quanjì* (陶文毅公全集), Vol. 18.

¹³⁹ The circulation of silver coins, mainly Spanish and Mexican dollars imported to China, was only officially sanctioned in 1836. See *Qing Xuanzong Shilu* (清宣宗实录), 16th Year, 9th Month.

revealing aside by Wei Yuan over the issue of calculation of accounts, he commented that,

“.....of the three major state expenditures (water management, pensions for members of the imperial clan, and army wages), only army wages are accountable and searchable. Archival files of water management, stored in Boards of Revenues and Works, only began from the Jiaqing era (1796-1820). For figures of the Qianlong era, I have asked Qi Cuizao (Board of Revenue official during the Daoguang era, later minister) to enquire the clerks, (they) all thought that older archives could not be found. Imperial pensions I have asked Imperial Clans court official Liu Yi, (who replied) that these were under the management of Manchu clerks, Han officials not being privy to the figures.”

Wei wryly observed towards the end that “without accounting for these two major expenditures, how could one discuss the frugality and profligacy of state spending, or the fluctuation of revenue bases?”¹⁴⁰ The lack of care over archival materials could also be detected in contemporary studies of Daoguang era finances; some of the most reliable estimates on annual revenue belonged to those privately kept by the Weng family, whose ancestors produced three high-ranking officials between the 1840s and 1890s. This scarcity of information was not limited to the court level, prefectural-level officials would often only possess a rough idea of their counties’ finances prior to their posting, and upon arrival in their new posting, they would

¹⁴⁰ Letter from Wei Yuan to He Zhuxiang (复何竹芎同年论会计书), in Sheng Kang (盛康) ed., *Huangchao Jingshi Wen Xubian* (皇朝经世文续编) (Taipei: Wenhai Chubanshe, 1972 Reprint), Vol. 29, 94.

be presented with some informal estimates on the county, mainly relating to various benefices (and their value) for personal use.¹⁴¹ This is furthermore not including intentional non-disclosure of provincial revenues to the central government, a perennial feature of Qing finances.

The recognition of this gap by Tao Shu, Wei Yuan, and their coterie of similarly-minded officials and scholars in early 19th Century, often referred to as *Jingshi xuepai*,¹⁴² has been studied in relation to the application of their scholarly philosophies in realms of public policies, but it can also be seen as an attempt to collect, categorize, and render accessible economic knowledge that would increase state capacity. The voluminous appeals to precedents of monetary and fiscal policy that one comes across in contemporary discussion were not simply demonstrations of personal learning, but a conscious effort to increase scholarly awareness of these materials, as well as to situate the scholar's own opinions alongside these precedents. The collection of historical debates on economic statecraft conducted under the auspices of He Xiling was also a part of this effort in knowledge collection and dissemination.

That the collection of economic knowledge was targeted towards increasing state capacity was rarely questioned. For officials in power like Tao Shu and Lin Zexu, this utilitarian function

¹⁴¹ These informal estimates, often compiled in pamphlets named “Xuzhi Ce (须知册)”, have been a feature of county level finances since the late Ming era. See Sui Yousheng (岁有生), *Qingdai Zhouxian Jingfei Yanjiu* (清代州县经费研究) (Beijing: Daxiang Chubanshe, 2013), Chapter 2.

¹⁴² 经世学派, or world-ordering school of ideas.

was explicitly linked to governance, or as Tao Shu puts it in his preface on one of the first provincial gazettes for Anhui, “the book could be deployed to understand the benefits of pacifying the population, and the *dao* of managing (these people).”¹⁴³ Due to their positions of influence, aided by tacit acquiescence of Jiaqing and Daoguang emperors, the gathering, analysis, and debate of economic knowledge by lower-ranking scholars with tangential relationships to political power was permitted and at times encouraged.¹⁴⁴ For these scholars, some operating from the peripheries of private research (Wang Liu, Wang Tao), others more embedded within the state bureaucracy as private advisers (Bao Shichen, Feng Guifen), the issue of state capacity became more abstract, and less wedded to particular dynastic loyalties compared to officials like Tao Shu.¹⁴⁵

In the debates over credit creation, this abstract view of state capacity revealed itself in Wang Liu’s work *Qianbi Chuyan* (Unformed Opinions on Money) in three key aspects, each of which contained ideological elements that later resurfaced in late Qing and Republican era; firstly,

¹⁴³ Tao Shu (陶澍), “Anhui Tongzhi Xu (安徽通志序)”, in *Tao Wenyi Gong Quanji* (陶文毅公全集), Vol. 35.

¹⁴⁴ A more outspoken environment where discussions on economic statecraft was one of the improvements in political climate during the Jiaqing and Daoguang emperors, which in the words of Qing historian Meng Sen, resulted in “Later upstarts became forgetful of cautions in discussions.....the literati gathered together to plan heaven and earth, and made plans for *tianxia*.” Meng Sen (孟森), *Mingqing Shi Jiangyi* (明清史讲义) (Beijing: Zhonghua Shuju, 1981 Reprint), Vol. 2, 614-615.

¹⁴⁵ Some of the treatises written by Gong Zizhen were notably hostile to the establishment in power, while Wang Tao submitted his policy suggestions to the Taiping rebels. Even Bao Shichen, who was heavily consulted by Qing officials on issues of water management, ended his days as an esteemed commoner in the first years of Taiping’s rule in Nanjing.

Wang was adamant that the prerogatives of note issuance should be retained by the state, and the state alone; he objected the dilution of these powers from the state to foreigners and domestic merchants.¹⁴⁶ This stance towards the circulation of foreign species was detected by William Rowe, who described the sentiment as “clearly within this vein of proto-nationalist thought”¹⁴⁷, but this stance also excluded domestic commercial interests from benefiting from this new fiat currency.

Secondly, in defining the interest of the state in pushing for this currency, Wang placed it in clear opposition not only to the those of the common people, stating at the beginning of his treatise that “the relationship between the state and its people are like that of family elders and their dependents; only when the elders are fed will they be able to provide for their children,”¹⁴⁸ thus fundamentally inverting the mainstream Confucian doctrines that at least paid lip-service to the primacy of the people. Furthermore, the creation of credit through fiat currency, as envisaged by Wang Liu, will also appropriate the interests of the domestic bureaucratic classes (something that morphed into reality during Xianfeng era experiments with paper money), due the future abolition of handling and mintage fees for silver conversion and the

¹⁴⁶ Incidentally, this position against domestic merchants is also shared by more conservative officials, who wished to retain bronze coins as the sole medium of exchange, as they were minted by the state. See Zhu Zun, “Yun Qianfa yiwo Liqian Shu (运钱法以握利权疏)”, in *Huangchao Jingshiwen Xubian* (皇朝经世文续编), Vol. 58.

¹⁴⁷ William T. Rowe, “Money, Economy, and Polity in the Daoguang-era Paper Currency Debates”, *Late Imperial China*, Volume 31, Number 2, December 2010, pp. 69-96

¹⁴⁸ Wang Liu (王鑾), *Qianbi Chuyan* (钱币刍言) (Shanghai: Donghua Daxue Chubanshe, 2010 Reprint), Vol. 1.

payment of official wages in fiat currency. The state, in Wang Liu's conception, would be an autonomous entity that although in theory working for the greater good of the people, essentially stands above and is antagonistic to the vested interests of various classes.

Thirdly, and somewhat oddly given the potential capacity to antagonise different sections of the society, Wang Liu's imaginings of state capacity in both estimating money supply levels and enforcing the abolition of silver as a medium of exchange becomes quite fantastic. The relationship between his visions of state capacity and its later incarnations in utopian writings of Kang Youwei becomes even clearer when he explicitly linked it with the *Jingtian* system:

“The framework for fiat currency is in essence same as that of *Jingtian*; one retains all the land and dispense them amongst the people, while the monopolises the creation of money and dispense them amongst the people, the exercise of rights and privileges by those above (ie. the State) is one and the same. However, *Jingtian* could be attempted at a time of plentiful land and scarce labour, but not at a time of scarce land and plentiful labour, whereas the framework for fiat currency possesses endless supplies, and can facilitate where the *Jingtian* system runs into shortages¹⁴⁹.”

It is important to note that Wang's estimations of state capacity did not differ qualitatively from those adopted by most other writers of policy manuals on credit creation. The bifurcated

¹⁴⁹ Wang Liu, “Yu Chen Fuya Xiaolian lun Chaobi Di Yi Shu (与陈扶雅孝廉论钞币第一书)“, in *Qianbi Chuyan Xuke* (钱币刍言续刻)。

distinction between “realists” and “moralists” in some later research on economic statecraft of the period could be adjusted to accommodate a general consensus of opinions on the part of state capacity.¹⁵⁰ Policy advisers such as Bao Shichen, despite being placed in the field of realists by many, differed with Wang Liu only in the speed of fiat currency reforms, and the balance between paper currency and silver at the first stages of currency reforms (Bao allowed for a period of mixed usage). Together, these writers presented a corpus of writing in support of credit creation efforts by the state, whether through the minting of large-denomination bronze coins, or the printing of paper currencies. Although their policy suggestions were vetoed by provincial and central officials in the 1830s and 1840s, it formed an intellectual reservoir for state intervention in credit creation, readily referred to and deployed at times of perceived fiscal crises during the 1850s.

On the other hand, assessments of state capacity in credit creation diminished rapidly for those in power. Xu Mei, who worked for around three years at the board of revenues before retiring, put it fairly succinctly: “That paper currency cannot work is not due to its lack of benefits for those above, but its lack of benefits for those below.”¹⁵¹ In memorials submitted to the court by Tao Shu, Lin Zexu and others in 1833, the suggestion of producing domestic imitations of foreign silver dollars were couched in terms of familiarity of usage by the general public, and

¹⁵⁰ Man-houng Lin, *China Upside-down*, Chapters 4 and 6. This is in view of Lin’s basis for categorization came from more literary and philosophic perspectives.

¹⁵¹ Xu Mei (许楣), “*Chaobi Lun* (钞币论)”, in Zhao Jing (赵靖), Yi Menghong (易梦虹) eds. *Zhongguo Jindai Jingji Sixiang Ziliao Xuanji* (中国近代经济思想资料选辑)(Beijing: Zhonghua Shuju, 1982).

the retention of seignorage by the state, thus reducing the degree of state involvement in credit creation to a level mandated by the availability of silver species.¹⁵² Obviously, that these officials also supported the gathering and transmission of economic knowledge were not at all in conflict with their assessment of state capacity, if anything, greater access to knowledge on public finance only served to deter interventions on the scale proposed by the policy advisers.

If the officials were wary of assuming the rights and privileges of establishing a fiat currency as a means of credit creation, they also took care that these privileges were not accidentally conferred to any other domestic groups, most notably the money changers operating major brokerage and remittance firms in key commercial cities. In a revealing instance of central-provincial relations and search for economic knowledge, the court in 1836 and 1838 solicited reports through memorials by provincial officials on the use and circulation of *qianpiao*, or private notes issued by prominent local money changers, with a possible eye towards its abolition for creating social instability.¹⁵³ Although the majority of provincial governors proposed its retention (accepted by the court), it is the perceived “defects” that is perhaps most interesting; for example, major money changers in Fengtian province circulated private papers amongst each other to the tune of tens of thousands, absorbing in silver specie but only

¹⁵² Lin Zexu, “Huizou Chayi Yin’ang Qianjian Chubi Bianmin Shiyi Zhe (会奏查议银昂钱贱除弊便民事宜折)”, in *Lin Wenzhong Gong Gongzheng Shu* (林文忠公政书)(Beijing: Zhongguo Shudian, 1991 Reprint), Jiangsu Zougao (江苏奏稿), Vol. 1.

¹⁵³ These valuable materials are available both in their originals at the First Historical Archives, and in transcribed copies collected in *Zhongguo Jindai Huobishi Ziliao* (中国近代货币史资料) (Beijing: People’s Bank of China, 1964). The memorials cited in this paragraph, unless otherwise noted, came from this compilation.

dispensing paper notes in return. Official proscription only led to these firms dividing the larger-denominated notes into small denominations for reuse. While in Beijing, money changers encouraged the conversion from silver specie into private paper notes by offering premiums (compared to exchanging silver into bronze coins), with the clear stipulation that these paper notes could only be converted into other private papers. Private papers in Shanxi province were in some instances turned into short-term loans, as notations on these papers denoted the premium to be paid if exchanged after certain time periods.

That these financial innovations, with the potential of delinking paper currency from silver (commercial clearing houses in Ningpo also achieved that in a measure by the 1840s and 1850s, as bronze cash became the standard of accounting when funds were cleared between firms), were firmly uprooted by the local authorities was not surprising.¹⁵⁴ The issuing of both paper currency and silver coins both involved the state taking a loan from its users with no interest involved, and although scholars of Daoguang era might disagree over which form of loan it might take (and different estimations of state capacity this would entail), they were in broad agreement that the state should take over this role from foreign mints and domestic financial intermediaries. This wariness towards private financial intermediaries, which came with its own intellectual lineage in Confucian ideas on political economy, remained a significant feature of official stances on public credit until the final decades of Qing empire.

¹⁵⁴ Susan Mann Jones, “Finance in Ningpo: ‘The Ch’ien Chuang’, 1750-1880”, in W.E. Willmott, ed., *Economic Organization in Chinese Society* (Stanford, CA: Stanford University Press, 1972), 55-56.

2.2 “Wealth that should be spent, must be spent”: Zhang Zhidong and Public Debt

For proponents of credit creation through financial innovation, the exigencies imposed by the Taiping Rebellion were useful in overriding objections by Court officials. Many of the monetary proposals debated between Wang Liu and other scholar-experts in the Jiangnan region resurfaced in memoranda submitted by junior officials at the Board of Revenue, most notably proposals by Wang Maoyin in the early 1850s.¹⁵⁵ Yet the implementation of these proposals, mainly the issuance of paper currency and large-denomination cash coins, only validated many Qing officials’ dim view of state capacity for market interventions. As soon as silver-to-cooper price ratios recovered somewhat by 1860, there were petitions to return to minting of standard cooper coins for circulation.

As we have seen in Chapter 1, the return to peace for most of Jiangnan by 1864-65 prompted further calls to reorganise and curb the growth of fiscal apparatuses that sprang up during the war. This pattern of local reorganisation and retrenchment between 1865 and 1874 in Southern China was mostly carried out by provincial officials with significant ties to Zeng Guofan (1811-

¹⁵⁵ Wang’s proposals on paper currency and iron cash earned him a rebuke from the Court in 1854, but also a footnote in *Das Kapital*, which made Wang the only Chinese mentioned by name in those volumes. Interestingly, the point of rebuke by the Court and attention by Marx was Wang’s suggestion that private financial intermediaries (eg. money brokerages and remittance firms) be compensated for circulating these fiat currencies. For an overview of Wang’s proposal and links to the earlier Daoguang-era debates on paper currency, see Lou Yifei (楼一飞), “Wang Maoyin Zhibi Sixiang Xinlun (王茂荫纸币思想新论)”, *Qinghua Daxue Xuebao* (清华大学学报 – 哲学社会科学版) 23, no. 6 (2008): 52-59.

1872), who retained a much more ambivalent relationship to the *jingshi* school of scholarship in vogue during his youth. Significantly, both Zeng Guofan and his most famous protégé Li Hongzhang did not, or at least not at this stage for Li, articulate a discourse for economic governance or growth, since funding for most of their self-strengthening projects were met through provincial revenue streams under their own control. It was left to Zuo Zongtang, with his deep ties to earlier generation of *jingshi* scholars and officials, to borrow massively from domestic and foreign sources during this decade, which led to extensive official debates on interest rate and growth in the previous chapter.

By late 1870s, however, the resumption of examinations in Jiangnan and other parts of Southern China has produced a new crop of expectant mandarins in Beijing, whose promotions were not tied to their (or their fathers’) accomplishments during the Taiping Rebellion. As members of the *Hanlin* academy, with little power but much prestige, these junior officials revived and expanded upon the tradition of publicly discussing issues of statecraft, both diplomatic and economic, which was previously seen in the 1830s and 1840s.¹⁵⁶ This was also a time when financial demands of self-strengthening projects were no longer limited to discrete

¹⁵⁶ The question of “pure discussion” (*Qingyi*) and formation of public opinion in 1880s and 1890s China has been addressed extensively since Eastman (1967), Polachek (1975) and Rankin (1982), followed by a pivot towards histories of Western-style journalism in Janku (2004). My reading of the period’s debates veers towards a concentric view of decision-making and feedback, with *qingyi* officials and reformist advisers both occupying a second-tier position in relation to prominent politicians. Thus there is less of a need to limit the scope of *qingyi* to that of metropolitan officials, but also relate them to mid-level provincial officials and gentry, as well as broadening their scope of contact with reformist officials and publications.

investments in armaments; both the expansion of naval capacity and more importantly, the prospect of railway construction required a discursive naturalisation of growth that permits public debt for these projects, where overriding arguments of warfare were not immediately applicable. Furthermore, this process of naturalisation into the domestic repertoire of political economy was not only contingent on its compatibility with existing schools of ideas, but also the political and intellectual standing of individual officials who selectively endorsed a more expansive role for the state in fostering growth.¹⁵⁷

It is in this context that Zhang Zhidong (1837 – 1910) deserves further examination. Similar to Zuo in the 1870s, the evolution of Zhang’s thinking and policies on public debt and growth was less a narrative of individual preferences than exemplar of paradigmatic shift amongst Chinese officials of the era. That Zhang became the leading figure in promoting economic growth through debt was precisely due to his image of ideological orthodoxy, assiduously articulated throughout his early years as a mid-ranking *hanlin*. This was more noticeable throughout the 1880s and 1890s, when lower-ranking metropolitan officials were disproportionately influential in opposing major railway and industrial projects through memorials, as they wielded traditional (albeit ebbing) tolerance of outspoken *qingyi* as a lever for propagating their discourses on governance.¹⁵⁸

¹⁵⁷ For an account of the politics of co-opting and selective reading of *Shenbao* by provincial officials in early 1880s, see Wang Weijiang (王维江), “Qingliu yu Shenbao (清流与《申报》)”, *Jingdaishi Yanjiu* (近代史研究) no. 6 (2007): 62-77.

¹⁵⁸ Rankin in “Public Opinion and Political Power: Qingyi in Late Nineteenth Century China” gave a succinct account in English on the social and intellectual circles in lower-rank metropolitan officials during the 1880s. That

Prior to his posting as governor to Shanxi in 1881, Zhang was deeply embedded in metropolitan intellectual circles through his status as *hanlin* and common scholarly pursuits over *jingshi* writings on economic geography and institutional history.¹⁵⁹ These works informed *qingyi* memorials during the Qing-Russian negotiations over Ili, which blithely advocated multi-million tael loans from foreign merchants to purchase gunboats and up-to-date munitions.¹⁶⁰ However, the willingness by *Qingyi* group of officials to borrow massively was due to strategic and military purposes, precisely the type of reasoning that contemporary editorials on foreign debt warned against. Similarly, despite numerous records of metropolitan and provincial officials reading *Shenbao* and other reformist writings of the period, the role debt might play in encouraging non-military enterprises was barely mentioned by this group of officials.

said, the political divisions observed by Rankin and others at *Qingyi* group versus Li Hongzhang and by extension Empress Cixi might be overdrawn; Citing private letters between key figures within *Qingyi* clique, Lu Yin suggested a performative aspect of these political groupings. See Lu Yin (陆胤), *Zhengjiao Cunxu yu Wenjiao Zhuanxing* (政教存续与文教转型) (Beijing: Beijing Daxue Chubanshe, 2005), 50.

¹⁵⁹ Zhang even entered into discussion with fellow *Qingyi* associates on compiling a sequel to *Huangchao Jingshi Wenbian* (皇朝经世文编), the renowned compilation of *Jingshi* writing edited by Wei Yuan and He Changling in the 1820s. See Huang Jun (黄浚) ed., *Hua Sui Ren Sheng An Zhi Yi* (花随人圣庵摭忆) (Shanghai: Shanghai Guji Chubanshe, 1983 Reprint), 303-304.

¹⁶⁰ Zhang Zhidong, “Haijing Ripu Jichu Zhanbei Zhe (海警日迫急筹战备折)”, September 15, 1880, in *Zhang Wenxiang Gong Quanji* (张文襄公全集), Vol. 3 (Memorials 3), 8. Zhang Peilun (张佩纶), “Baoxiao Hanbian Dangmou Ziqiang Zhe (保小捍边当谋自强折)”, February 25, 1882, in *Jianyu Ji* (涧于集) (Taipei: Wenhai Chubanshe, 1966 Reprint), Vol. 2, 183-204.

Instead, when Zhang Zhidong assumed office in Shanxi, one of his first actions was to reimpose fiscal discipline by ordering an investigation into outstanding deficits and debts incurred by prefectural and provincial officials. In his memorials from September 1882, Zhang saw his task as to reorganise provincial finances left in disarray since 1849, and blamed the ensuing bloating of provincial finances on the accumulation of temporary funding needs imposed during the Taiping Rebellion and operated by unscrupulous lower-rank officials.¹⁶¹ By placing fiscal retrenchment and reorganisation at the forefront of his policies in Shanxi, Zhang signalled his identification with the agendas of post-Taiping era gentry and Board of Revenue, one that persistently sought to reduce levies and abolish *likin*. Zhang's attempt to reimpose fiscal discipline on provincial finances gave fresh impetus to ongoing efforts by the Board of Revenue, as his supporters in Beijing petitioned the Court to order other provinces to follow suit.¹⁶² Officials in Guangdong, Shaanxi and other provinces responded by setting up their own bureaus for fiscal organisation in 1883, imitating the guidelines given by Zhang Zhidong for Shanxi. This would be the first of many occasions where, having taken over the mantle of ideological orthodoxy, Zhang's institutional reforms in public finance would be copied by other provincial officials, yet at this stage, this was hardly a position favourable to fiscal expansion through debt.

¹⁶¹ Zhang Zhidong, "Qingcha Kukuan Zhe (清查库款折)", September 11, 1882, in *Zhang Wenxiang Gong Quanjì* (张文襄公全集), Vol. 5 (Memorials 5), 14-18.

¹⁶² Zhu Shoupeng (朱寿朋) ed., *Guangxuchao Donghualu* (光绪朝东华录) (Beijing: Zhonghua Shuju, 1984 Reprint), Vol. 2, 1418.

As part of a larger program of nurturing livelihoods, Zhang's commitment towards fiscal discipline also connected him to earlier writings on economic governance, both of the *jingshi* variety of the 1830s and those from Qianlong and Jiaqing reigns. When one compares Zhang's vision of resuscitating Shanxi society after major famines of 1877 and Zuo Zongtang's ideas for Xinjiang and north-west provinces, the similarities in their ideological sources became much clearer.¹⁶³ Both of these officials inherited from Daoguang-era writings a straightforward willingness to discuss measures at pursuing profit (*li*), whether through encouraging iron manufacturers in Shanxi or wool merchants in Gansu, as well as an attention towards managing public finances (*licai*), notably through reforms in *likin* and salt monopolies. Zuo himself penned an article on the merits of discussing profit (*li*) openly in his days as private adviser to Tao Shu and others.¹⁶⁴ But these discussions of profit and public finance management did not at this stage challenge the primacy of nurturing agriculture-based livelihoods.¹⁶⁵ This ideological consensus on agricultural development linked Zhang Zhidong

¹⁶³ A clear statement of Zhang's vision for the revival of Shanxi could be seen in his memorial dated July 26, 1882, where Zhang went into great detail on the twenty urgent tasks facing Shanxi. Zhang Zhidong, "Zhengchi Zhili Zhe (整饬治理折)", July 26, 1882, in *Zhang Wenxianggong Quanji* (张文襄公全集), Vol. 4 (Memorials 4), 22-24.

¹⁶⁴ Zuo Zongtang, "Mingli Shuo (名利说)", in *Zuo Wenxiang Gong Quanji* (左文襄公全集) (Taipei: Wenhai Chubanshe, 1964 Reprint), Vol. 1.

¹⁶⁵ Indeed, in private letters Zuo Zongtang boasted that "(foreigners)' wealth from odds and ends cannot be compared to our wealth from the fundamentals (of agriculture and sericulture), their mechanical frivolities cannot be compared to our trade, where we master our surpluses over their deficiencies...and thus ten times as rich as the westerners." Zuo Zongtang to Yang Yizhen (与杨性农阁学), in *Zuo Zongtang Quanji* (左宗棠全集) (Changsha: Yuelu Shushe, 1996), Letters 16 (Vol. 26), 87.

and Zuo with earlier practitioners of *jingshi* ideals, such as Chen Hongmou from the Qianlong era. In particular for Zhang Zhidong, the promotion of community and official granaries in Shanxi closely dovetailed with Chen Hongmou's policies in late 18th century, and remained firmly within the policies of agricultural development advocated by *jingshi* school of writers in early 19th century.¹⁶⁶ In Zhang's memorials on governance in Shanxi, he self-consciously referred to his proposals as "classical and immutable standards from the Confucian craft",¹⁶⁷ and further traced a direct heritage of similar advices from Zhu Xi and other Confucian scholar-officials to support his policy of cadastral surveys.¹⁶⁸

Having placed himself so firmly within the orthodoxies of Confucian teachings on economic governance while in Shanxi, Zhang Zhidong quickly became a proponent and planner of major military-industrial and infrastructure projects by the late 1880s, as he assumed offices in Guangdong and Hubei in quick succession. Before discussing the evolution in his thinking on growth and public debt, the rapidity through which Zhang took on these projects deserves some

¹⁶⁶ For similarities between Zhang Zhidong's Shanxi policies with those of earlier 19th century precedent, see William T. Rowe, *Speaking of Profit*, 85-94.

¹⁶⁷ Zhang Zhidong, "Zhengchi Zhili Zhe (整饬治理折)", July 26, 1882, in *Zhang Wenxianggong Quanji* (张文襄公全集), Vol. 4 (Memorials 4), 22-24.

¹⁶⁸ Zhang Zhidong, "Huochu Leiliang Pian (豁除累粮片)", July 1882, in *Zhang Wenxianggong Quanji* (张文襄公全集), Vol. 4 (Memorial 4), 36. In the petition for land tax relief during cadastral surveys, it was interesting that Zhang positioned himself as a successor of general Confucian traditions of good governance, rather than specific philosophical schools, as he mentioned both Zhu Xi (朱熹) and Lü Kun (吕坤), a renowned opponent of *lixue* ideas in late Ming, although the latter might have more to do with his writings on governance in Shanxi, *Shizheng Lu* (实政录) (Beijing: Zhonghua Shuju, 2008 Reprint).

attention.

For Li Hongzhang, an ongoing advocate for military-industrial projects since the 1860s, Zhang's conversion to these fields was merely a result of "being tasked with actual responsibilities", which led to a divergence from his past *qingyi* opinions.¹⁶⁹ Gu Hongming attributed the transition to the naval defeat by France in 1884, when "Chang Chih-tung saw that strict Confucian principles alone were useless against such things as Admiral Courbet's ugly monster ships of war with their terrible guns."¹⁷⁰ These perceptions of Zhang are also commonly encountered in later Chinese historiography, where his rapid transition was assumed to be a natural response to the impact of actual governance and the encroachment of Western military might as opposed to opinionated politicking.

However, pinpointing sets of external events that shaped Zhang's conversion is only one part of the conversation, and it carries the assumption of inevitability about paths available to Zhang, a modernizing teleology shared by Li, Gu, and later Chinese historians. This focus on external events also overly compartmentalized Zhang's lifelong commitment to promoting Confucian scholarship from his promotion of modern industries. Even when one accepts the need to work with this assumption, it might be more useful to explore which components of established discourses on economy made it easier for Zhang Zhidong, a self-proclaimed adherent of

¹⁶⁹ Wu Yong (吴永), *Gengzi Xishou Congtan* (庚子西狩丛谈) (Changsha: Yuelu Shushe, 1985 Reprint), 108.

¹⁷⁰ Gu Hongming (Hung-ming Ku), *Story of a Chinese Oxford Movement* (Shanghai: Shanghai Mercury Ltd., 1912), 24.

Confucian orthodoxy, to embrace new industrial projects with all the ensuing public debt they entailed.

Contemporary studies of Qing-era official discourse and policies relating to the economy have dispelled the earlier stereotyping of anti-mercantile Confucian officials. Recent studies of 18-19th Century Qing legal frameworks and the operations of key institutions such as granaries, salt, and other mercantile transactions have all pointed towards a more flexible and pragmatic reading of Qing bureaucracy, one that clearly recognized the ubiquity of profit-maximizing motives and the importance of working along with these motives. There still exists considerable debate over the degree to which these market forces were embedded in existing social relations and cultural norms of 18th to 19th century China, but the sophistication of mid-Qing markets and its pervasive infiltration into officials' policy formulation process is no longer in doubt, and it has led to empirical studies that suggested levels of market integration on par with Europe in the mid-18th century.¹⁷¹

Still, this impression of official pragmatism and respect for market mechanisms needs to be tempered by limits of its application. Given that one is retrospectively applying the term “economy” to a range of Qing policies and discourses, one must bear in mind that our contemporary understanding of the economy extends well beyond the circulation and arbitraging of merchandises, but also the financing, production, and innovation of these

¹⁷¹ Carol H. Shiue, and Wolfgang Keller. 2007. "Markets in China and Europe on the Eve of the Industrial Revolution." *American Economic Review*, 97 (4): 1189-1216.

merchandises (among others).¹⁷² In other words, market integration and circulation were only one part of the economy at large, and although it remained the chief subject of economic policy-making throughout 18th and early 19th century, one could also find extensive discussions on the promotion of new agricultural techniques and handicraft sectors, as well as monitoring of credit instruments.¹⁷³ In these latter fields, which can be grouped under the category of promoting economic growth (albeit Smithian at this stage), the space for state manipulating existing market forces opened up considerably. This is highly relevant, because by late 18th and early 19th century, the promotion of new agricultural and handicraft techniques was seen as a significant component of good governance by successive generations of scholar-officials, especially for those who identified with putting *jingshi* ideals into governance.

In Chen Hongmou's promotion of sericulture in Shaanxi around 1750, he was prepared to deploy an extensive range of administrative measures to achieve his aim of establishing a viable textiles sector, including government-run silk workshops and state purchase of local silk at above-market prices (despite local officials' complaints). These measures sat awkwardly with assessments of Chen as respectful of market operations; by bringing the full weight of local bureaucracy behind the promotion of particular sectors (and knowing full well how coercion will be used at the grassroots level despite exhortations to the contrary), the state became a

¹⁷² Bearing in mind that “economy” (*jingji*) in its modern connotation was a Japanese loan word from early 20th Century, much disliked by Zhang Zhidong among others.

¹⁷³ An extremely useful example would be the categories used by editors of *Huangchao Jingshi Wenbian* (皇朝经世文编) in 1826 to categorise their selection of essays and memorials.

profit-seeking participant in the market, and it dictated the terms of its participation.¹⁷⁴ Similarly for Zuo Zongtang in Gansu during the 1870s, a lack of adequate infrastructure was no impediment to his plans of founding a textile factory in Lanzhou to process local wool. Over 1,200 cartons of textile machineries were imported to Hankow and then overland to Lanzhou. The cost of these machineries along with thirteen German technicians was enough to shutter the workshop in under four years, as it proved too expensive to transport finished products overland to treaty-ports.¹⁷⁵

For Chen, Zuo, and as we will discuss, Zhang Zhidong, these developmental projects stemmed from a common heritage of writings on improving welfare conditions through agricultural and handicraft improvements. In both Chen and Zuo's cases, their aim was to achieve import-substitution by enhancing what they perceived to be the regions' comparative advantages.¹⁷⁶ In this, they (and more particularly Zuo and Zhang) were also aided by a greater openness to profit for public institutions in 19th century discourses of political economy, most notably by *jingshi* school of scholar-officials. But the gaze remained an official one, and the lack of profit-making industries were blamed on a lack of diligent officials interested in economic development, rather than a result of existing market forces and geographic constraints.

¹⁷⁴ See William T. Rowe, *Saving the World*, p. 186-290 for a more positive review of Chen's economic policies, including his efforts to promote sericulture.

¹⁷⁵ *The Celestial Empire*, January 3, 1881, 2.

¹⁷⁶ Unsurprisingly, Zuo also encouraged sericulture in Gansu and Xinjiang by hiring experts from Zhejiang to teach mulberry plantations. See Zuo Zongtang to Yang Changjun (答杨石泉), 1879, in *Zuo Zongtang Quanji* (左宗棠全集) (Changsha: Yuelu Shushe, 1996), Letters 24.

In part to sidestep accusations of “wealth extraction” (*jvlian / liancai*) from the people, one that retained some weight in 18th and 19th century official discussions of political economy, Chen, Zuo and others took great care to formulate profits to be gained from these state-directed enterprises as tapping into uncultivated resources, rather than competing with private firms for existing profits. In Zuo’s words, his initiatives “won’t deprive the people of their existing profits, but will reclaim those taken by foreigners, and fully extract those profit and labour under-utilized by the people.”¹⁷⁷ This flexible, growth-oriented view of profit had more in common with the heterodox policies of Wang Anshi than standard discourse on wealth distribution in mid- to late-Qing, but because they were shielded in part by the orthodox pursuit of improving agriculture and handicraft techniques, they were less a subject for criticism than government interventions in salt pricing. Furthermore, the profits envisaged through these state-run enterprises were often used to justify the large subsidies they absorbed in the early years, although for the ones founded by Chen and Zuo, there were no records of actual profit.

These arguments, along with writings by Daoguang-era *jingshi* scholar-officials, opened up a discursive space that Zhang Zhidong could draw from around the mid-1880s. Despite its implicit divergence from the general consensus on state’s role in directly managing enterprises, the argument that official intervention was needed to establish *new* sources of profit while introducing new techniques was still well within established repertoire of discussions on

¹⁷⁷ Memorial by Zuo Zongtang, February 7, 1885. *Junjichu Lu Fuzouzhe* (军机处录副奏折) 03-6095-012, First Historical Archives, Beijing.

political economy, making it much easier for Zhang Zhidong to appeal for official and gentry support of his developmental projects. At the same time, the growing anxiety by officials and gentry over Western encroachment and commercial competition was a distinctly new factor in motivating Zhang's industrializing policies. This common pool of policy precedents was also used by Li Hongzhang and others to promote their agendas, but as we shall see from debates on railway routes in late 1880s, Zhang Zhidong was far more adept at combining these heterodox policy precedents with his reputation as a Confucian official *par excellence*.

These ideas formed the intellectual basis for Zhang's pivot into major industrial and infrastructural projects. But like many of his contemporaries, it was one thing to promote industrialization (or proto-industrialization, as they did not necessarily distinguish between the two), but quite another to accept the need for foreign (and eventually domestic) public debt as the chief source of its financing, and even that was different from fully endorsing the potential for public debt to ignite economic growth through investment. As we have seen from section one and two, the second and third point was the general position that reformist intellectuals and a minority of officials arrived at, albeit fairly gradually by late 1880s and 1890s, yet there still remained a gulf in perceptions between reformist officials and Zhang's version of industrialization and its financing.

Although Zhang had blithely advocated for massive foreign loans at the height of Qing-Russian crisis in 1880-81, his first actual acquaintance with its effects did not come until 1884, when Zhang approved five provincial loans from the Hongkong and Shanghai Bank and others,

totaling around 7.14 million tls. for Sino-French war effort.¹⁷⁸ Despite a decline in interest rates compared to the 1870s (between 8% to 9%), it still represented a heavy strain on provincial finances, especially when the Guangdong treasury was tasked with the vast majority of its repayment.¹⁷⁹ By June 1886, Zhang forecasted a provincial deficit of 3.05 million tls. per year, against an annual income of 4.55 million tls., prompting another round of expenditure reduction by Zhang, while also looking for new revenue streams in *likin* reform.¹⁸⁰

The experience of debt burdens and perennial deficits was not limited to Guangdong; most of southeastern provinces since mid-1870s have been allocating portions of their revenue to servicing foreign debt. Like most other provincial governors of this period (and earlier cases of Chen Hongmou funding his sericulture enterprise), Zhang also sought to fund his developmental projects through cobbling together a set of one-off to short-term revenue sources, including renegotiating gambling monopolies and surveying recent land reclamations. This was made possible by the fact that many of his projects in Guangdong involved one-time purchases of equipment, with most costing around 500,000 tls. per project; although much

¹⁷⁸ Approx. 1,790,000l. in 1885 exchange rates.

¹⁷⁹ In his memorials, Zhang Zhidong estimated that around 5.01 million tls. of the loans were assigned to Guangdong treasury for repayment, but this was excluding various loans' interest rates. For one tranche of the loans dated in November 1884, Guangdong treasury paid 645,724 tls. of interest against a principal of 1,143,400 tls. over eight years. See Wang Yanwei (王彦威), Wang Liang (王亮) eds., *Qingji Waijiao Shiliao* (清季外交史料) (Taipei, Wenhai Chubanshe, 1964), Vol. 6, 31.

¹⁸⁰ Memorial by Zhang Zhidong, June 23, 1886. *Junjichu Lu Fuzhe* (军机处录副奏折) 03-6614-097, First Historical Archives, Beijing.

larger than their predecessors of 18th and early 19th century, they remained serviceable compared to major wartime loans.¹⁸¹

It was not surprising then, when a railway project connecting Beijing to middle/lower Yangtze region first surfaced in 1888-89 with estimates between 13 to 30 million tls., Zhang's instinct was to fund it through domestic sources using proven methods of project financing, rejecting foreign loans with the by now familiar refrain of "interest rates upon interest rates, and discounts embedded in discounts". In a precursor to *Zhaoxin* bonds of 1898, Zhang suggested that "in addition to standard share offerings by railway companies, (one) should select key ports in various provinces or those with significant salt levy quotas, and task provincial treasuries and local customs with enticing (local) subscriptions."¹⁸² A revised proposal by Zhang in October 1889 further suggested that the projected expenditure of 30 million tls. could be collected from office sales (2 million tls. per year) and surpluses from opium *likin* (1 million tls. per year) for ten years, effectively delaying the railway for ten years or more pending its collection, while also advocating using domestic sources for railway track productions.¹⁸³

¹⁸¹ Provincial Mint (1889): approx. 450,000 tls., State-run textile plant (1889): approx. 420,000 tls., Coast guard ships etc. (1886-87): approx. 180,000 tls., Munitions Factory (1st stage 1887, 1889): approx. 370,000 tls. Source: Wang Shunan ed., *Zhang Wenxiangong Quanji* (张文襄公全集)(Taipei: Wenhai Chubanshe, 1970 Reprint), Memorial vol. 14-21.

¹⁸² Zhongguoshi Xuehui (中国史学会) eds., *Yangwu Yundong* (中国近代史资料丛刊•洋务运动)(Shanghai: Shanghai Renmin Chubanshe, 1961), 270.

¹⁸³ Zhang Zhidong, "Zunzhi Chouban Tielu Jinchen Guanjian Zhe (遵旨筹办铁路谨陈管见折)", October 4, 1889, in *Zhang Wenxiangong Quanji* (张文襄公全集)(Taipei: Wenhai Chubanshe, 1970), Memorial 27, 10-12.

These proposals suggested that twelve years after Xinjiang expedition loans, key policy makers in Beijing remained deeply skeptical of measures that would impose binding multi-year commitments, especially when interest rates are entered into equation. Furthermore, in these back-of-the-envelope type of revenue assessments, possibilities of revenue growth were not entertained at all, which again conformed to older patterns of multi-year expenditure planning.

Yet it would be too hasty to write off these memorials as another example of fiscal conservatism before the Sino-Japanese War; rather, through memorials proposing a line between Beijing and Hankow, Zhang Zhidong attempted to justify massive expenditure for ironworks near Hankow, a project much closer to his vision of industrialization for China. In arguing for his proposed line over Li Hongzhang's version of connecting Beijing to Tianjin, the memorial appealed explicitly to the various "profits" of enhancing market integration, guaranteeing employment prospects and trade growth along the Beijing-Hankow line. These were arguments that adhered closely to the more orthodox limits of state involvement in economic affairs, that is, facilitating trade routes and increase market connectivity. Zhang (and his advisers who penned the memorial) further connected this proposal with the most famous of Daoguang-era policy debates, by marketing the line as a safe alternative to maritime transport of grain levies in times of war, while still more efficient than the older route via the Grand Canal. Whether Zhang believed that Beijing-Hankow line would indeed reap these benefits was debatable, but they were useful in articulating the benefits of railway construction in established discourses of economic governance, and more importantly, by taking up a nationalist stance of no foreign loans or railway track imports, Zhang now began to make his case for major investments in

ironworks.¹⁸⁴

Zhang's interest in ironworks began as promotion of local workshops in Shanxi, a legacy of his studies of historical writings on economic geography.¹⁸⁵ His policies there were in line with measures by mid-Qing officials for similar projects, and generally focused on facilitating the movement of goods and reducing onerous levies. Zhang's promotion of local ironware stemmed from an interest in fostering economic self-sufficiency for Shanxi, again, an interest well within mainstream goals of economic governance before 1850s. By the late 1880s, relying on a discursive space that was tolerant of discussions of profit, Zhang's interest in fostering self-sufficiency was channeled into a mercantilist aim of reducing foreign imports, a stance also endorsed by reformist intellectuals and merchant groups in treaty-ports. For ironworks in particular, the need to introduce new technology was seen as a justification for "state initiation followed by private management", and thus (again) not depriving private interests of existing profits.¹⁸⁶

¹⁸⁴ As Zhang advised Li Hongzhang in August 1889, "if this were to be publicized, it'd be best to called it overland transit routes and blame inefficiencies in Yellow River conservancy and grain transport through the Grand Canal, *so the framing would be moderate in tone and comprehensible to many, using Chinese not Western guidelines; one mustn't refer to it as railway construction* (Italics added)." Li shot back two days later, "This is bound to cause controversy in Beijing circles. Even if we say it's using Chinese not Western guidelines, who's going to believe that?" Telegrams between Zhang Zhidong and Li Hongzhang, August 1889, in Wu Jianjie ed., *Zhang Zhidong Nianpu Changbian* (张之洞年谱长编) (Shanghai: Shanghai Jiaotong University Press, 2009), vol. 1, 245.

¹⁸⁵ His *qingyi* associates from Beijing also pointed to concentration of ironware manufacturing in Shanxi via letters to Zhang Zhidong. Zhang Peilun to Zhang Zhidong. February 1881, *ibid.*, 102.

¹⁸⁶ Zhang Zhidong, "Choushe Liantiechang Zhe (筹设炼铁厂折)", September 20, 1889, in *Zhang Wenxiangong*

Here, the term “state initiation (*guan chang*)” was a euphemism for state funding of the new ironworks, now relocated to Hanyang following Zhang’s appointment as Viceroy of Huguang in late 1889. Zhang Zhidong’s calibrated espousal of reformist policies was rewarded by a grant of 2 million tls. from the Board of Revenue, which in itself was the largest single grant made by the Board outside of military and waterwork projects at the time¹⁸⁷. But as Zhang quickly found out between 1890 and 1894, two million tls. (approx. 520,000*l.*) was barely enough even to get plant equipment set up. In his own estimation, budget for Hanyang ironworks reached 2.46 million after 11 months of construction in 1890, and over 3 million tls. by 1892. Once the furnaces were set up, a minimum annual outlay of between 500,000 to 600,000 tls. was needed to keep them in function, while Zhang’s earlier ventures usually costed no more than 500,000 tls. per project.¹⁸⁸ By 1898, while attempting to justify a new price tag of 5.69 million tls. for the entire complex, Zhang made a revealing statement that “the immense scale and intricacy of labor, as well as the complexity and expense of the tasks involved (in setting up Hanyang ironworks)is something that Chinese officials and technicians have never encountered

Quanji (张文襄公全集)(Taipei: Wenhai Chubanshe, 1970), Memorial 27, 1-4. The memorial was one of the first instances where statistics from Customs Service’s *Returns on Trade* report were extensively cited in memorials unrelated to Maritime Customs.

¹⁸⁷ Telegram from Naval *Yamen*, January 24, 1890, in *Zhang Wenxianggong Quanji* (张文襄公全集)(Taipei: Wenhai Chubanshe, 1970), Telegram 12, 41. This was not an actual lump grant, but simply a quota to be deducted from Hubei’s annual transfers to the Naval *Yamen* between 1889 and 1890.

¹⁸⁸ Zhang Zhidong, “Zicheng Haishu Xugu Chouban Meitie Yongkuan Baoming Li’an (咨呈海署续估筹办煤铁用款报明立案)”, March 22, 1892, in *Zhang Wenxianggong Quanji* (张文襄公全集)(Taipei: Wenhai Chubanshe, 1970), Official Correspondence 14 (Vol. 99), 13-14.

before, and as such, should not be constrained by standard regulations.”¹⁸⁹

This realization of industrialization’s growing complexities was accompanied by a gradual depletion of fiscal resources to support the ironworks’ upkeep. After the 2 million tls. quota assigned by Board of Revenue was used up, Zhang managed to finance the steel mill through Hubei province’s *likin* proceeds, salt levies, and opium taxes.¹⁹⁰ However, none of these revenue sources grew sufficiently quickly enough to meet the needs of Hanyang ironworks, so even during this period of supposed self-sufficiency, around one fourth of its funding between 1889 and 1895 came from identified loans from other government agencies and domestic merchants.¹⁹¹ This meant that even before the imposition of indemnities from the Sino-

¹⁸⁹ Zhang Zhidong, “Chaming Liantiechang Yongkuan Zibu Li’an Zhe(查明炼铁厂用款咨部立案折)”, May 3, 1898, in *Zhang Wenxianggong Quanji* (张文襄公全集)(Taipei: Wenhai Chubanshe, 1970), Memorial 47, 15. Later estimates put the actual figure in 1898 to around 6.1 million tls., as Zhang omitted an earlier loan from Hongkong and Shanghai Bank in 1889.

¹⁹⁰ The opium taxes formed the main basis for funding at Hubei Munitions, whose capital was diverted by Zhang Zhidong for the steel mill.

¹⁹¹ The figure is probably on the conservative side, since Zhang’s appropriations from Hubei munitions during this period (which formed about another third of the total funding and not included in the estimate) also resulted in loans negotiated between the munitions factory and Arnold, Karberg & Co. in 1895 for a sum of 600,000 tls. So although Hanyang Ironworks did not incur direct foreign debts between 1891 and 1894, its appropriations already led to indebtedness by other agencies. See Han-sheng Chuan, *A Brief History of the Hanyeping Iron and Coal Mining and Smelting Co.* (Hong Kong: The Chinese University of Hong Kong, 1972), 39-41. For the Arnold, Karberg & Co. loan, see Zhang Zhidong, “Kenbo Hubei Qiangpaochang Jingfei Zhe(恳拨湖北枪炮厂经费折)”, May 3, 1898, in *Zhang Wenxianggong Quanji* (张文襄公全集)(Taipei: Wenhai Chubanshe, 1970), Memorial 47, 15.

Japanese War (which began to be remitted in 1896), the steelwork was already relying on non-replenishable sources of funding, such as reserves from other agencies. Since the Qing government was engaged in negotiations to curb both *likin* and opium consumption in China, the Hanyang ironworks, along with other major domestic efforts at industrialization, would have to borrow from foreign sources *even without* the credit crisis caused by the Sino-Japanese War indemnities. Furthermore, Zhang's enduring belief in state-directed industrialization made it unlikely that large infusions of foreign capital would be a strictly private affair. This interpretation does not necessarily marginalize the role of Sino-Japanese War of 1894-95. Rather, by issuing public debt on foreign markets to pay for indemnities, and then scrambling to expand public revenue sources to service these debts, the war as a credit crisis hastened the connection between public debt and growth, but it was not a necessary condition, as seen in the case of Hanyang ironworks.

As it happened, persistent deficits in funding already forced the single functioning steel furnace in Hanyang ironworks to shut down in October 1894, before first skirmishes were fought in Korea. With the indemnities taking away part of Hubei's customs and *likin* proceeds, Zhang was forced to offload the plant to Sheng Xuanhuai in April 1896, who attempted to entice private Chinese investment through public share offerings. When that resulted in a meagre total of 2 million tls., foreign capital was finally permitted in 1899 through a 3-million tls. Japanese advance.¹⁹² For the Beijing-Hankow line that Hanyang ironworks was meant to supply,

¹⁹² Even during this period of semi-private management (1896-99), Sheng was able to secure over 1 million tls. from official funding for Beijing-Hankow Line, along with a tax remission of 10 years for iron products produced

following a brief interval when complete privatization was entertained, Zhang agreed to a Belgian loan issued through Russo-Chinese Bank in exchange for *de facto* foreign management in June 1898. By now, foreign debt was seen by him to be marginally preferable to foreign shareholding in preserving sovereignty over the railway.

This seismic shift in thinking about foreign debt was not limited to Zhang, but a reflection of his position as the bellwether of mainstream official opinions. Pre-war conditions in public finance have allowed a gradual exploring and debating over other funding options, and the small, railway-related loans negotiated by Li Hongzhang before 1895 were reasonably lenient in their conditions (mostly through lower interest rates and fewer collaterals). The imposition of war indemnities led late Qing finance to another direction however, and what had been for many a matter of choice became one of urgent necessity. In the aftermath of the war, the need to deploy public debt, both to service debt repayments *and* to finance industrialization, became the new orthodoxy after almost two decades of contentious debate.¹⁹³ This, of course, has been the position of reformist officials and intellectuals at the margins of late Qing officialdom, but the credit crisis hastened Zhang's convergence to their views. Zhang's transition into a more reformist mode during this period has been well-documented in existing historiography, with most focusing on his widely-publicized treatise *Quanxue Pian* in 1898.¹⁹⁴ While the popularity

in Hanyang ironworks.

¹⁹³ Zhang Zhidong, "Kenqing Xiubei Chucai Zhe(恳请修备储才折)", July 19, 1895, in *Zhang Wenxiangong Quanji* (张文襄公全集)(Taipei: Wenhai Chubanshe, 1970), Memorial 37, 30-32.

¹⁹⁴ First translated into English as *China's Only Hope: an Appeal* (New York: Revell, 1900), but more commonly referred to as *Admonitions for Study*.

of that work amongst Chinese gentry testified to Zhang's enduring centrality in influencing that group of late Qing elites, it is his selective endorsement of reformist narratives on public debt's purposes that I will conclude this section with.

Although his most influential statement on reformist proposals remained that of *Zhongti Xiyong*, in his private conversations, there were evidences that this did involve some rethinking on the issue of growth and dynamism in Chinese political and philosophical discourses.¹⁹⁵ This in turn supported his advocacy for fiscal expansion, noting that “discussions on managing public finances in recent decades have mostly focused on fiscal retrenchment and austerity, so as to prepare for unseen contingencies. This is a standard for light governance and alleviating popular burdens...but not one for contemporary conditions where aggressive neighbors are ready to pounce.”¹⁹⁶ By this stage, Zhang was in broad agreement with post-1895 reformers that existing indebtedness through indemnities should not preclude further public debt,

¹⁹⁵ During a private conversation in 1897 with Xu Shichang, later president of the Chinese republic between 1918-1922, Zhang Zhidong consider the perceived weakness of China stemmed from philosophies that “although useful in remedying each dynastic cycle's defects, were far too static. “As Heaven's movement is ever vigorous, so must gentlemen ceaselessly strive along”, since one remained static, thus our weaknesses have accumulated until now.....also said that one must follow the examples of Guan Zi and Zhuge Liang to be useful to the world.” Although the quote was used in Lu Yin's work to indicate Zhang's convergence to more radical strands of reformist rhetoric, it is surely no coincidence that in a conversation exhorting the virtues of growth and activism, Zhang ended by harking back to two classical statesmen most famous for their state-directed interventions in fiscal extraction. See Lu Yin (陆胤), *Zhengjiao Cunxu yu Wenjiao Zhuanxing* (政教存续与文教转型), 70.

¹⁹⁶ Zhang Zhidong, “Qing Zhuanchou Jukuan Juxing Yaozheng Pian(请专筹巨款举行要政片)”, July 20, 1901, in *Zhang Wenxiangong Quanji* (张文襄公全集)(Taipei: Wenhai Chubanshe, 1970), Memorial 54, 33-35.

provided that these loans were used productively towards reclaiming sovereign rights (*guoquan*), a nationalist term useful in its accommodation of competing discourses on political economy.

What differed Zhang Zhidong from late Qing reformists was over the extent of state involvement in deploying public debt to selected industries. Here, the experience of Meiji Japan was instructive; although the Japanese state was firmly behind many of the infrastructural and financial loans floated on the pre-1914 London market, the everyday management of these enterprises were left to private companies. However, the experiences of Zhang Zhidong and other late Qing officials with industrial and infrastructural projects since the 1880s meant that even when the necessity and usefulness of public debt was admitted, they still preferred the State its various apparatuses as the chief recipient of capital accumulation. In remarks that foreshadowed Nationalist and Communists planners, Zhang and his advisers depicted private domestic capital as “narrow in outlook, hasty in expectations, scattered in its capital and miniscule in their capacities”, criticizing their inability to embark on major infrastructural investments even with official encouragement.¹⁹⁷

Official historiography in China since the 1950s tended to depict this hostility towards private domestic capital as relics of feudal-bureaucratic outlook on state-merchant relations, but

¹⁹⁷ Zhang Zhidong, “Luhan Tielu Shangban Nancheng Lingchou Banfa Zhe(卢汉铁路商办难成另筹办法折)”, Sep 2, 1896, in *Zhang Wenxianggong Quanji* (张文襄公全集)(Taipei: Wenhai Chubanshe, 1970), Memorial 44, 19-21.

instead of classifying these opinions through perceived class origins (with all the supposed tension between ascending and ossified classes), it might be useful to analyze them in term of their goals, which was the enrichment of the state (*fuguo*) through expansion of its revenue base. What Zhang Zhidong endorsed through his continuation of a particular strand of interventionist discourse on political economy was state-directed development and management of new profit sources (achieved through fiscal expansion via public debt) would be the most direct way of increasing state revenue. It was a stance that Zhang and his younger colleagues would consistently put into practice during the *Xinzheng* era (1901-1911),¹⁹⁸ and implied an instrumental view of public debt as one of the many vehicles of fiscal extraction from domestic and foreign sources.

Except public debt was not simply another fiscal instrument. Even as notions of public debt were partially reshaped in its transmission to the Chinese context to allow for possibilities of state intervention, such an interpretation was certainly in the minority before 1914. Instead, much of the Chinese experience with public debt in the 1900s would involve negotiating with its classical underpinnings of fiscal accountability and representative governance.

¹⁹⁸ One might even claim that this propensity for official intervention in new branches of the economy was one of the few surviving legacies of Zhang Zhidong's version of Confucian statecraft, as his successors and colleagues such as Sheng Xuanhuai and Yuan Shikai came from very different backgrounds and paths of promotion.

Chapter Three

3.1 “Chasing heavy profits with light interests”: Adapting to New Ideas on Public Debt

The previous chapter has concentrated on untangling one strand of these ideas, which could be traced to debates on political economy in the Daoguang era, and revived through fiscal reforms carried out following the Taiping rebellion. This strand of ideas, anxious over the prospects of expanding public finances but not necessarily opposed to Western influences (mostly technical and military), became enmeshed and reshaped by new group of discourses on public finances, one that accepted the usefulness of public debt in aiding growth, envisaged a leading role for the Qing state in negotiating these debts, and posited a new set of relationships between the Qing state and its domestic constituents. It was the latter that gradually gained traction in commentaries by Chinese intellectuals, merchants, and later on officials from the late 1870s onwards, but its mutation and interaction with older framework of ideas on public finance have been overshadowed in existing Chinese-language historiography.

For example, in an otherwise thoughtful examination of public opinion and court politics surrounding Zuo Zongtang’s Xinjiang ventures, Liu Zenghe claimed that: “(*Shenbao*’s) Western-influenced and grandiose arguments.....became a convenient intellectual resource for Huai-faction provincial governors (namely Li Hongzhang and others) to quietly obstruct Zuo’s western campaigns.¹⁹⁹” Furthermore, Liu posited that *Shenbao* acted as part of the tacit

¹⁹⁹ Liu Zenghe (刘增合), “Media Intervened Politics: ‘Shenbao’ and Government’s Loan for the Western

alliance formed by British diplomats, British newspapers published in Shanghai, and assorted Chinese officials, all with the aim of obstructing Zuo's Xinjiang campaign.

The case Liu made for a selective reading of foreign sources on Xinjiang Campaign by *Shenbao* was a convincing one. However, he also claimed that opinion pieces by *Shenbao* between 1874 and 1876 opposing foreign debt for armament purposes were directly influenced by corresponding British editorials published in *North China Daily News*, Shanghai's leading publication for English-speaking expatriates. To support this claim, a table of Chinese editorials with their supposed English counterparts was provided. Upon closer examination, none of the seven English-language articles covering the Xinjiang Campaign actually offered any commentary on the nature and use of public debt, and the only debt-related piece was a prospectus for the 1874 Chinese loan for Fujian naval arsenal, an advertisement common in Victorian newspapers with no comments on the loan itself²⁰⁰. Similarly, other articles that claimed explicit *Shenbao* support for foreign borrowing to purchase gunboats and armaments also rested on shaky grounds in terms of actual newspaper commentaries²⁰¹.

Expedition during Tongzhi and Guangxu Period (“舆论干政”：申报与同光之际的西征新疆举债), *Xinwen yu Chuanbo Yanjiu* (新闻与传播研究) 7, 2015: 51-68.

²⁰⁰ Articles from *North China Daily News*, Jan. 14, 1875; March 13, 1875; August 3, 1875; March 12, 1875, Dec. 7, 1875, March 13, 1876; April 26-29, 1876.

²⁰¹ Yun Wenjie (恽文捷), “A Study of British Intervention to China's Recovery of Xinjiang in 1870s (英国干涉左宗棠西征考论),” *Shehui Kexue* (社会科学) 12, 2016, 145-155. In Yun's case, a perusal of *Shenbao* sources cited in Footnote 4-5 would reveal that the editor did advocate for the procurement of gunboats and armaments, but did not at all refer to borrowing from foreign lenders. In one of the editorials cited, the commentator in fact called for contributions from merchants in Shanghai to purchase these boats.

This is not to say that these clashes and machinations did not exist; a vain, thin-skinned man, Zuo's long-running feud against Li Hongzhang appropriating provincial revenues for naval projects was a significant feature of Qing politics in the 1870s. And because the diffusion of ideas can be difficult to pin down, especially when it focuses on its absorption by individuals, criticisms that Zuo encountered by borrowing abroad from colleagues and commentators were often lumped together in Chinese historiography, and subsumed under narratives of personality clashes and court politics. But taking an instrumental approach towards new ideas on public debt, that is, overtly focusing on its appropriation at certain historical conjunctures does not explain how these ideas became available at the first place, nor does it leave room for retracing its evolutionary paths.

Of course, the ideas on public debt as expressed by commentators from *Shenbao* did first originate abroad, but this exercise of differentiating commentaries on the Xinjiang campaign and public debt not only revealed the tendency in some Chinese-language scholarship to group these phenomena together, it demonstrated that far from being their British master's voice (an accusation also levelled by Zuo Zongtang), these editorials reflected evolving ideas on public debt that gradually formed at its own pace, through diverse and at times obscure sources and encounters with Western public debt.²⁰² The end result was a corpus of articles that, although sharing the flaws of hastily written opinion pieces everywhere, were clear in its message and

²⁰² Although it must be admitted that these recent studies have improved upon their predecessors, which tended to overlook newspaper commentaries altogether in favour of court politics during the Xinjiang campaign.

articulate in its arguments.

The question of modern public debt was first broached in July 1872, three months after *Shenbao*'s first issue. The editorial began with a rhetorical device, pointing out that “in antiquity, state revenue and expenditures were scheduled and fixed, as with levies and taxes amongst commoners. Extraordinary outlays would be covered by corvée and irregular levies.” It is not difficult to discern here that what the writer referred to as antique practices were actual principles that Board of Revenue officials attempted to resurrect in the post-Taiping era. By relegating these principles to a much earlier age as opposed to the late 18th Century, the author used the same rhetorical tactic by Wang Liu at the beginning of his treatise on paper currency, which is to hint at the complete inapplicability of these principles in the contemporary era.

Not surprisingly, the author quickly pushed forward to the recent era, when increased frequency in calling up corvée and levies resulted in “over-burdening public resources, hence reducing state power.” This perceived weakness of the state through fixed expenditures and frequent extraordinary expenses led to the author’s introduction of the British example of public debt. More specifically, it referred to the use of public debt to smooth wartime expenditure, so that “for those lending silver, their contributions are measured by month, so there is no need to extract all through taxation; and for those borrowing silver, the proceeds are paid by month, so there is no need to worry about a lack of funding.” The article then described the need for scheduled payments and coupons, as well as the ease of secondary markets for these bonds, including its transfer amongst subscribers and repurchase by governments.

As if prompted by officials from the Board of Revenue, the author then raised the question of how these debts and interest could be sustained without increased taxation.²⁰³ The answer given was evasive in tone, but the arguments deployed illuminating:

“This (high interest and repayment) should not be a cause for anxiety; interest paid to domestic subscribers follows the old saying of storing wealth amongst one’s people. Once the public is wealthy, how could the state not be wealthy? If this sum is given to foreign countries, then that country will try its utmost to support (the borrower). If there are profits to be had, then (the lender country) will wish for the borrower to obtain it. If there are successes to be planned, then (the lender country) will wish for the borrower to take the opportunity. Those that could be developed, such taxation along ports, levies on commercial freight, opportunities for real estate, and resourcefulness of artisans, (the lender country) will go into great detail to assist (the borrower), since it will be the common wish for (the borrower) to attain prosperity, and certainly no desire to engineer its collapse. So why also one worry about profit falling into other countries’ hands?”

²⁰³ Barbara Mittler perceptively noted the connections between these rhetorical devices and formulaic essays required by the examination system in the late Qing. Barbara Mittler, “Domesticating an Alien Medium: Incorporating the Western-style Newspaper into the Chinese Public Sphere,” in *Joining the global public: word, image, and city in early Chinese newspapers, 1870–1910*, ed. Rudolf G. Wagner (Albany: State University of New York Press, 2007), 26-29.

What is illuminating about this passage is how its arguments mirrored mid-Victorian notions of public debt as a guarantor of free trade and general prosperity. After decades of debates over the sustainability of high interest payments for public debt following the end of Napoleonic War, Britain by the 1850s was able to regard its national debt with greater equanimity, not the least because of the acceptance and expectation of growth in its economy and public finances. The much older anxieties of Hume and Smith over public debt, some of which would be readily identifiable to late Qing officials, have given way to confident pronouncements by Macaulay and William Lecky, who commented in 1865 that through principles of “enlightened self-interest”, credit would function as “one of the great pledges of peace, by the union it has established between different nations”.²⁰⁴ The discourse of grasping exploitation by lender countries, caricatured to a fault by Hobson and Lenin, would have to wait, for it was the mid-Victorian optimism on debt’s effect that first arrived in Chinese discourse.²⁰⁵

Following this passage, the author concluded by introducing for the first time in Chinese the theme of creditworthiness in public debt, which he referred to as *xin* (信). This particular choice of wording brilliantly captured the mid-Victorian tendency to view public debt through the lens

²⁰⁴ William Lecky, *History of the Rise and Influence of the Spirit of Rationalism in Europe* (2 vols., London, 1865), vol. 2, 385-95. Cited through Martin Daunton, *Trusting Leviathan*, 120-121.

²⁰⁵ An argument could also be made about the argument of self-interested cooperation in *Shenbao* being reflective of the comparative lull in Sino-Western relations between 1868 and 1884, when the refrain of cooperative relations was very much endorsed by Whitehall. See James C. Cooley, Jr., *T. F. Wade in China: Pioneer in Global Diplomacy, 1842-1882* (Leiden: E.J.Brill, 1981), 80-82.

of personal traits, or “the privatization of the theme of debt”,²⁰⁶ by linking it with Confucian connotation of personal virtue implied in the character, and the extensive use of this term in commercial credit transactions by major remittance firms, especially those of Shanxi origins.²⁰⁷ Here, the loss of creditworthiness was defined as “a state losing its *xin* (amongst lenders)”, and would result in the withdrawing of future credit by lenders, and military defeats by the borrowers.²⁰⁸ Once again referring to arguments of self-interest, the author considered this prospect to be sufficient deterrent against loan defaults.

With the mentioning of military defeats and wartime funding towards the end, the author finally revealed the reason for writing this article, which was to comment on the “enthusiastic assistance” rendered by Chinese merchants in subscribing to the Franco-Prussian War indemnity loans, which was issued in Shanghai by the Comptoir d’Escompte de Paris’s local branch in July 1872.²⁰⁹ This disclosure highlighted the diverse sources of knowledge on public debt that the author of this article called upon, since what could be more firsthand than actual

²⁰⁶ Patrick Brantlinger, *Fictions of State: Culture and Credit in Britain, 1694-1994* (Ithaca and London: Cornell University Press, 1996), 141.

²⁰⁷ Commercialising concepts of personal probity and politesse is of course hardly limited to Shanxi merchants, of course. Levantine traders and Georgian bankers sprang to mind.

²⁰⁸ This particular argument on the loss of *xin* by the state was later recycled to justify the lack of domestic interest in lending to the Qing government during the Xinjiang Campaigns. See “On National Debt (贷国债说)” *Shen Bao*, August 21, 1878. 1.

²⁰⁹ “Prospectus for the New French Loan.” *North China Daily News*, July 25, 1872. Interestingly, Comptoir d’Escompte de Paris’s Shanghai branch, opened in 1860, came before the founding of its sub-branches in French provinces. It functioned as Shanghai municipal council’s lender of choice for much of the 1860s.

subscription to public debt?

However, most Chinese-language scholarship dated the introduction of Western ideas on public finance to the publication of translated works by Protestant missionaries from 1870s onwards, with some assistance from Chinese diplomats and intellectuals who were posted abroad. This concentration on intellectual and official reception and adaptations is partly understandable given the extent of surviving archival materials, but as I have noted in Chapter 1, the extent of commercial and financial interactions between Chinese merchants and their foreign counterparts meant that their knowledge of public debt might be much more extensive than previously discussed. Here, the depersonalized nature of public debt works against attempts to ascertain the nationalities of its subscribers, and there are very few extant ledgers from Chinese brokerages in Shanghai, especially those who dealt with foreign merchants.

That said, the municipal council for Shanghai's international settlement did began to issue bonds from 1859 onwards. Fittingly, the first issue in 1859 was for the paving of the Bund along the Huangpu River, a seven-year, 10 percent loan of 10,000 tls. In the absence of earlier records, this improvement of the most famous civic waterfront in China was also the first public debt issued to subscribers on Chinese soil.²¹⁰ Due to the limited size of this bond (along with issues for drainage improvements in 1862, and general municipal loan in 1867), it seemed unlikely that they were much subscribed by Chinese businessmen; minutes of the municipal

²¹⁰ "The extension of the Bund." *North China Daily News*, June 25, 1859.

council contained no reference to their identities.²¹¹ However, the deployment of these funds for infrastructural improvement could be easily observed by the Chinese residents in the international settlement; public announcements were made in local newspapers concerning the issuance, as with the publication of municipal budgets.²¹² So it is not implausible to suggest a connection between these infrastructural-oriented bonds and the advocacy of public debt for “useful” developmental projects in *Shenbao* editorials of the 1870s.

Another likely route of knowledge transfer involved financial interactions between Chinese and foreign merchants based in Shanghai and treaty-ports; Western commercial houses and banks was a direct source of funding for Chinese merchants and money shops for much of the 19th Century, famously dealing in short-term loans (termed “chop loans”) to their Chinese partners in search of liquidity. For the extension of credit by Western commercial houses to Chinese merchants, bank orders issued by local money shops and remittance houses were usually accepted as collateral, but there still remained the issue of acceptable security offered by these money shops and remittance houses. Given that the first issues of 1874 Fujian loan by the Hongkong Bank were purchased by Chinese merchants as collateral for foreign loans, a similar use of French indemnity loan and other public bonds on the market would seem to be

²¹¹ The bond ownership and transfer ledgers of Shanghai municipal council for the 1867 loan no longer survived.

²¹² Summaries of these reports could be found in Chinese newspapers at the time. Similarly, Chinese commentators deplored the low rates of interest that Municipal loans were able to enjoy, while Xinjiang campaign loans negotiated by Hu Guangyong reached almost 15 percent. “Municipal Loans.” *Shen Bao*, August 8, 1878.

a reasonable estimate.²¹³ Finally, the phenomenon of Chinese participation in foreign-managed commercial ventures through share subscriptions have led to similar participation in foreign and municipal debt issuances. Although this is a phenomenon documented in greater detail for the 1880s and 1890s, the attraction of high returns made it possible for Chinese merchants and bankers to invest in them in the 1860s and early 1870s as well.²¹⁴ It was noted that subscriptions to the 1874 Fujian loan were over seven times the allocated amount for Shanghai, with Chinese subscription in Fuzhou almost the same as those by foreigners.²¹⁵

Due to the barriers between commerce and political involvement that remained during the 1860s and 1870s, it was not until early 1880s that compradors began to express their own opinions on public finance and debt. Before that, opinion pieces by *Shenbao* serves as a plausible proxy of their general stance, since later arguments by reformist compradors on public debt closely mirrored articles written over Xinjiang campaign loans. Compared to the first article in 1872, articles written between 1874 and 1877 introduced the key distinction between public debt for warfare purposes and those for economic growth. This distinction in itself is a mid-Victorian response to Georgian and Napoleonic-era critiques of public debt as an engine for warfare and suppressor of domestic liberties. The mid-Victorian reshaping of public debt

²¹³ Frank H.H. King, *The Hongkong Bank in Late Imperial China, 1864-1902*, 547.

²¹⁴ Most of the municipal debts issued by Shanghai's municipal council were offered at 10 percent per annum, and the French indemnity loan was offered at 5 percent interest at 84.5, ie. investors paid 84.5 francs for a 100-franc bond that promised an annual interest of 5%, a lucrative investment given the much sounder foundations of the French Republic compared to similar rates offered by the Ottomans.

²¹⁵ "On Loan Subscriptions." *Shen Bao*, January 20, 1875, 2.

acknowledged its potential for warfare, but as mentioned earlier, stressed its capacity to consolidate international through “productive” uses.

Furthermore, this distinction accepted future enlargement of public expenditure through borrowing as opposed to raising taxes, with the proviso of providing for economic and demographic growth. Compared this passage by Gladstone in 1855,

“I admit that there is a point at which the sudden accumulation of taxation becomes so great an evil and so great a cause of disturbance to all personal and social relations, that it is better to provide yourself with money up to a certain limit at a pecuniary disadvantage than to carry that disturbance through all ranks of the country.”²¹⁶

and an editorial on public debt on *Shenbao* in 1874,

“Suppose that the Chinese government wishes to raise the (loan’s) amount through increasing people’s taxes, such an idea compared to borrowing would still be a worse one. It is because items of taxation have been raised to the utmost, and should it be increased further, merchants and the public would be even more deprived. Such deprivation on the part of merchants and the public would result in an emptier state coffer. Therefore, at this time, an occasional and pragmatic recourse to loans is also acceptable, but we wish that in future, means are found to increase people’s wealth and temper state

²¹⁶ *Hansard’s Parliamentary Debates*, 3rd series. Vol. 137, April 20, 1855, column 1594.

expenditure, so that we could become wealthier and stronger daily.”²¹⁷

This convergence of preferring loans to tax increases between Chinese and British discourses on debt, however, masked an important variation on the part of the Chinese. For Gladstone, the raising of loans was preferable, since it was a domestic venture, subscribed by wealthy individuals with capital to spare, freeing the liberal government from unpalatable tax raises through indirect taxation that disproportionately damaged the interests of poorer voters. With his use of terms such as *Shangmin* and calls for abolishing the process of enforced contributions in other parts of the article, it is clear that the commentator in *Shenbao* took up the issue for a different interest group.²¹⁸ Although loans for warfare were undesirable, it would have the consequence of reducing state demands for irregular contributions from merchants, the standard practice under Qing fiscal framework when dealing with extraordinary fiscal demands. That these foreign loans would also have to be paid through regressive indirect taxes was left unaddressed. Of course, the demand for reductions in irregular contributions has been a key theme of gentry-merchant representations to the Qing government, with the notable success in curbing arrears in post-Taiping Jiangnan, but it is notable how the same agenda has been

²¹⁷ “On Borrowing.” *Shen Bao*, November 30, 1874. 1.

²¹⁸ The term *Shangmin* (商民) gradually took on to refer specifically to merchants and others involved in commerce (as opposed to its literal meaning of “merchants and people”) in late Qing, and as their involvement in local politics became more pronounced, it became laden with political connotations. See Sang Bing (桑兵), “Lun Qingmo Chengzhen Shehui Jiegou de Bianhua yu Shangmin Bashi (论清末城镇社会结构的变化与商民罢市)”, *Jindaishi Yanjiu* (近代史研究) 05, 1990, 51-69. Feng Xiaocai (冯筱才), *Beifa Qianhou de Shangmin Yundong* (北伐前后的商民运动) (Taipei: Taiwan Shangwu Yinshu Guan, 2004).

consciously reworked into discussions of a new fiscal instrument, and more importantly, blended with new concerns and demands for economic growth.

In order to buttress *Shenbao*'s case for productive uses of public debt, examples must also be found to serve as warning to its readers of the consequences in the non-productive use of debt. The selection of Ottoman Turkey came both from European reports on the fallout from its major debt defaults in 1873 and 1875, and a recognition by Chinese intellectuals and officials on similarities between the two countries. The debt default and ensuing crises in Ottoman debt throughout the 1870s allowed European, particularly British and French commentators to criticize perceived wastefulness in Ottoman state spending, especially its focus on foreign-made armaments and gunboats. This strand of criticism, focusing on fiscally illiterate and profligate sultans and pashas, reflected the mid-Victorian habit of personalizing discussions of public debt with orientalist undertones. For Chinese intellectuals and officials, the usefulness of Ottoman Turkey as an example stemmed from perceived similarities in their dysfunctional responses to Western influence, and the limited effects of domestically initiated reforms.²¹⁹ Although a more productive use of foreign debt was advocated in European commentaries of

²¹⁹ The image of Ottoman Empire as an example to Chinese governance in this period deserves further attention; in addition to circulating news about the failures of Ottoman reforms, the Sultan's role in aiding Yaquub Beg was also discussed in detail, both in public newspapers (*Shenbao* and *Wanguo Gongbao*) and private letters by Zuo and others. Perhaps the most interesting reflections on stymied reforms in both countries came from conversations between Guo Songtao, first Chinese minister to Britain, and Midhat Pasha, Ottoman reformist official then in exile. Guo Songtao (郭嵩焘), *Lundun yu Bali Riji* (伦敦与巴黎日记) (Changsha: Yuelu Shushe, 1984 Reprint), 119, 249.

Turkey, the event of Ottoman default had effectively shifted the discussion towards ensuring prompt repayment through the reorganization of Ottoman public finances. China would be on the receiving end of this type of discussion in the 1900s and 1910s, but in the 1870s, what Qing intellectuals and politicians took from European critiques of Ottoman expenditure on armaments was firstly the need to devote the proceeds to more productive uses, with calls for fiscal reforms coming at a distant second. This belief in the developmental capacities of foreign debt represented another conscious modification by the Chinese in the gradually growing discussions on debt.

Another feature in how the conversation on public debt mutated in China is the question of who gets to borrow for productive purposes. As Zuo Zongtang noted earlier in his responses to Shen Baozhen's memorial, where Shen distinguished between productive and non-productive uses of debt, it was not the government in European countries that borrowed funds for investments in railroads and industries, rather, "they were all taken up by rich merchants in these countries, who use their own capital to manage, and rely on companies to charge levies to enrich state revenue. These major projects include mining and water management, and was referred to in the original (Shen Baozhen) memorial as "Chasing heavy profits with light interests." In these cases, the public are not the lenders, nor the state a borrower, thus they cannot all be termed as "national debt" (*guo zhai*)."²²⁰ Although an incomplete depiction of how these projects were funded, it did suggest that some Chinese officials were aware that the state

²²⁰ Memorial by Zuo Zongtang, March 16, 1876. *Junjichu Lu Fuzhe* (军机处录副奏折) 03-6060-001, First Historical Archives, Beijing.

was not the only entity that could invest and manage these large-scale projects.²²¹

Yet, in both English and Chinese language commentaries of Chinese loans in the 1870s, the state was seen as the key actor in initiating these loans for investments in industries and infrastructures. When discussing a rumor that the government was considering a loan to support provincial mining efforts, *Shenbao* was highly supportive, citing that Western lenders were eager to lend because “if the court borrowing was for the purposes of opening mines, once the source of profit is secured, then the interest will be easily paid. It will be a venture that will support China’s national wealth and benefit the people, thus even if the interest is low, (they) would still readily lend to it.”²²²In another editorial on mining, *Shenbao* put forward a proposal for the government to take on loans under its name, assign the tasks of mine management to Sino-Western joint ventures, and then levy taxes to pay for the loans.²²³

When one contrasts this line of argument on public debt, with its actual operations in mid-Victorian Britain and America (where private commercial entities were the engine of bond issuance for industrial purposes), it is clear that the message has been modulated. So how was state-directed bond issuance for developmental purposes made acceptable in the process of diffusing knowledge on public debt? To thoroughly explore this process outside of the Chinese context is beyond the scope of this study, but three major trends in the global discussion of public debt in the 1870s are worthy of note:

²²¹ This would not come as a particular surprise to historians of Qing policies on salt mine management.

²²² “On Borrowing to Open Mines (论告贷开矿事).” *Shen Bao*, March 11, 1875.

²²³ “On Mining in China (论中国矿务).” *Shen Bao*, September 12, 1877.

Firstly, the issue of infrastructural-related bonds by national and municipal governments in France throughout the Second Empire certainly caught the attention of international observers, epitomized in the grandiose improvements of Paris in the 1860s. The comparative directness in the credit relationship between the French government and large numbers of small-scale lenders was also a notable feature.²²⁴

Secondly, the repeated loans by Ottoman and Egyptian governments throughout the 1850s and 1860s revived European interests in lending to peripheral economies. Especially in the case of Ottoman empire, the Porte became the chief entity through which loan negotiations were conducted with Western financiers. Its periodic proclamations throughout the *Tanzimat* era also lend the impression that efforts at modernization and industrialization required the direction of the state. And although Latin American borrowers were the first to initiate the practice of using custom duties as collateral, it was the Ottoman (and Egyptian) defaults in the 1870s that hastened the practice of institutional takeover for monitoring and collecting debt repayments.

Lastly, and much closer the Chinese case, the early 1870s was also the period when the Meiji government took on commercial loans to finance its railway construction and promoting of manufacturing industries. What was particularly notable was the direct ownership of these enterprises by the state, prior to its gradual divestment in the 1880s. This explicit form of state-

²²⁴ For links between the concept of “productive expenditure” and Haussmann’s reconstruction of Paris, see David H. Pinkney, *Napoleon III and the Rebuilding of Paris* (Princeton: Princeton University Press, 1958). In conversations with Guo Songtao, Chinese Minister to Britain, Bank of France managers described the merits of directly issuing proclamations of new bonds by the government and reducing the number of intermediaries. Guo Songtao (郭嵩焘), *Lundun yu Bali Riji*, vol. 23.

directed development through state assumption of debt was praised by foreign commentators both in London, which resulted in marginally lower interest rates for Japanese loans, and major East Asian port cities such as Shanghai and Yokohama.²²⁵ Although it imposed significant financial burden on the Japanese government (closely reported by Chinese sources), the comparisons made between Japan and Chinese examples by commentators necessarily allowed for the promotion of national industries through state borrowing, a stance that distinctively modified how public debt was generally used in mid-Victorian Britain.

This distinction is interesting, since most of Chinese translations of political economy manuals during this period (1860 – 1885) have remained fairly vague on the extent governments should borrow to directly encourage infrastructure and industrial ventures. A short, approving line on the usefulness of government loans in developing Indian infrastructure in the original version of Henry Fawcett's *Manual of Political Economy* was not translated into the Chinese version in 1880,²²⁶ whereas John Fryer's translation of the Chambers Series on Political Economy contained no reference to industrial policy through loans (in fact, the writer actively opposed governmental intervention, disparaging earlier mercantilist policies).²²⁷ In a way, this is hardly surprising, since most of the translation were conducted by missionaries and low-ranking Chinese intellectuals, whose exposure to the worlds of commerce and finance were limited

²²⁵ Toshio Suzuki, "Foreign Government Loan Issues on the London Capital Market, 1870-1913, with Special Reference to Japan" (DPhil. Diss., London School of Economics, 1991), Chap. 3.

²²⁶ Henry Fawcett, *Manual of Political Economy* (London: Macmillan & Co., 1869), Book 1, Chap. 4, 35. The Chinese translation of this text was later reprinted in Japan in 1881.

²²⁷ Translated in Chinese as John Fryer (trans.), *Humble Words to Aid Governance* (佐治台言) (Shanghai: Shanghai Bookshop, 2002 Reprint).

compared to the first generation of compradors and diplomats in the 1870s and 1880s. Their selection of introductory-level manuals and pamphlets as objects of translation also limited the scope for detailed discussions of the topic.²²⁸ But this gap, whether intentional or not, left open a discursive space where in addition to the distinction between productive and unproductive debt, the state could exert far more influence in directing the flow of investment where productive debt is concerned.

This ideological tilt towards state involvement in promoting infrastructure and industries was taken up by the group of diplomats and compradors in the late 1870s and early 1880s. Compared to lower-ranking intellectuals and translators who penned the *Shenbao* editorials, these diplomats and compradors enjoyed greater access to leading politicians of the day. In a sense, they modified and conveyed the opinions of *Shenbao* and foreign commentators to the forum of official policy debates. Figures such as Guo Songtao (1818-1891), Ma Jianzhong (1845-1900), Zheng Guanying (1842-1922) and Xue Fucheng (1838-1894) have been deservedly well-covered for their reformist opinions, and it is unnecessary to give a complete review of their lives and ideas here. However, it is worthwhile to note how their own opinions on public debt, although sympathetic to state intervention through loans, were modulated from their individual encounters with public debt.

²²⁸ In the original preface to *Science Primers: Political Economy* (London: Macmillan & Co., 1878), W. S. Jevons, a key marginalist in his own right, wrote that the book was based on his experience of training primary school teachers. Its Chinese translation *Fuguo Yangmin Ce* (富国养民册) became one of the more popular books on political economy in late Qing.

Zheng Guanying's opinions on public debt most closely approximated that of the *Shenbao*, and it is possible that some of the *Shenbao* commentaries published in the 1880s and 1890s were in fact reflections of Zheng's ideas in *Yiyan* (1880). Zheng's career as comprador to Jardine Matheson and later supervisor to China Navigation Co. gave him an unparalleled experience in commerce and banking across major treaty-ports, yet he was adamant that foreign banks based in Shanghai be excluded from future loan engagements, accusing that "previously incurred loans with seven to eight percent interests were caused either by profiteering middlemen or foreign banks." This distrust of financial intermediaries in Shanghai was based on an assumption that Chinese loans borrowed directly on London market via Rothschild or Baring would "only be four to five percent²²⁹." These optimistic assessments of Chinese debt's attractiveness to investors were based in part by their steady prices on the London market at the time, and led Zheng to imagine similar successes for domestic bonds issued directly by Qing government to local merchants.

For Ma Jianzhong, the refusal to engage with foreign banks along Chinese treaty-ports was coupled with a more specific proposal for the government to administer debt issuance. A *baccalaureate* from *École Libre des Sciences Politiques*, he received a systematic training in both commercial law and public finances.²³⁰ As a result, his suggestions on governmental

²²⁹ Zheng Guanying (郑观应), "On National Debt (论国债)," in Zheng Guanying, *Shengshi Weiyan* (盛世危言) (Shenyang: Liaoning Renmin Chubanshe, 1994 Reprint), 233-236.

²³⁰ Precursor to Institut d'Études Politiques (Sciences Po). One of Ma's *baccalaureate* questions compared different public debt burdens in Europe and China. Ma Jianzhong (马建忠), "Letter to Li Hongzhang on Foreign Courses Studied (上李伯相言出洋工课书)," in *Shi Ke Zhai Ji Yan Xing* (适可斋记言行) (Taipei: Wenhai Chubanshe, 1972 Reprint), 73-75.

intervention involved the setting up of a department of commerce within the government, which will then issue foreign bonds in its name, before relending the proceeds to domestic enterprises, preferably ones that received government-sanctioned monopoly rights for different sectors such as mining or textiles.²³¹ In justifying these loans, Ma specifically appealed to the argument of economic growth to cover inter-temporal investments, arguing that taking foreign loans would “use foreigners’ capital to promote Chinese welfare, and take the ever-increasing profits (from the ventures) to repay the ever-diminishing interests.”²³²

That the opinions of Zheng Guanying and Ma Jianzhong was read and consulted by officials already reflected a significant diffusion of knowledge sources on public debt in the 1880s, since both of them occupied a grey area between commerce and temporary, issue-based inclusion into official circles. In this they shared certain similarities to some of the *jingshi* scholars in the Daoguang era; their expertise (and service at times) was deployed for certain issues, but actual participation in decision-making continued to elide them. In contrast, both Guo Songtao and Xue Fucheng rose from traditional paths of attaining degree statuses (Guo in particular was a member of the *Hanlin* academy) before serving as advisors to prominent politicians, in their

²³¹ Ma Jianzhong, “Fu Min Shuo (富民说),” in *Shi Ke Zhai Ji Yan Xing* (适可斋记言行) (Taipei: Wenhai Chubanshe, 1972 Reprint), 28-29. See Masataka Banno (坂野 正高), *Chugoku-Kindaika to Ba Kenchu* (中国近代化と馬建忠) (Tokyo: Tokyo daigaku shuppan kai, 1985), Chap. 3 for further discussion on background to Ma’s “On Railways”. The prescient nature of Ma’s suggestions could be seen in its close institutional resemblance to T. V. Soong’s proposal for China Development Finance Corporation in 1934, 44 years after Ma’s essay was written. Interestingly, Soong’s proposal also contained significant French influence in the form of Jean Monnet (1888-1979).

²³² *Ibid.* 50-51.

case Zeng Guofan. As a contemporary of Zeng Guofan, Guo himself was steeped in the debates on statecraft during the Daoguang era, became active in efforts to reduce grain quotas in post-Taiping Jiangsu, and was renowned as an intelligent, albeit somewhat impetuous official and scholar. Thus their words carried much more weight amongst late Qing officials and gentry, so much so that the government was forced to destroy print blocks of Guo's diary for his period as minister to Britain and France, such was the gentry's outrage caused by his reformist opinions.²³³ Interestingly, and perhaps as a reflection of how the message on public debt was modified in its process of transmission, Guo's mission to Britain, which involved exposures to ideas of Smith and J. S. Mill and conversations with Gladstone and Lord Rothschild,²³⁴ led him to adopt a more skeptical stance towards government involvement in directing industries, while retaining a general belief in the value of productive public debt.²³⁵

For these diplomats and compradors, the task became one of using these modified ideas on public debt to persuade Qing officials to accept the consequences of growth, both in economic and fiscal terms. The reluctance to do so manifested in the Xinjiang Campaign through concerns over interest rates, and when one considers the immense and repeated efforts made by Board of Revenue and provincial officials at reducing historical arrears and extractive

²³³ The diary was written at the behest of the *Zongli Yamen*, which was also surprised by the vehemence of gentry reactions against it. Upon Guo's return from his posting, local gentry and officials in Hunan refused to call on him, an unusual slight for someone of his rank and stature.

²³⁴ Guo Songtao, *Lundun yu Bali Riji*, 145-46, 676.

²³⁵ During his retirement in Hunan, Guo voiced scepticism over Zhang Zhidong's borrowing for steel mill projects. Guo Songtao (郭嵩焘), *Guo Songtao Riji* (郭嵩焘日记) (Changsha: Hunan Renmin Chubanshe, 1980 Reprint), Vol. 4, 239.

quotas between 1860s and 1880s, the task of persuasion became incredibly difficult, not the least because its proponents were often apologetic about the consequences of massive increases in state expenditure.

In this process of persuasion and diffusion, the reformist opinions on public debt directly benefited from the growth of discussions on statecraft and political economy since the Daoguang era in three major ways; one was the convergence of opinions recognizing the legitimacy of state intervention in commerce and industry. This did not necessarily extend to micro-managing individual enterprises (of which much disagreement remained between merchants and officials), but rather through streamlining channels of credit, reorganizing market barriers, and introducing new technologies, infrastructures and organizational formats. The support by foreign lenders on state borrowing for these purposes, as well as the distinctions made over productive debt, was crucial in renewing the argument for state involvement in these areas, given the significant strand of thought in classical Chinese political economy that viewed state intervention in credit markets and revenue expansion under Wang Anshi (1021-1086) and Cai Jing (1047-1126) with distaste.

Secondly, since the prolonged debate over silver outflow and fiat currency in the 1840s, experiments in monetary policy and public credit became a perennial feature of Qing public finances. The pamphlet of Wang Liu was but a prelude to the hasty policies of minting large-denomination coins and paper notes during the Xianfeng era; it is worthwhile to note that these large-denomination coins were not fully retracted from circulation until the early 1890s. Even as Board of Revenue officials attempted to streamline and prune accumulated arrears and

expenses, they were fully aware that remittance firms also rose to play an integral role in bridging short-term provincial deficits, a development that blossomed in the 1860s and onwards. The rise of foreign debt, as it gradually mutated from short-term loans by foreign merchants to large-scale public issuances contemplated in the 1880s, could be internalized by late Qing officials as another one of the innovations in public finance that challenged existing boundaries on revenue growth.

Thirdly, the febrile intellectual climate that permitted discussions of political economy, as well as numerous new institutions in public credit meant that the concept of profit / interest (*li*) became an integral feature of official discussions and justification in experimenting with new economic and industrial policies. This was a continuation of the theme from Daoguang era debates, when “speaking of profit” (*yan li*) became more acceptable as a part of political discourse. Articles that favored directed discussions on profit were written by officials and scholars such as Zuo Zongtang and Wei Yuan, and it was through the relative ease that Chinese officials (especially those acquainted with the works of *jingshi* scholars) had with this particular concept by the 1870s, that mid-Victorian divisions between productive and unproductive debt were readily absorbed into official reports such as Shen Baozhen’s memorial against Xinjiang campaign loans. In this way, mid-Victorian pursuits of industrialization and economic growth were reframed and adopted within an existing repertoire of concepts on Chinese political economy, which was perhaps more familiar to Chinese intellectuals and officials than concepts such as *Fuqiang* (Wealth and Power) and nascent strains of social Darwinism in the competition

between nations.²³⁶

Furthermore, the rhetorical flourish of “chasing heavy profits with light interests” in Shen’s memorial also captured the attempt by diplomats, intellectuals and compradors to legitimize the expense of loan interests, and the ensuing expansion of public expenditure, through the profit providing possibilities of economic growth.²³⁷ In examining records of repeated debates over railroad construction throughout the 1880s, one could see that although the construction of railways was often justified in terms of defensive urgency, but when it came to legitimizing the use of foreign debt, it was argued that “incurring foreign debt to make up fiscal deficit (is) something that should never be done. But use it to open up sources of profit, then security of the loan is provided, and foreign merchants will be eager to lend.”²³⁸ Even for those who opposed the venture, their arguments were also couched in both terms of preserving fiscal stability, and arguing that railroads would become an unprofitable venture to pay back foreign loans. In a revealing depiction of supporters of foreign loans, opponents of railroad construction also accused the supporters as “cajoled by publications from foreign technicians in search of work, and approved by those who preferred novelties and newspapers over classics; hangs-on

²³⁶ Of course, this is not to say that concepts such as “Wealth and Power” (富强) or national competition were not invoked in the appeals for further loans, but that “profit” and the discussion and promotion of it was a much more versatile concept of political economy, with a larger and older range of intellectual resources to draw from.

²³⁷ “...以轻利博重利”, in Memorial by Shen Baozhen, March 2, 1876. *Junjichu Lu Fuzhe* (军机处录副折) 03-6059-049, First Historical Archives, Beijing.

²³⁸ Liu Mingchuan (刘铭传), “Memorial on Constructing Railroads (筹造铁路以图自强折)”, in *Liu Zhuangsu Gong Zouyi* (刘庄肃公奏议) (Taipei: Wenhai Chubanshe, 1968 Reprint), Vol. 2, 4.

from foreign institutions, unscrupulous coastal merchants, and those who purchased their offices and were in search of profits.”²³⁹

Opposition over profit-seeking ventures, although supported by some, again masked the residual reluctance by key politicians to accept the consequences of budgetary expansion through foreign debt.²⁴⁰ Throughout the debate over railroad construction in the 1880s, although the consensus gradually shifted towards recognizing the economic and fiscal benefits that railroads might bring, the court repeated its strategy towards funding for the Xinjiang loan, which was to accommodate the funding needs of railway construction through annual provincial remittances,²⁴¹ while also commending proposals that sought to secure funding through a variety of local contributions.²⁴² Later on, following the failure to secure sufficient funding through these domestic channels, smaller foreign loans negotiated by Li Hongzhang in 1887 were also acquiesced by the court. Nonetheless, the benefits of economic growth and fiscal expansion through loans, even if under the direction of the state, remained a contentious point until 1895.

²³⁹ Liu Xihong (刘锡鸿), “Memorial on Dismissing Discussions on Railroads (罢议铁路折)”, in *Yangwu Yundong* (洋务运动) (Shanghai: Shanghai Shudian, 2000 Reprint), Vol. 6, 257. The irony of course although Liu may oppose the search for profits, he was already speaking in the language of profits.

²⁴⁰ Prince Chun, father to Emperor Guangxu, considered “only borrowing from foreigners might leave room for accusations. Shareholding by foreigners would be particularly inconvenient.” From Telegram from Prince Chun to Li Hongzhang (醇邸来电), May 18, 1889, in *Li Hongzhang Quanji* (李鸿章全集), Telegrams 11, 19.

²⁴¹ *Qing Dezong Shilu* (清德宗实录), Vol. 274, 12.

²⁴² Zhang Zhidong, Memorial on Funding Railroad Construction, in *Yangwu Yundong* (洋务运动) (Shanghai: Shanghai Shudian, 2000 Reprint), Vol. 6, 270.

In his piece advocating foreign borrowing for railway construction in 1879, Ma Jianzhong concluded by noting:

“...have we not paid opium indemnities of six million dollars in 1842, three million in later compensation to British merchants, and 13 million in war indemnities? In 1860, we paid Britain four million tls. for Canton, two million tls. to France, and 16 million tls. of war indemnities to both them; are these sums not greater than those required by railroads? But one might say, we had no choice. To that I might say, those who thinks that we have a choice of (not constructing) railways today, will be faced with no choice (when presented with) sums ten to a hundred times more in the future.”²⁴³

3.2 “No Chinaman cares two-pence about representation”: *He Qi and Accountability in Public Debt*

For Ma Jianzhong and other reformist intellectuals, colonial outposts like Hong Kong took up an outsized role in propelling the wider debate on public debt and growth; not only did it serve as a safe harbour for reformist writers like Wang Tao (1828-1897) to propagate Western ideas on fiscal reform, the influence of Common Law system also induced cross-pollination of new corporate organisational practices.²⁴⁴ By late 1890s, local Chinese subscription to public debt

²⁴³ Ma Jianzhong, “On Railways (铁道论),” in Ma Jianzhong, *Shi Ke Zhai Ji Yan Xing* (适可斋记言行), 51.

²⁴⁴ David Faure, *China and Capitalism: A History of Business Enterprise in Modern China* (Hong Kong:

issued by Hong Kong government had become unremarkable, as with Chinese investments in publicly traded stocks of various banks in Hong Kong. For the few local and overseas Chinese who received British training in law and commerce, the port city also became a gateway into domestic Chinese politics, and actually wielding power in many instances by the 1890s (as compared to their more peripheral roles in 1870s and 1880s).²⁴⁵

He Qi (Ho Kai, 1859 – 1914) was an example of this confluence in mercantile activity and reformist sentiment towards public debt. Although He's political message of strident constitutionalism ensured his inclusion (if not exactly praise) in the canon of Chinese reformist writers, that his message of political reform was in part derived from detailed observations on public debt and fiscal management has received less attention.²⁴⁶ The cross-over from his

Hong Kong University Press, 2006), 45-65.

²⁴⁵ Wu Tingfang (1842-1922), a Straits Settlement Chinese and first Chinese member of the English bar, practised law in Hong Kong before serving as advisor to Li Hongzhang and Minister to the United States in 1896.

²⁴⁶ Much of existing discussions on He Qi focus on the impact of his ideas on political reform, beginning with Xiao Gongquan's overview in *Zhongguo zhengzhi sixiang shi* (中国政治思想史) (Taipei: Zhonghua Wenhua Chubanshiye Weiyuanhui, 1954), vol. 6, and pops up again in Hao Chang's essay, "Intellectual Change and the Reform Movement, 1890-98," in John K. Fairbank, ed., *The Cambridge History of China*, vol. 11 (Cambridge: Cambridge University Press, 1980). Pre-1980s Marxist historiography in China disparaged the comprador and collaborationist aspects of He's ideas, while Marxist-inflected terminologies were also used in English-language publications (See Jung-fang Tsai, "The Predicament of the Comprador Ideologists: He Qi (Ho Kai, 1859-1914) and Hu Li-yuan (1847-1916)," *Modern China* 7.2 (April 1981)). Such emphasis has been more muted in recent works. He has also been analysed within frameworks of imperial and colonial history of Hong Kong, notably in Stephanie Po-yin Chung, *Chinese Business Groups in Hong Kong and Political Change in South China, 1900-25* (London: Macmillan, 1998) and John M. Carroll, *Edge of Empires: Chinese Elites and British Colonials in Hong*

commercial and political involvements to realms of ideas demonstrated the porousness of borders in late Qing, as capital and ideas on capital traversed legal and political boundaries with remarkable ease.

In *Xinzheng Shiji* (Foundations of New Governance), a pamphlet-length essay co-authored with his former schoolmate Hu Lihuan in 1898, He took direct aim at *Zhaoxin* bonds and the rhetoric of dynastic loyalty.²⁴⁷ While noting that *Zhaoxin* bonds lacked the requisite sinking fund as a guarantee for potential subscribers, He reserved most of his scorn for Qing government's failure to inspire political trust domestically, pointing out that bond subscriptions by officials under the rhetoric of dynasty loyalty was incompatible with their miniscule official salaries. What made He and Hu's critique particularly noteworthy was for the first time, the authors linked the absence of trust between the Qing court and its domestic constituency to the Court's reliance on *foreign* capital. Striking a tone of relentless hysteria familiar to readers of Republican-era polemics, the authors thundered:

Kong (Cambridge, MA: Harvard University Press, 2005), 108-130.

²⁴⁷ There is speculation that *Xinzheng Shiji* (新政始基) was an amalgamation of two earlier English-language articles by He Qi, *China's Foundation and Reform* (1897) and *On Commissioner of Customs of Guangzhou Dr Hart's Plans for Land Tax and the Army and Naval Forces* (unknown date), however, the commentaries on *Zhaoxin* bonds seemed written specifically for the Chinese edition. See Lin Qiyuan (林启彦), "Yan Fu yu He Qi (严复与何启)," *Jindaishi Yanjiu* (近代史研究), 3 (2004): 1-20 and G. H. Choa, *The Life and Times of Sir Kai Ho Kai: A Prominent Figure in Nineteenth-Century Hong Kong* (Hong Kong: The Chinese University Press, 2000 Reprint), 193 for further discussion.

“The people are the domestic (constituency). Having lost out domestically, officials must then appeal to foreigners. The people are the familiar (sources of revenue); having lost familiar sources, officials must turn towards unfamiliar ones. This is why foreign loans were made. Did these foreigners really wish to strengthen our country and pacify our people? If they did, then there shouldn’t have been all these accounts of discounts, high interest rates, exploitation by intermediaries, and calculations of silver-to-gold depreciations in debt negotiations.....thus foreign borrowing is a stratagem for their conquest and enslavement (of us).”²⁴⁸

Statements like these marked both a distinctive departure from blithe mid-Victorian optimism on debt found in *Shenbao*’s editorials in the 1870s, and foreshadows the more structured critique by Chinese nationalists and communists on the symbiotic relationship between the “feudal” late Qing court and foreign capital.²⁴⁹ For He Qi himself, it marked a continuation of his public critiques on Chinese public finance and the absence of political representation, which began with public rebuttals to state-directed models of modernisation endorsed by Zeng Jize in 1887.²⁵⁰ In his earlier rebuttal, He posed the rhetorical question: “Why should China not have

²⁴⁸ He Qi (何启) and Hu Liyuan (胡礼垣), *Xinzheng Zhenquan* (新政真诠) (Shenyang: Liaoning Renmin Chubanshe, 1994 Reprint), 200.

²⁴⁹ See previous section.

²⁵⁰ Zeng Jize (1839-1890) was eldest son to Zeng Guofan and Minister to Britain, France and Russia in late 1870s and 1880s. An English-language article, “China, the Sleep and the Awakening”, was published in 1887 under his name to justify the mode of cautious modernisation adopted by Qing officials between 1865 and 1895. See Rudolf G. Wagner, “China “Asleep” and “Awakening.”: A Study in Conceptualizing Asymmetry and Coping with It”, *Transcultural Studies*, 1 (2011): 4-139 for an extended and interesting exploration in Zeng’s adoption of “Asleep” vs. “Awakening” motif in the article.

a national debt also in which her own people can also invest? No reason at all, except that before borrowing from her subjects, she has first to establish her credit with them, and win their confidence and trust.”²⁵¹

Despite He and Hu’s vociferous objection to foreign capital through loans (curiously absent from He’s opinion pieces in English-language newspapers), their proposal for building trust between the State and potential subscribers remained firmly within models of late-Victorian progressive liberalism, in this case through accountability in public finances and political representation. Of course, accountability in public finances was a goal shared by Qing government’s foreign creditors, who even after 1901 had to settle for a limited version through accountability in customs revenues. But here, the essays by He and Hu were probably the first explicit call for quantifiable accountability in Qing public finances by domestic Chinese sources. When compared to the rumbles of discontent expressed by *Jingshi* scholars in 1830s and 1840s over the absence of fiscal information, the evolution of expectations for managing public finances by Chinese intellectuals was remarkable, and reflected profound shifts in power between the Qing court and intellectuals.

Tapping into the surge of public discussions on public finances after Chinese defeat in 1895, He and Hu buckled against the mainstream opinion of further cuts to government spending, which as seen in Chapter 2, possessed its own intellectual pedigree. They instead took a

²⁵¹ Sinensis (He Qi), “Letter to the editor of the China Mail,” with an introduction to Zeng Jize’s essay “China: The Sleep and Awakening,” *The China Mail*, Feb. 16, 1887, 2.

position broadly similar to that of Zhang Zhidong, and advocated for an expansion of state functions and spending. However, He and Hu explicitly aimed for an *accountable* expansion, arguing that “in order not to be foolish or deluded in managing public finances, all that one needs are numbers.....numbers are to public finance what levers are to windows....and vocal doubters and public dissenters will be silenced once presented with the numbers.”²⁵² Perhaps unsurprisingly given He and Hu’s backgrounds in Hong Kong, the numbers they referred to in *Xinzheng Shiji* came from Jamieson’s 1897 report on Chinese revenues, which the authors lauded as “the standard by those discussing Chinese finances”.²⁵³ To support their expansive view of government functions, the authors reached for historical figures to show that official revenue in China since late Tang (9th C.) has been on an upward trajectory, a selective reading of late imperial history that was buttressed by custom revenue since the 1860s.²⁵⁴ Thus He and Hu advocated for a growth-based approach to revenue collection, as opposed to quota-based varieties still adopted in parts of in customs.²⁵⁵ If one considers the tenor of extended debates on long-term growth in Chapter 2, the shift witnessed here went much further than Zhang Zhidong’s memorials of justifying long-term growth on a project-by-project basis.

But for He Qi and Hu Liyuan, expansion in government spending could only be countenanced

²⁵² He Qi and Hu Liyuan, *Xinzheng Zhenquan* (新政真詮), 218.

²⁵³ *Ibid.*, 219.

²⁵⁴ *Ibid.*, 236.

²⁵⁵ Even in the 1890s, parts of *Changguan* (常关) still based their tax collection quotas on an average of past year’s figures. *Changguan* here refers to sections of Chinese customs not under foreign management, usually referred to in period literature as *Interior Customs* or *Inland Customs*.

when accompanied by trust-building measures in making relevant information public and accountable, a condition by and large disregarded in Zhang Zhidong's attempts for further borrowing.²⁵⁶ The institutions and procedures He and Hu suggested for making fiscal information public were not altogether novel to contemporary Chinese readers; earlier reformists in the 1880s have broadly introduced the idea of modern budgets, even as He further stressed the need for administrative autonomy in public finance and referred to the idea of a sinking fund for outstanding foreign debts. The departure from earlier reformist writing by He and Hu lies in them presenting representative governance as the solution for accountability in fiscal management, most notably in public debt. That said, the version of representative governance presented by He was certainly not direct democracy under universal suffrage, but a highly particular version informed by his experiences serving on the Legislative Council of Hong Kong since 1890, when the council consisted of *ex-officio* members and unelected representatives appointed by the governor of Hong Kong. In *Xinzheng Shiji*, control and oversight of tax collection, borrowing, and items of public spending were restricted to provincial and regional-level councils with elected representatives.²⁵⁷ He and Hu's choice of words in referring to ideal representatives for these councils made it clear that they were thinking of gentry and other distinguished public figures, not unlike the composition of similar municipal councils in Shanghai's International Settlement, or late-Victorian municipal councils

²⁵⁶ This is not to say that Zhang Zhidong did not consider the merits of making fiscal information public, something that he attempted with in Hubei between 1901-02 by drafting rudimentary provincial budgets, but importantly, he did not make this a requisite for expansion in state spending and borrowing, and moreover, did not engage with the accountability arguments by reformist at all.

²⁵⁷ He Qi and Hu Liyuan, *Xinzheng Zhenquan* (新政真詮), 233.

in Britain.

This was a scheme of political accountability that late Qing gentry and merchant groups in coastal and littoral treaty-ports found deeply attractive, given their gradual exposure to similar municipal councils under foreign management. It was a scheme that allowed for institutionalised dominances of merchants and gentry in local finances, while refraining from directly challenging the political basis for imperial rule.²⁵⁸ Nonetheless, once past major coastal and littoral treaty-ports (and sometimes not even past these cities), the diffusion of this message to provincial gentry and merchant groups was uneven and contested. At this stage, reformist writers faced a dilemma similar to that of the Qing government, as they grappled with the task of broadcasting ideas on public debt to a rapid evolving but amorphous public in inland provinces, with local gentry and merchants as its most easily identified section. But as He and Hu lamented in their essays, their scheme of gaining trust for public debt through greater political representation was not widely disseminated outside of treaty-port circles, despite the latter exercising a disproportionately large influence on bond subscription tallies. This is partly because the sub-set within the gentry-merchant group most receptive to He and Hu's message – modern Chinese bankers – was still in its formative stages between 1895 and 1910. In other words, the particular constituency and discourse that best articulates capital's disproportional power in bond markets has not arrived yet.

²⁵⁸ Although towards late 1890s and 1900s, He Qi began to personally support Sun Yat-sen's revolutionary activities in Guangzhou and Hong Kong. See Stephanie Po-yin Chung, *Chinese Business Groups in Hong Kong and Political Change in South China, 1900-25* (Basingstoke, UK: Palgrave Macmillan, 1998), Chapter 2.

In contrast, although Zhang Zhidong's version of reform was more widely endorsed by gentry and merchant groups in late 1890s and 1900s, he did not offer an explicit position on political accountability for domestic debt.²⁵⁹ Beyond a fleeting memorandum during debates on indemnity repayment measures, Zhang steered clear of domestic public bonds in his various fund-raising proposals, preferring direct negotiations with local merchants and foreign bankers even during the redemption of Canton-Hankow railway concession between 1903 and 1905. Beyond Zhang's perception that domestic capital was insufficient for major infrastructural projects, his wariness towards discourses of popular rights and representation (*minquan*) may have also played a role in withholding support for domestic public debt. This meant between 1895 and 1910, there lacked a coherent discourse on political accountability and domestic debt that was more sympathetic to the constraints faced by late Qing bureaucrats.²⁶⁰ The ensuing discursive gap left Qing officials almost perpetually on the back foot during this era against successive crises of public discontent over public debt and lack of political representation.²⁶¹

²⁵⁹ Ba Jin (1904-2005), who knew the life of late Qing provincial gentry well through his upbringing, put a copy of Zhang Zhidong's *Exhortations to Study* on the desk of the family patriarch for his bildungsroman *The Family*.

²⁶⁰ This is separate from the prolonged and public debate waged between constitutional monarchists and republicans during the 1900s; their debates did not offer competing views on the relationship between the State and bondholders in the field of public finance.

²⁶¹ Even Sheng Xuanhuai (1844-1916), one of the more skilful officials in the *Xinzheng* era, note in frustration that arguments against debt were often motivated by those "who conjure up elaborate arguments simply to win a place as opinion leaders", a sign of the comparatively ineffectual discourses offered by late Qing officials. See "Sheng Shangshu dazhu Jiezhai", *Shishi Bao*, Mar 13, 1911, 2.

3.3 Grafting a new branch of learning: Liang Qichao and Japanese Sources on Public Debt

The gap in official-leaning discourse on debt and accountability partially stems from the diffuse and complex channels of transmitting knowledge on public debt and political economy that opened up during this era. In Chapters 2, we have seen the circulation of sophisticated discourses on public credit and interest, yet much of these debates, especially those conducted in the 1850s, were written with officials and gentry-scholars in mind. For example, the debates on monetary policies between Wang Liu and Bao Shichen referred to specific policies conducted in earlier reigns, while their private writings were collected and presented to provincial officials with hopes of receiving patronage. Although this tradition of collecting and circulating writings on economic statecraft continued in the 1900s (witness the proliferation of sequels to *Huangchao Jingshi Wenbian* during this time, often under semi-official patronage), it was gradually displaced by writings geared towards a wider audience, who were less familiar with (and less inclined to cite) accumulated administrative experiences analysed in earlier works and memoranda.²⁶²

Compared to other branches of mid-Qing scholarship, the lineage of domestically-oriented writings on fiscal and monetary policies was among the first to be replaced in the late 1890s

²⁶² See Otani Toshio (大谷敏夫), “Kiyosue keisei-gaku to keisei shisō (清末経世学と経世思想)”, *Ajia bunka gakka nenpō* (アジア文化学科年報) 7, 19 (2004): 29-40.

and early 1900s.²⁶³ This shift can be found in He and Hu's essays; perhaps fittingly for a series of writing urging reform along mid-Victorian liberal values, the policy examples given mostly stemmed from Anglo-American sources. On the other hand, their use of domestic precedents differed significantly from those by mid-19th Century writers, in that specific policy precedents and estimates of fiscal capacity were replaced by generic references to classical authors and historical incidents in previous dynasties. Since Hu Liyuan only received by contemporary standards a rudimentary education in Chinese classics, and He Qi almost none at all, this would not come as a surprise, but it is significant that reformist authors entrusted with the task of articulating a new relationship between the state and its perspective bondholders were no longer as steeped in the heritage of *jingshi* scholarship as their predecessors a generation ago.

This dis-embedding from domestic heritage of fiscal and monetary policy discourses was also a product of the changing composition of the readership at large. The topic of expanding readership and formation of “public sphere” in late Qing has been covered extensively in existing literature, and although an intervention into the debate is not the aim here, it is useful to clarify the expanded group of readers concerning public debt and political economy. Some of these readers were memorably referred to as “hangs-on from foreign institutions, unscrupulous coastal merchants and those who purchased their offices” in the late 1880s, a description that rendered them much closer to definition of organic intellectuals.²⁶⁴ Similar

²⁶³ In some instances, even earlier than Chinese systems of knowledge in natural sciences.

²⁶⁴ Liu Xihong, “Memorial on Railway Construction”, Feb 14, 1881. In Zhongguo Shixue Hui eds., *Yangwu Yundong* (洋务运动) (Shanghai, Shanghai Renmin Chubanshe, 1961). Vol. 6: 154-165.

levels of education could also be easily found in contemporary biographies of office-buyers, where having purchased the title of *jiansheng*, some of the luckier ones would wait for a substantive post in provincial administrations, most likely in one of new bureaus set up in the post-Taiping era.²⁶⁵ This stood in distinct contrast to the backgrounds of most mid-to-late Qing writers discussed in previous chapters, who either passed through the examination system to spend several sabbatical years in the *Hanlin* academy, or studied fiscal and monetary policies for an extended period of time.²⁶⁶ With the expansion of newspapers and translations of British and Japanese textbooks in the late 1890s and early 1900s, these readers were joined in interior provinces by reform-minded gentry, students of missionary or locally-funded modern schools, and merchants in urban areas. The social boundaries between these broadly defined groups were porous and open to cross-pollination, but they shared a common grounding in elementary to middling knowledge of classical Chinese texts, including generalized allusions to historical events. This separated them from the truly popular presses published in vernacular Chinese that began to appear in the 1900s, but it also represented a change from the style of discourse in mid-Qing treatises on credit and political economy.²⁶⁷

²⁶⁵ See Chapter 4-5 in Lawrence Zhang's dissertation, "Power for a Price: Office Purchase, Elite Families and Status Maintenance in Qing China," (PhD dissertation, Harvard University, 2010); as well as Yen-p'ing Hao, *The Comprador in Nineteenth Century China: Bridge between East and West* (Cambridge, MA: Harvard University Press, 1970).

²⁶⁶ Although Zuo Zongtang might have overdid it with almost 25 years of reading on economic geography and statecraft prior to his first official posting in 1856.

²⁶⁷ An interesting example of this evolution is the content of sequels to *Huangchao Jingshi Wenbian*, compiled in the height of *Jingshi* type of discourses in 1820s. Although memoranda and essays still took up a large portion of sequels compiled in the 1890s and 1900s (*Huangchao Jingshi Wenxubian* in 1892, and a trio of

To late Qing readers, no one was more influential in riding this change of style (and content) than Liang Qichao (1873-1929), whose opinion pieces and commentaries on contemporary affairs were widely read in the first decade of 20th Century, with Mao “able to recite passages” as a middle school student.²⁶⁸ Liang’s influence through his opinion pieces depended precisely on modulating his style of writing accessible to a wider audience, including students educated in modern schools.²⁶⁹ This form of forceful rhetoric couched in relatively simple classical language was harder than it looked, and revealed Liang’s earlier training under his mentor Kang Youwei, who in turn came from a separate lineage of *jingshi* scholarship.²⁷⁰

compilations all published in 1902), newspaper articles and translations from fiscal textbooks also featured prominently in the eclectic collection.

²⁶⁸ Zhonggong Zhongyang Wenxian Yanjiushi ed., *Mao Zedong Nianpu* (毛泽东年谱) (Beijing: Renmin Chubanshe, 1993), Vol. 1, 9-10.

²⁶⁹ The style of writing was termed “*Xinmin Ti* (*Xinmin Style*)”, referring to *Xinmin Congbao* (新民丛报), a Chinese newspaper that enjoyed wide circulation with Liang Qichao as editor and lead writer between 1902 and 1907. It derived from Liang’s training in the classical genre of *celun* (策论) under Kang Youwei and others. This genre was particularly favoured by sections of *jingshi* scholarship for its less constrained and more argumentative style.

²⁷⁰ Otani Toshio (大谷敏夫), “Kiyosue keisei shisō ni okeru ni dai chōryū (清末経世思想における二大潮流)”, *Tōyō-shi kenkyū* (東洋史研究) 50, 2 (1991): 199-230. Although Otani suggested that the two major schools of late Qing *jingshi* scholarship shared an emphasis on statecraft (p.205), the term “statecraft” was too general to encapsulate differences between economic and industrialisation policies endorsed by Zeng Guofan and Zhang Zhidong, and the more Macheavillian political strategies advocated by Wang Kaiyun (1833-1916), Liao Ping (1852-1932) and Kang Youwei.

Despite Liang's instruction in *gongyang* school of *jingshi* writing under Kang Youwei throughout the 1890s, they both largely refrained from directly engaging with the large corpus of writing on economic and monetary policies discussed in Chapter 1, although some of Kang's conception of state capacity (especially on land reform) bore certain similarities to those by Wang Liu. Instead, monetary and fiscal policies seemed to have been fields that were ceded to Western learning, even before Liang's extended exile in Japan in early 1900s. In a short piece published in 1896, Liang Qichao commented extensively on the merits and translation of Henry Fawcett's *Manual of Political Economy* and Chamber's *Political Economy for Schools*, and later in 1897 attempted to link the universalist rhetoric of free-trade advocated by early Victorians with Kang Youwei's utopian readings of classical writing, bypassing mid-Qing works altogether.²⁷¹

Compared to these rudimentary primers translated by foreign missionaries, Japan by the early 1900s has accumulated an impressive range of translations and abridged textbooks on public finance and debt, many of which were in turn translated into Chinese or donated to public libraries by returning Chinese students.²⁷² It was during his exile that Liang was able to examine these Japanese translations, and transplant a distinctively new lineage of knowledge

²⁷¹ See *Du Xixueshu Fa* (读西学书法) (Shanghai: Shanghai Shiwubao Guan, 1896) and “Shi Ji Daizhi Liezhuan Jinyi (史记贷殖列传今义)”, *Shi Wu Bao*, August 8, 1897 (vol. 35). Unsurprisingly, Liang's commentary on various translations focused mainly on their style and readability.

²⁷² The first catalogue of Zhejiang Provincial Library (浙江藏书楼), published in 1907, recorded a collection of over 20 different types of Japanese textbooks on public finance and debt. See *Zhejiang Cangshulou Shumu* (浙江藏书楼书目) (Hangzhou: Hua Feng Shuju, 1907).

on public debt to his writing. The two Japanese sources cited in Liang's pamphlet on public debt, *History of Chinese Public Debt (Zhongguo Guozhai Shi)*, were written by Japanese bureaucrat-academics who were intimately connected to public debt and monetary policies of Meiji Japan.²⁷³ The more famous of the two, Tajiri Inajiro (1850 – 1923) was in charge of domestic debt issuance within Japanese Ministry of Finance in the 1880s, and assisted Matsukata Masayoshi in his famous fiscal stabilisation scheme. In these policies, Tajiri was in turn influenced by his teacher at Yale William Sumner (1840-1910) and more interestingly, Paul Leroy-Beaulieu (1843-1916), who was instrumental in advising the reorganisation of French public finances following the Franco-Prussian War.²⁷⁴ Tajiri shared Leroy-Beaulieu's conviction that active manipulation by state authorities (through financial experts) was needed to balance the conflicting demands of economic growth and currency stability, and public debt functioned as a key instrument in this pursuit.²⁷⁵ In absorbing and transmitting Tajiri's message, Liang was part of a larger movement amongst Chinese students in Japan that began to view heterodox messages of continental schools with greater favour, most notably the writings of

²⁷³ Tajiri Inajiro, *Kōsai ron (公債論)* (Tokyo: Yuhikaku Publishing Co., 1898) and Soeda Juichi, *Zaisei tsūron (財政通論)* (Tokyo: Kinkodo Co., 1892).

²⁷⁴ Setoguchi Ryūichi (瀬戸口龍一), “Nihon ni okeru zaisei-gaku no dōnyū kōchiku to Tajiri Inajirō (日本における財政学の導入・構築と田尻稲次郎)”, *Senshū daigakushi kiyō (専修大学史記要)* 4, 2012, 51-81.

²⁷⁵ There's a succinct description of the policy conundrum faced by late 19th C. financial experts (including Leroy-Beaulieu) in Marc Flandreau, “Crises and Punishment: Moral Hazard and the pre-1914 International Financial Architecture”, in Marc Flandreau ed., *Money Doctors: The Experience of International Financial Advising, 1850-2000I* (London: Routledge, 2003), 13-49.

Friedrich List.²⁷⁶

That said, in Liang's own writings concerning public debt during the 1900s, the distinction between ideas by German historical school and more interventionist strands of Victorian liberalism discussed in earlier part of this chapter was somewhat blurred, as much of the fiscal policies prescribed fell on broadly similar lines of rationalisation and quantification. It was in the presentation of Liang's arguments on public debt, and his explicit clarification on public debt's links with political economy as a nascent and separate field of inquiry that Liang's contributions stood out.

In *History of Chinese Public Debt* written and published in 1904, the presentation of statistics and graphs arranged along Anglo-American lines marked a distinctive shift in *domestic* debates on public debt and its functions. This change has been somewhat under-examined in existing literature²⁷⁷, but when compared with memoranda sent by Robert Hart to the Zongli Yamen on trade revenue figures throughout the 1870s and 1880s, where statistics were recited in long,

²⁷⁶ First Chinese translations of List were by Chinese students studying in Japan from Japanese translations and published in August 1901, with a preface that explicitly endorsed its applicability to the Chinese situation vis-à-vis Adam Smith. See *Yiwen Huibian* (译文汇编), vol. 2, Aug 1901, 3. There is an extremely interesting point about the susceptibility of German historical school in Japan was due to the influence of late 18th and early 19th C. Japanese discourses on state intervention in regional economies but is beyond the purview of this dissertation.

²⁷⁷ In one of the few discussions on Liang's public debt treatises, Cheng-chung Lai was more interested in identifying the accuracy of Liang's various estimates, which probably came from Japanese and British sources in the first place. See Cheng-chung Lai (赖建诚), *Liang Qichao de Jingji Mianxiang* (梁启超的经济面向) (Hangzhou: Zhejiang Daxue Chubanshe, 2010), 103-136.

continuous lines of Chinese characters, the shift marked a point of convergence between Chinese and Western standards of debates on fiscal policy and political economy. This also reflected Liang's own efforts at identifying the field of political economy as a distinctive realm of inquiry, although this process of separation involved a rupture with *jingshi* era works on fiscal and monetary policies.

Taking up He Qi's proposal for fiscal and political accountability, much of Liang's first treatise (*Zhongguo Guozhai Shi*) was an impassioned appeal for establishing accounts for past and future expenditures in the form of national budgets, and "perpetual rights to fiscal oversight and assistance (*xie zan quan*)".²⁷⁸ Directly citing and paraphrasing the liberal line of "no taxation without representation", Liang proposed that Chinese citizens should not "subscribe to bonds without rights to fiscal oversight". By articulating and clearly linking political representation to bond subscription through his persuasive rhetoric, Liang staked a position that was almost dogmatic in its clarity for the Qing state's relationship with its perspective bondholders. To buttress his position, Liang added a dose of anti-foreign debt rhetoric for good measure, by recognising that "the history of Chinese public debt is in its nature a history of foreign debt.....and it will be foreign debt that causes China's demise in near future".²⁷⁹ Although these anti-foreign debt statements were in fact covert pleas for standardisation of

²⁷⁸ Liang Qichao (梁启超), "Zhongguo Guozhai Shi (中国国债史)", in Wu Song eds., *Yinbingshi Wenji Dianjiao* (饮冰室文集点校) (Kunming: Yunnan Jiaoyu Chubanshe, 2011), vol. 2, 1126.

²⁷⁹ The pamphlet on Chinese public debt was accompanied by an addendum on the history of Egyptian debt, also translated from Japanese sources by Liang.

Chinese currency, it was the forceful rhetoric that left its imprint in the minds of Liang's large readership.²⁸⁰

Liang further elaborated on his stance over state-bondholder relations in *Waizhai Pingyi*, a longer essay published in the midst of constitutionalist movements of 1910. Here, the issue of political representation came down to the formation of national parliament, as well as the devolution of executive power to a cabinet responsible to the legislature. However, this fairly standard fare of constitutionalist demands (across Ottoman Empire and Persia around exactly the same time and issue) was tempered with a caution that nationalist sentiment, whether dynastic or patriotic, should not be relied upon as a source of bond subscriptions. Furthermore, the proceeds of foreign debt should be used to support the formation of intermediaries for fiscal and financial management, including a sinking fund for a new currency standard convertible to gold. These qualifications, coming after two decades exploring the possibility of issuing bonds directly to the general public, signalled a new period of contention on the role of financial and political intermediaries in Chinese public debt markets.

²⁸⁰ The succinct recognition on the porous boundaries between domestic and foreign debt came at the beginning of Liang's piece, but towards the latter half of the piece, Liang revealed that his opposition to foreign debt was a conditional one, mainly due to the instability and inconvertibility of domestic Chinese currency. The author seemed perfectly content with a prospect of national bonds being subscribed by foreign investors as a form of "global liquid asset" following currency reforms. *Ibid.*, 1124-25.

Chapter Four

4.1 From the Throne to the People: Direct Bond Issuance and its Aftermath

After over two decades of knowledge diffusion and debates, by late 1890s, senior Court and provincial officials have reached a *modus operandi* with foreign banking representatives on foreign debt, with foreign banks ironing out most of the operational barriers between demands of Chinese officials and that of the European capital market, in return for a handsome fee.²⁸¹ This model was sustainable so long China collaterals were seen as sufficient, and the Qing court's limited exposure to foreign bond markets before 1895 were also beneficial to the image of creditworthiness that the Court's middlemen worked hard to project.²⁸²

With the massive indemnity loans of 1896 and 1898, negotiated between the Qing Court and a host of European bankers, the dictates of debt issuance meant that foreign bankers became much less obliging in terms offered to China, as well as the collateral required. Chapter 5 will touch upon how the increase in foreign debt burden entailed further demand and extraction of

²⁸¹ See Frank H.H. King, *The Hongkong Bank in Late Imperial China, 1864-1902: On an Even Keel* (Cambridge: Cambridge University Press, 1987) for a description of how the Hongkong and Shanghai Bank worked with Robert Hart to convert Chinese officials' funding needs and stipulations before 1895 into formats that met the London (and Hong Kong to a lesser extent) market's procedures.

²⁸² This incidentally explains why Robert Hart was eager for indemnity loan negotiations to commence long before the conclusion of Sino-Japanese War in 1895, as he sought to capitalise on the creditworthy reputation of the Qing government to secure a lower rate of interest.

fiscal knowledge. Here, it suffices to note the extra-financial stipulations that were added to these loan agreements, including the opening of further treaty-ports, and commitments on foreign management of Chinese customs.²⁸³ This naturally incurred the ire of Qing Court officials for foreign debt in general, and towards foreign financial intermediaries in particular. Yet as this section (and much of the chapter) demonstrates, adapting to domestic public debt also meant repeated contestations on the relationship between the Qing state, domestic financial intermediaries, and perspective bondholders.

Prior to first attempts of domestic bond issuance in 1898 (known as *Zhaoxin* bonds), negotiations on securing credit for the Qing government were mainly conducted between government officials and representatives of specific potential creditor groups.²⁸⁴ For short-term stopgap domestic loans, this usually meant talks between officials of provincial treasuries and prominent remittance firms (*piaohao*) or money brokerages (*qianzhuang*), and the early foreign loans (1850s – 1880s) were mostly between foreign banks' local compradors and

²⁸³ The English-language literature on the financial “carving up of China” by European financiers and diplomats during this period is quite extensive, beginning with Theodore Overlach’s *Foreign financial control in China* (London: Macmillan, 1919) and Philip Joseph’s *Foreign Diplomacy in China, 1894-1900: A Study in Political and Economic Relations with China* (London: Routledge, 1928), E. W. Edwards. *British diplomacy and finance in China, 1895-1914* (Oxford: Clarendon Press, 1987). A more accessible account can be found in Robert Bickers’s *The Scramble for China: Foreign Devils in the Qing Empire, 1832-1914* (London: Penguin UK, 2016).

²⁸⁴ Some historians also pointed to state-merchant negotiations for medium-term loans in 1894-95 (*Xijie Shangkuan*, 息借商款) as the starting point of domestic public bonds in China, although as we have covered in Chapters 1 & 2, short to medium-term loans of similar nature have been around since the 1860s, if not earlier.

governors.²⁸⁵ The power dynamics within each negotiation were of course contingent, but the Qing government could always identify a specific entity to engage in negotiations. Especially for provincial governments and local *piaohao*, their credit relationships were highly individualised repeated games, with lucrative government contracts for official remittances used as compensation for defaults.²⁸⁶

Relying on intermediaries by the late Qing government, however, was certainly not a decision made willingly. Rather, ambivalence towards these financial institutions ran deep within the Qing bureaucracy, first noted in Chapter 2, when Daoguang-era provincial governor's response to financial innovation was to shut down the money brokers that initiated these changes. Similarly, their complaints over the high rates of interest charged by foreign banks and merchant firms for loans in 1860s and 1870s have been well-documented here. In both cases, it was precisely the fact that these creditors could be identified individually that led to late Qing officials' personification of the credit constraints they faced. Thus Zuo Zongtang directed his

²⁸⁵ The Hongkong Bank followed this tradition of individualised representation by sending Guy Hillier, a Cambridge graduate originally trained in Chinese rather than banking, as its Beijing agent in 1891.

²⁸⁶ See Memorial by Zhang Zhidong, March 16, 1876. *Junjichu Lu Fuzhe* (军机处录副奏折) 03-6611-062, First Historical Archives, Beijing. The memorial stressed the role of *Piaohao* at enabling provincial treasuries to meet their remittance quotas to the Board of Revenues through short term loans, and as such, their services in remitting these funds to the capital were still essential. According to figures from Custom offices in Guangzhou between 1877 and 1881, local remittance firms provided on average around 2.83 million tls. per year in short-term liquidity to the provincial treasury just for its quotas to the Board in Beijing. See Zhang Guohui (张国辉), *Wanqing Qianzhuang he Piaohao Yanjiu* (晚清钱庄和票号研究) (Beijing: Zhonghua Shuju, 1989), 96. Also see Chapter 1, Section 3 for detailed analysis.

negotiators to look for other loan peddlers from Prussia and the United States over Britain during the Western campaign loan negotiations, and Zheng Guanying believed that had the Qing government looked to Barings or Rothschild in London rather than treaty-port bankers, they would have got a much lower rate of interest, equivalent to that of British Consols.²⁸⁷ There were few signs that Qing officials around this time (in contrast to their foreign counterparts during the indemnities negotiations) viewed bond markets as a disembodied, generic entity.

These dissatisfactions with financial intermediaries, both domestic and foreign, led Qing officials to view aspects of public debt propagated by reformist writings with interest in the late 1890s. Besides the likelihood of using the proceeds for state-directed development (discussed in Chapter 3), the lack of profiteering intermediaries in state's issuing interest-bearing bonds directly to its domestic subscribers struck a chord with the more interventionist veins of monetary policies experimented by the Qing court since the 1850s.²⁸⁸ Both Wang Liu's writings in the 1830s and Xianfeng era expediencies with large-denomination coins and paper notes rested on the presumption that the state could enact monetary reforms directly to the public and based on nothing but its legal authority.²⁸⁹ Although those policies were by and

²⁸⁷ Zheng Guanying (郑观应), "On National Debt (论国债)," in *Shengshi Weiyan* (盛世危言), 235.

²⁸⁸ Needless to say, this perception that public debt could be successfully issued without the participation of financial intermediaries is another selective reading of mid-Victorian practices in public bond issuance, to be discussed in the next section.

²⁸⁹ And if one were to go even further back, it is an idea that perennially resurfaces in times of monetary/fiscal reform, most notably the experiments of Wang Mang in 1st century BC. As noted in Chapter 2,

large either repudiated or mitigated in practice by the participation of financial intermediaries, the idea of bypassing financial intermediaries remained deeply attractive to many, especially lower-ranking metropolitan officials with some exposure to reformist writings. Viewed more broadly, it appealed to a persistent strain in Chinese thinking on political economy that sought to link the state directly with its subjects with little interference from gentry and mercantile interests, even if the only institution that approximates this goal might be the examination system.²⁹⁰

This was the intellectual backdrop to the proposal to issue domestic public bonds in early 1898, known more commonly as *Zhaoxin* bonds. Written by another lower-ranking metropolitan *hanlin*, the memorial framed a direct and coercive relationship between the state and its bondholders, by proposing subscription quotas to officials within the bureaucracy according to their assessed incomes.²⁹¹ The subscription base would then be expanded to the general population under less coercive terms. Notably, the proposal did not envisage a role for financial intermediaries beyond that of handling coupon repayments, and completely ruled out any

this abstract and inflated view of state capacity went hand in hand with a lack of administrative knowledge/data by its proponents.

²⁹⁰ A contemporary example would be the various conditional cash transfer schemes in developing countries (*Bolsa Familia* etc) that sought to reduce the number of intermediaries involved.

²⁹¹ Memorial by Huang Siyong, “Zouqing Tezao Gupiao Choujie Huakuan Shu (奏请特造股票筹借华款疏)”, January 30, 1898, in Qian Jiaju (千家驹) ed., *Jiu Zhongguo Gongzhaishi Ziliao: 1894-1949* (旧中国公债史资料) (Beijing: Zhonghua Shuju, 1984), 6-8.

functions for local functionaries.²⁹² The critical role of financial institutions in underwriting debt issuances, as the Hongkong Bank did for Chinese foreign debts in the 1870s and 1880s, was completely overlooked. Although in reviewing and modifying the proposal into actual policy, Board of Revenues dropped the idea of enforced subscriptions by officials as impractical, they retained the direct relationship between the state (functioning through a specific bureau set up in each province for this particular purpose) and individual subscribers, with financial intermediaries again serving as handlers of coupons. Later historiography has tended to attribute this decision to skirt around both financial intermediaries and local administrative apparatuses as more borne out of ignorance, but as I have argued, this stemmed more from the Board of Revenue's long-standing wariness towards these intermediaries' perceived encroachment in the late Qing fiscal structure.²⁹³

Perhaps unsurprisingly, the actual issuance and subscription of these bonds in 1898 bore little resemblance to what the Board of Revenue envisaged. Details of local subscription are discussed later in conjunction with Sichuan railway protection movement, but what deserves attention here is how rapidly the late Qing state fell back on established rhetoric and

²⁹² Recounted in close detail by Bradly W. Reed, *Talons and Teeth*, Chapters 1 & 6.

²⁹³ For the absence of knowledge argument, see Loh Wai-fong, "The Board of Revenue and Late Ch'ing Finance and a Study of the Relations between the Central Government and Provincial Government 1893-1899," (PhD Diss., Harvard University, 1977), 214-220. Reasonable counter-factual are the failures of most provincial public debt in the 1900s and the success of 1914-15 by the Republican government; it's not the absence of fiscal knowledge that ultimately mattered, it's about the willingness to cede power of unsupervised credit creation to bondholders by the government.

mobilisation tools when faced directly with the new, amorphous entity of bond subscribers. Despite the name of this bond (*Zhaoxin* as a shorthand for “promoting creditworthiness”) and the prolonged process of introducing this reading of public debt in the 1870s and 1880s, the individualised processes of bargaining between state apparatuses and officials, merchant guilds, and local financial institutions took over once again. For most vocal subscribers to the *Zhaoxin* bonds, it was the rhetoric of dynastic loyalty and the prospect of individual political rewards that motivated their subscriptions. This certainly applied to senior Manchu nobility and bureaucrats in Beijing, but for merchant groups along treaty-ports with extensive records of subscription to foreign bonds, rhetoric of dynastic loyalty (and even embryonic forms of nationalist sentiment) were not enough to entice individual subscriptions.²⁹⁴ Although the subscription tally of approximately 11 million tls. after six months of exhortations and extortions was a respectable figure in late Qing finance, it fell far short of what the Board of Revenue imagined for this new fiscal instrument.²⁹⁵ The glaring lack of interest displayed by

²⁹⁴ Brenan to MacDonald, April 1, 1898. FO 228/1282, p. 227. The consular dispatch from Guangzhou remarked on deep pessimism by local and foreign merchants over Qing government’s ability to service these loans; the duration of 20 years was also seen as impractical to local practices of short- to medium-term loans. While merchants in Shanghai demanded co-signing by customs officials (Hart) for its successful issuance and circulation, a presage to later practices in the early Republic. Yan Xinhou to Sheng Xuanhuai, April 29 1898. File 032242, Sheng Xuanhuai Papers, Shanghai Municipal Library, Shanghai.

²⁹⁵ Similar amounts were also collected in preparations for imperial weddings in 1871-72 and 1888-89, as well as intermittent funding drives for Western expedition campaign under Zuo Zongtang. For detailed estimates of *Zhaoxin* bond subscriptions by province, see Zhou Yumin (周育民), “Shilun Xijie Shangkuan he Zhaoxin Gupiao (试论息借商款和昭信股票)”, *Shanghai Shifan Daxue Xuebao* (上海师范大学学报), 1990 (1), 72-99. Although according to Shi Zhihong, only 2.53 million tls. of bond proceeds were actually remitted to Board of

coastal merchant groups towards *Zhaoxin* bonds, and by implication, the rhetoric of dynastic loyalty as impetus for bond subscriptions gave reformist intellectuals an opening to redefine the relationship between the Qing state and its prospective bondholders.

Like their descendants a century later, the term “reformist” in late 1890s encompassed a bewildering variety of opinions on political economy that were often in direct conflict with each other. Yet over *Zhaoxin* bonds, the critique went beyond previous debates over productivity of debt to the issue of trust between the state and its prospective subscribers. In newspaper editorials of the period, the concept of trust (*xin*, also translated as creditworthiness) and its loss by the state through renegeing on earlier promises of payment were singled out, but the writers were unclear on how trust could be retained by the state beyond moralistic generalities.²⁹⁶ Despite his more famous efforts at advocating for reforms in 1898, Kang Youwei saw the lack of trust by domestic merchants over *Zhaoxin* bonds as another sign of the estrangement between state apparatuses and its potential subscribers.²⁹⁷ This discourse of estrangement (*ge mo*) between state and the people has been articulated in earlier reformist writings (by Zheng Guanying and others), but it was Kang who explicitly linked this term with

Revenue. See Shi Zhihong (史志宏), *Qingdai Hubu Yinku Shouzhi he Kucun Tongji* (清代户部银库收支和库存统计) (Fuzhou: Fujian Renmin Chubanshe, 2009), 270-271.

²⁹⁶ “Lun Juxing Zhaoxin Gupiao (论举行昭信股票)”, *Shen Bao*, February 27, 1898, 3. “Da Guanwen Yinzaogupiao Shi (答管问印造股票事)”, *Shen Bao*, February 8, 1898, 1.

²⁹⁷ Kang Youwei (康有为), *Kang Nanhai Zibian Nianpu* (康南海自编年谱) (Beijing: Zhonghua Shuju, 1992 Reprint), 196.

his demands for consultative assemblies in 1895.²⁹⁸ In his commentaries over *Zhaoxin* bonds, Kang contributed to the framing of fiscal disorganisation (including the inability to raise revenue through domestic bonds) as a result of this estrangement, an analysis that gathered steam in debates on fiscal reforms in the late 1890s.

By framing the failure of *Zhaoxin* bonds as a symptom of state-public estrangement and absence of trust, ongoing debates on public debt in late 1890s no longer revolved around its intended (productive or non-productive) purpose and relationship to a set fiscal framework. While Zhang Zhidong and other late Qing officials went about pushing the boundaries of government expenditure through debt-financed investments (See Chapter 2), reformist intellectuals and merchants like Liang Qichao and He Qi brought up the issue of accountability as a mean of trust-building between the state and perspective bondholders. But having developed concepts of fiscal and political accountability in the previous chapter, reformist intellectuals would witness a reworking of these concepts through popular agitations of the Sichuan Railway Protection Movement.

4.2 Fleeced in Their Name: Forced Subscriptions and Popular Politics

The popular agitation over Sichuan-Hankow Railways, which ultimately triggered the 1911 Revolution, came at a distinctive juncture in the history of Chinese public debt. Although

²⁹⁸ Kang Youwei, *Shang Qingdi Dier Shu* (上清帝第二书), in Tang Zhijun (汤志钧) ed., *Kang Youwei Zhenglun Ji* (康有为政论集) (Beijing: Zhonghua Shuju, 1981 Reprint), 122.

modern commercial banks under Chinese management have been established by then, they remained outliers in a financial landscape dominated by foreign banks, Chinese remittance firms and money brokerages. Even the bank set up by Board of Revenue in 1905 and later designated as the Chinese central bank did not handle the purchase and discount of domestic public debt, whether national or provincial.²⁹⁹ In its stead, provincial mints and foreign bank in provincial capitals took up some of the provincial debts, but held them as part of their asset portfolio without forming a secondary market for domestic public bonds. This was partly due to a concentration in equity speculation by Chinese investors during this period, culminating in the rubber bubble of 1909-10, which promised much greater returns in shorter durations.

With modern Chinese financial intermediaries still in formation, the conceptual endeavour of navigating a direct relationship between the state and its citizen-bondholders through public bonds, first propagated through 1898's *Zhaoxin* bond issuance, held on for a while longer. In this, they were supported by reformist reframing of the project (as seen in the previous chapter) as one of political and fiscal accountability. Building up bondholders' trust for state institutions and their debt did not, as it seemed to late Qing reformists like Liang Qichao, necessarily entail the direct participation of modern banks. Of course, setting up a modern banking system was also part of the reformist (and late Qing bureaucratic) agenda, but the reasoning there was to

²⁹⁹ Although by 1911, the official banks (Bank of Da Qing and Bank of Communications) were involved in the remittance of debt payments from the provinces to China's foreign creditors; this lucrative business was taken out of traditional remittance firms (*piaohao*) to boost profitability of these state-owned banks. See Da Qing Yinhang Qingli Chu (大清银行清理处) eds., *Da Qing Yinhang Shimoji* (大清银行始末记) (Beijing: Shumu Wenxian Chubanshe, 1996 Reprint), 180.

regain the seignorage lost to foreign banks via their banknotes, not its role in facilitating a domestic bond market or as underwriters to national and provincial treasuries through debt purchases.³⁰⁰ To Liang and other reformist writers in the mid-1900s, greater political representation and fiscal reforms would in fact buttress direct links between the state and its citizens, or “channel people’s sentiments and expressions (*tong min qi*)”, to use a favoured expression of the time.³⁰¹ The flirtation with socialist writings by radical reformists and revolutionaries between 1905 and 1911, notably on-going debates on socialism by Liang Qichao and Sun Yat-sen’s colleagues in Japan, was also not particularly encouraging towards championing domestic financial intermediaries.

This distinctive situation meant that the interests and rhetoric of private Chinese bankers

³⁰⁰ The Board of Revenue Bank (*Hubu Yinhang*) did not contain any stipulations on issuing or managing public debt in its charter drafted in 1905, and it was not until 1908, when the bank was re-chartered as the national bank that the right to “manage public debt and other securities on behalf of the state” was added to the articles. The memorials surrounding its founding and re-chartering mostly dealt with the seignorage potential of banknotes, while central bank’s capacity to lend to the Treasury through public debt or advances was actually cited as a reason to reject its implementation in 1899, as it was seen to interfere with existing Board of Revenue responsibilities. The suggestion that silver-backed banknotes be printed was much better received. See Memorial by Qing Kuan, October 1899, *Junjichu Lu Fuzhe* (军机处录副奏折) 03-5738-065, First Historical Archives, Beijing. However, in telegrams between the Zongli Yamen and Sheng Xuanhuai in 1897 over China Merchant Bank, the ministry did inquire “whether it is true that the Hong Kong bank could easily meet British government’s demands for millions of tls. at 1-2% interest at short notice,” signalling that the Qing court was certainly interested in this particular function of modern commercial banks.

³⁰¹ Most famously used in Xue Fucheng’s advocacy for parliamentary rule in July 1893. See Xue Fucheng (薛福成), *Chushi Yi Fa Ying Bi Siguo Riji* (出使英法义比四国日记) (Changsha: Yuelu Shushe, 1985 Reprint).

remained generally subsumed under the larger canopy of reformist politics in the *Xinzheng* era, and in particular, the discourse of accountability in public debt was coupled with that of economic nationalism and constitutionalism.³⁰² However, it was not Liang Qichao who linked these discourses and put them to practice with explosive potency.

In the case of Sichuan railway protection movement, it was a group of Sichuanese students studying in Japan who first made the connection. The movement's significance in destabilising Qing rule in Sichuan is well-known, and recently there has been a revival of academic interest examining its fiscal background and political discourses.³⁰³ However, the role of these students and the rhetoric they adapted have been analysed only in the framework of nationalist sentiments in late Qing, and primarily as prelude to the more radical uprisings in 1910-11. This risks overlooking the connections between these discourses and the institutions of public debt (and in the case of Sichuan, taxation as well), since the entire project began as a movement to attract domestic capital through a mixture of commercial debt and share issues, sustained itself throughout private mismanagement with a particular form of public debt, and reached its

³⁰² Note, however, that there is nothing particularly inevitable in this coupling; the efforts of foreign powers in calculating Chinese indemnities (and later in the Reorganisation Loan) showed that accountability could easily serve interests that diverged from economic nationalism's tenets.

³⁰³ Most recently, Elisabeth Kaske has given English-language scholarship one of its first surveys on provincial taxation in late Qing Sichuan, focusing in particular on the development of *juanshu* (捐輸), while Xiaowei Zheng mapped new grounds in her explorations of the rights discourse in the context of Sichuan railway protection movement. More broadly speaking, the preservation of county-level archives in late Qing Sichuan has also been helpful to a variety of works analysing the legal-economic histories of the region.

climax in popular opposition to foreign debt. Without a clear sense of interaction between the two elements, individual studies might reinforce the sense of bewildering complexity that was noted in historiography for this decade's fiscal framework.

Before analysing the role of Sichuanese students in Japan towards the railway protection movement, a brief background sketch is in order; triggered by various reports of foreign design on Chinese railways in the post-Boxer Uprising period, the Sichuan-Hankow Railway Company was formed by the provincial government in early 1904, the first of its kind in the country. Although broadly supported by provincial gentry, it faced the same funding issue as its various imitators in other provinces: the provincial treasury, depleted after meeting Boxer indemnity quotas, was unable to offer more than a token support. Efforts at attracting private domestic investment between up to August 1904 also proved unsatisfactory; as British bankers later explained to Zhang Zhidong, there was “an essential difference between a loan for the redemption of a line well constructed, and profitably working, and a loan for the construction of a new railway”, a distinction that domestic Chinese investors was well aware of.³⁰⁴ The cost of a railway that sought to traverse tortuous terrains along the upper Yangtze was variously estimated at between 50-70 million tls., by far the most expensive single project proposed in the late Qing era, which certainly did not lend confidence to perspective commercial investors.³⁰⁵

³⁰⁴ “Memorandum by Mr. Bland”, June 1907, Charles Addis Papers, PP MS 14, Box 37. School of Oriental & African Studies, University of London.

³⁰⁵ Memorial by Xi Liang (川汉铁路集股章程折), January 1905, in *Xi Qingbi Zhijun Zougao* (锡清弼制

As the governor-general of Sichuan pondered his choices in late 1904, a series of telegrams sent in the name of Sichuanese students studying in Japan offered a solution: tax the (rich) peasantry. Not surprisingly in the original memorandum³⁰⁶, the proponents of this scheme expressly rejected the term “additional tax” for fear of adverse public opinion; they reframed it as efficiency gains from future administrative reforms in collection methods. In return, county-level governments would receive shares in proportion to the amount they collected, with future dividends to be used by the local authorities. As the writers noted, this proposal bore more resemblance to older fundraising traditions for local projects, where dividends from communally pooled resources would be at the disposal of local governments for future initiatives.³⁰⁷

In contrast to this model of outright extraction, which was quickly skipped over with barely 300 characters (in a telegram of over 7,000 characters), the authors lavished their attention on promoting corporate accountability and guarantees for retail investors, which notably proposed

军奏稿)(Taipei: Wenhai Chubanshe, 1974 Reprint) vol. 5, 455. It wasn't until 2010 (or 2016 according to different sources) that a railway closely approximating the proposed route in late Qing was opened.

³⁰⁶ Using the Japanese neologism *ikensho* (意见书), denoting a position of relative equality to the governor.

³⁰⁷ The memorandum was also published in *Xinmin Congbao* (新民丛报), a Chinese newspaper published in Yokohama and closely affiliated with Liang Qichao, as “Liuxue Dongjing Sichuan Xuesheng wei Chuanhan Tielu Shi Shang Chuandu Xi Zhijun Shu (留学东京四川学生为川汉铁路事上川督锡制军书)”, November 21, 1904, *Xinmin Congbao*, Vol. 3 Issue 9. Note the change from “memorandum” to “petition” in the newspaper’s title.

a guaranteed dividend of 5% per annum. It was with the inclusion of guaranteed dividend that the line between equity and bondholding, never clear-cut in late Qing discourses, became even more blurred. Although Sichuanese students proposed future issues of debentures by the railway company, and went to the length of distinguishing between different treatment of debenture versus equity in bankruptcy cases, the state-owned nature of railway company and proposed funding support from direct taxation rendered the students' distinction academic.³⁰⁸ Through the memorandum, it was apparent that reformist students preferred an accountable corporate structure with shareholder representation, which would ensure the trust of shareholder/bondholders, positions that clearly stemmed from reformist re-conceptualisation of state-bondholder relations in Chapter 3.

However, it was also apparent to the Sichuanese students that this preferred outcome could only be arrived through a period of funding via *de facto* taxation, and the authors' assurance that such taxation would be temporary did not persuade even many of their fellow Sichuanese students in Japan. Cheng Changqi, a Sichuanese student involved in the deliberations behind the memorandum, wrote in his diary on October 4th that "over 80-90% of our colleagues disagreed with the taxation-bondholding scheme; (they) pointed the dire straits of the peasantry would not bear additional taxation, *and such a proposal should not come from us students* (Italics added)." On October 22nd, the student association's review committee voted to delete the section on taxation from the memorandum, but was overruled by its executives, who sent

³⁰⁸ Not to mention rather premature: the first Chinese bankruptcy laws were not formulated until two years later in 1906 under Shen Jiaben.

out the full version in early November.³⁰⁹

This incident both possessed the storm-in-a-teacup quality of student politics, and as Sichuanese students themselves recognised, something more than that. What was noteworthy about the backgrounds of students studying in Japan between 1901 and 1905, and especially for poorer inland provinces like Sichuan, was the percentage of state-sponsored candidates and prominent local leaders.³¹⁰ Deng Xiaoke (1869-1950), who in Cheng's account first raised the prospect of taxation in student meeting, was the son of the first modern manufacturer in Sichuan. Deng was instrumental in overriding the objections of committee members, and worked with Pu Dianjun (1876-1933), a holder of *jinshi* degree and sponsored by the Qing government, to publicise their memorandum.³¹¹ Although they may have endorsed the political arguments of Liang Qichao and other reformists (with whom the students were in close contact while in Japan), these students (many holding titles of expectant officials) circulated their ideas through long-distance networks of patronage first formed by Sichuanese officials serving in Beijing, where they'd be expected to informally lobby for local interests to court dignitaries.³¹² In this,

³⁰⁹ Cheng Changqi, *Jingguan Zhai Riji* (静观斋日记), mss. No. 9, vol. 4, in Dai Zhili (戴执礼) ed., *Sichuan Baolu Yundong Shiliao Huizhuan* (四川保路运动史料汇纂) (Taipei: Institute of Modern History, Academia Sinica, 1994 Reprint), vol. 1. 287-289.

³¹⁰ Judging by the amount raised within the student association (at approximately 320,000 tls., or 45,000 l.), they by no means fit the stereotype of indigent intellectuals as depicted by Lu Xun and others.

³¹¹ Deng Xiaoke was also the grandfather of the respected Chinese economist Wu Jinglian. For further background to the selection of Sichuanese students to Japan during this period, see *Sichuan Wenshi Ziliao Xuanji* (四川文史资料选辑) (Chengdu: Sichuan Renmin Chubanshe, 1980) vol. 6, 207-214.

³¹² Even up to the Republican era, respected Sichuanese figures such as Pu Dianjun living in Beijing would

these students share more similarities with earlier generations of metropolitan *yan guan* that one encountered in the formation of Zhang Zhidong's own ideas.

Now, their words took on an additional weight, since their discourse of political and fiscal accountability was articulated through a new genealogy of ideas on political economy in vogue during the *Xinzheng* era. This might explain some of the wariness expressed by students at publicly endorsing increasing peasant taxation. More broadly speaking, the fracas also highlighted an inherent tension within nationalist discourses of financing development, as antagonistic attitudes towards foreign capital by domestic elites resulted in more exhaustive extraction of local peasantry. Of course, this was not at all limited to Sichuan (or late Qing China for that matter), but reflected an intensification of similar trends against the peasantry as the discourse of growth through debt became naturalised in the late 19th Century.³¹³

In her work on the discourse of political rights during this period, Xiaowei Zheng pointed out that the notion of peasant taxation was first raised by the Sichuanese students in Japan, but from the reluctance expressed by some of the students towards this measure, it is plausible that

still be called upon to adjudicate local disputes. See Fei Xingjian (费行简), *Jindai Mingren Xiaozhuan* (近代名人小传) (Beijing: Zhongguo Shudian, 1988 Reprint), vol. 1, 105-106.

³¹³ Esherick has already perceptively noted the pro-elite tendencies of *Xinzheng*-era reforms, but it is also a phenomenon discussed in Pomeranz's *The Making of a Hinterland* (Berkeley: University of California Press, 1993), as government funding and attention were gradually diverted from flood-prone regions of Southwest Shandong, resulting in the type of state involution noted by Duara in Republican rural north. Comparison with Soviet methods of financing domestic development is of course beyond the purview of this discussion.

these measures were already mooted by provincial officials, and they were only waiting for the imprimatur of foreign-educated experts via public telegrams.³¹⁴ For one, the provincial government was already proposing levies on opium and tea consumption in memoranda to the Court before students' telegrams, which incidentally would be administratively more cumbersome than agricultural tax increases (although admittedly not termed as such).³¹⁵ Secondly, and this seemed to have been relatively overlooked in recent scholarship, the practice of *de facto* tax increases for subscribing to public debt was not novel to Sichuan; it was the practice deployed for subscriptions to the *Zhaoxin* bonds of 1898.

In local gazettes of the time, *Zhaoxin* bonds were treated mostly as another item of *juan shu*, despite admonitions from court prohibiting enforced “contributions”. It seemed that having allocated quotas to each prefecture, the provincial bureau responsible for managing bond subscriptions was content to allow county officials set their own rates of collection. So the rates for additional “contributions” were set at six tls. per *dan* (or approx. 170 lbs) of rice in Jiangjin County, while Guang'an County charged twelve tls. per *dan*.³¹⁶ Although the poorest were in

³¹⁴ Xiaowei Zheng, *The Politics of Rights and the 1911 Revolution in China* (Stanford: Stanford University Press, 2018), 91.

³¹⁵ In accusations later waged against private managers of the Sichuan-Hankow railway company, it was alleged that Zhang Zhidong expressly warned Xi Liang of the perils of direct additional tax. But it was uncertainly whether this warning came before or after the Sichuanese students' telegram. See *Zhang Luo Cheng zhi Youchuan Bu jielu Chuanhan Tielu jibi Shuitie* (张罗澄致邮传部揭露川汉铁路积弊说帖), December 1910, in Chen Xulu (陈旭麓) eds., *Sheng Xuanhuai Dang'an Ziliao Xuanji Zhiyi: Xinhai Geming Qianhou* (盛宣怀档案资料选辑之一: 辛亥革命前后) (Shanghai: Shanghai Renmin Chubanshe, 1979), 92-95.

³¹⁶ Nie Shuwen, Liu Zejia eds., *Jiang Jin Xianshi* (江津县志), vol. 5 (Tian Fu), 5. Zhou Kekun eds., *Guang*

theory exempt from subscribing to these bonds, extant primary documents from Xikang region of Sichuan (bordering Tibet) suggested that contributions as little as 100 cash were extracted from the population.³¹⁷ The Court had hoped to establish a direct relationship between itself and the bondholding population, and a relationship was certainly established here, albeit an extractive one.

If the practice of *de facto* tax increases for public debt was well-known in late Qing Sichuan, then why was the students' telegrams so often cited by later officials and general historiography as the precursor? For what the students brought into the debate was more than simply a policy proposal, albeit a highly useful one, but a new set of discourse to support it. For Sichuan in the early 1900s, the threadbare rhetoric of dynastic loyalty surrounding the *Zhaoxin* bonds was so discredited that when the Empress Dowager decamped to Xi'an in 1900 and was in need of funds to support her court in exile, a similar extraction for *juan shu* in Fuling was boycotted by local peasantry.³¹⁸ Furthermore, reactions against *Zhaoxin* bonds provided us with one of the first indications of truly popular perception of public debt in China: in an otherwise mundane peasant rebellion in eastern Sichuan around 1899, one of the demands raised by peasant rebels involved a payment of 60 million tls. by the Catholic Church to *Zhaoxin* bond.³¹⁹ Although

An Xianzhi (广安县志) (1928 Reprint), vol. 16 (Fu Yi), 14.

³¹⁷ From the author's personal collection. One tael equalled approximately 1,400 copper cash at the time, and the Qing court had hoped to raise 100 million tls. from *Zhaoxin* bonds.

³¹⁸ Wang Huailing eds., *Minguo Fuling Xian xuxiu Fuzhou Zhi* (民国涪陵县续修涪州志) (Chengdu: Bashu Shushe, 1992 Reprint), Section 6 (赋课志).

³¹⁹ Sichuan Provincial Archives eds., *Sichuan Jiao'an yu Yihequan Dang'an* (四川教案与义和拳档案)

mostly dismissed as mere ignorance in existing historiography, the existence of such demands reminded local officials of the subversive potential of public debt as a focus for mass grievance.³²⁰

In the brief passage discussing the additional tax, the Sichuanese students alluded to the potency of their new rhetoric, noting that “the most perilous phenomenon right now is the loss of national rights through ceding of railway (construction) rights, which is well-known to our compatriots in the counties. If one articulates the pros and cons through official proclamations, so that everyone knows that local funds will be used for local works, those with even the slightest sense of reason could only be grateful for the proposal and would not dare to rebel. This is something that we students could state with confidence.”³²¹ The bravado in statements like these was less a realistic assessment of mass sentiment, but an assurance to the provincial governor that the potent rhetoric of economic nationalism will be aligned with extraction of taxes from the peasantry, but in exchange for managerial accountability and representation of private investor interests.

As mentioned in the previous chapter, the deft coupling of discourses on political and fiscal

(Chengdu: Sichuan Renmin Chubanshe, 1985), 513-514.

³²⁰ Qing officials later attributed the Railway Protection Movement’s campaign against foreign debt to xenophobic sentiments stirred up by this rebellion. “Zhengfu Yanzhong Zhi Chuanlu Chao (政府眼中之川路潮)”, *Min Li Bao*, September 9, 1911, 2.

³²¹ “Liuxue Dongjing Sichuan Xuesheng wei Chuanhan Tielu Shi Shang Chuandu Xi Zhijun Shu (留学东京四川学生为川汉铁路事上川督锡制军书)”, November 21, 1904, *Xinmin Congbao*, Vol. 3 Issue 9.

accountability with public debt by reformists like Liang Qichao, and a lack of a competing narrative by late Qing officials (until 1910-1911) meant that provincial officials were forced to successively compromise with the students' (and later gentry) demands, first by transforming company structure from state-managed to state-gentry co-management in late 1905, and following similar memoranda by Sichuanese students in Japan in 1906, restructured the company into one completely owned by private shareholders in March 1907.

Not surprisingly, the main source of student-gentry criticism over state management was the lack of shareholder oversight and accountability, most notably the appropriation of company reserves for setting up a regional mint. With the re-chartering of Sichuan railway company into a fully private entity, complete with shareholder associations that elected board members, it was thought that institutional barriers to private investment would quickly replace the unpopular measure of taxing the peasantry. Indeed, the reconstituted company went into great lengths in publishing talking-points in vernacular Chinese to be repeated by company officials in local meetings, enticing individual subscription so that peasantry taxation could be quickly abolished. In its considered distinction between investment and speculation, as well as exhaustive explanations of potential concerns of accountability and oversight, the talking-points were masterly in demonstrating the desire of domestic gentry, merchants, and students to broaden the popular base of shareholders, and presaging similar advertisements made to bondholders in the early Republican era by government and private banks.³²²

³²² With a distinctive Sichuanese flavour to its idioms. See *Chuanhan Tielu Gongsu Baihua Guanggao* (川汉铁路公司白话广告), November 1908, in *Sichuan Xinhai Geming Shiliao* (四川辛亥革命史料) (Chengdu:

Except that in its short lifespan as a private-managed company, the Sichuan-Hankow Railway Company did not at all wean off its reliance on forced subscriptions. Much like the *Zhaoxin* bond of 1898, a direct relationship of debt and promised returns was formed between the public company and general populace, with direct taxation proceeds forming over 80% of the total source of capital in 1908 and 81.2% in 1909. Forced subscription from opium and tea trade (collected through coordination with local guilds and proprietors of opium dens) made up another 13.8%-16% (for 1908 and 1909). The much-vaunted drive to entice individual subscribers resulted in only 4.2% (69,420.58 *tls.* in 1908) of capital received in 1908, and a pitiful 2.2% in 1909 (36,589.84 *tls.*).³²³ Furthermore, when the governor-general first accepted Sichuanese students' proposal to tax rich peasantry in 1905, he offered shares with 4% guaranteed annual return to the taxpayers to sweeten the pill. So although the system remained one of *de facto* additional taxation, it also amounted to an enforced subscription to shares with a guaranteed interest. As previously noted, at a time when the likelihood of company liquidation seemed remote and secondary market for these shares non-existent, the individual tax payers could also be seen as individual bondholders. This reveals not only the fluidity of terms such as bonds and shares in late Qing, but also efforts by gentry-merchants to enlist a wide portion of the general public into a *direct* relationship of debt, even via means of

Sichuan Renmin Chubanshe, 1981), vol. 1, 403-427.

³²³ Fu Rucheng (宓汝成) ed., *Jindai Zhongguo Tielu Shi Ziliao* (近代中国铁路史资料) (Taipei: Wenhai Chubanshe, 1977 Reprint), vol. 2, 1096.

coercion.³²⁴

However, despite a rise from 4% to 6% in guaranteed interest offered by the now privately-run company in 1908, there were few signs that the extraction of local peasantry was alleviated following the transition in ownership structure. Later estimates suggested that additional railway taxes in many counties were consistently the single large item of taxation, and dwarfed regular land tax quotas by as much as ten times in some instances.³²⁵ Scattered evidences from

³²⁴ This of course is also related to domestic gentry and mercantile efforts to exclude foreign capital from initial investments.

³²⁵ Estimates for annual land-based tax and additional levies, 1900-1911

County Name	Levy Amount / Ratio to Regular Levy	Regular Levy (正粮)	Stipend (津贴)	Contributions (常捐)	Additional Contributions (新捐)	Railway Taxes (铁路租股)
Hechuan	Amount (tls.)	4,998	4,998	37,500	24,000	52,980
合川县	Ratio	1	1	7.5	5.8	10.6
Wusheng	Amount (tls.)	4,276	4,276	27,000	NAV	44,894
武胜县	Ratio	1	1	6.3	NAV	10.5
Dazhu	Amount (tls.)	13,224	13,224	30,000	10,000	28,478
大竹县	Ratio	1	1	2.3	0.8	2.2
Nanchuan	Amount (tls.)	2,462	2,462	14,000	9,000	20,000
南川县	Ratio	1	1	5.7	3.7	8.1
Jiangjin	Amount (tls.)	5,996	5,996	35,500	15,200	41,743
江津县	Ratio	1	1	5.9	2.5	7.0
Fushun	Amount (tls.)	12,336	12,336	45,000	26,000	36,500

local gazettes also unpacked the students’ claim that direct taxation will only be levied to rich peasantry; although the enforced subscription only applied to households with ten *dan* (approx. 1,700 lbs) of rice harvest or more per year, in many counties, this requirement was lowered to local standards that would meet subscription quotas;³²⁶ Other counties collected their subscriptions through dividing the assigned quota by acreage rather by income³²⁷, while local structures of landholding that registered clan land under a single name also made it impossible to distinguish between rich and poor peasantry.³²⁸ On top of these structural defects, typical mishandling and embezzlement of funds by tax collectors and assessors in late imperial China were also present and criticised by contemporary observers.

富顺县	Ratio	1	1	3.6	2.1	3.0
Wenjiang	Amount (tls.)	5,909	5,909	16,300	9,000	23,150
温江县	Ratio	1	1	2.8	1.5	3.9
Jianyang	Amount (tls.)	10,253	10,253	62,600	NAV	21,627
简阳县	Ratio	1	1	6.1	NAV	2.1

Source: Nishikawa Masao (西川正夫), “The Sichuan Railway Protection Movement: Social Setting on the Eve of the Movement (四川保路運動：その前夜の社會狀況)”, in *Toyo bunka kenkyujo kiyo* (東洋文化研究所紀要), Issue 45 (1968) 3, 109-177. “Stipends (津貼)” were levied during efforts to suppress the Taiping Rebellion, while contributions (常捐) mainly referred to the various projects initiated during the late 1870s-1880s. “New contributions (Xinjuan)” referred to surcharges for the Boxer Indemnities. The original figures by Nishikawa were collected from a variety of sources from the late 1890s to 1911, so this is not a snapshot of revenue figures from a single year.

³²⁶ “Tielu Gu Juan (铁路股捐)”, in Liu Gongxu ed., *An Xian Zhi: Shidai* (安县志: 食贷) vol. 26.

³²⁷ *Mingguo Chongxiu Dazu Xianzhi* (民国重修大足县志), vol. 3, 20-21.

³²⁸ “Tielu Zu Gu (铁路租股)”, in Chen Pingquan ed., *Zhongjiang Xian Zhi: Zhengshi Xia* (中江县志: 政事下), 7.

Viewed in this light, it is easy to be cynical of the students' rhetoric of economic nationalism, and some of the more revisionist works in recent Chinese historiography have gone down this line of critique. But this is to overlook structural complexities of capital formation in an environment with only a nascent national economy, and the role public debt played in it. If one considers the relationship between debt formation and cadastral surveys conducted in British-occupied Egypt³²⁹, the absence of land surveys in late Qing made capital formation through land collaterals a difficult process, and furthermore made Robert Hart's continued proposal to use land tax as collateral for public debt issues a non-starter.³³⁰ On the other hand, Chinese officials and gentry were also aware that late Qing state capacity did not possess the means of coercion required for successful land surveys, instead, what one witnessed in the collection of forced subscriptions in Sichuan was them attempting to entice domestic investment through debt yields while refraining from collateralising land.³³¹ The discourse of economic

³²⁹ In particular, this refers to the work by British officials to reassess land values at the village level across Egypt from 1895 to 1897, as well as the 15-year cadastral survey conducted from 1892 to 1907. In Bent Hansen, "Interest Rates and Foreign Capital in Egypt under British Occupation," *Journal of Economic History* Vol. 43, No. 4 (Dec., 1983), 867-884, the author noted the interesting phenomenon of massive rise in land mortgage-related debt from 1896 to 1913 that was accompanied by an overall lowering of interest rates.

³³⁰ Robert Hart has often floated the idea of national debt (or simply reformed public finances) backed by a reassessment of land tax, which would necessarily involve nation-wide cadastral surveys. This was first seen in his "Bystander's View (局外旁观论)" (1865), and later repeated in the late 1890s as well as in 1901 for the Boxer Indemnities.

³³¹ Note the use of "land surveys" here is deliberate; land reform in later 20th C. Chinese history is a different kettle of fish.

nationalism assumed by students, gentry, and merchants was thus constrained by structural conditions that also plagued the Republican government.

Similarly, the dictates of debt and interest also helps to contextualise the infamous episode of failed speculation in 1910 that ate up over 2.1 million tls. of company funds; although the outlines of this stock-market crash will be discussed in the next section, contemporary commentators and later historians all blamed mismanagement by senior company officials throughout the process, which led to calls for nationalisation of the railway company in 1911.³³² The management had deposited company funds in Chinese money brokerages (*qian zhuang*) in Shanghai for higher interest, which was then used by the owners to speculate in shares in mythical Malayan rubber plantations. Importantly, for a railway project with an uncertain completion date, the annual guaranteed interest of 6% for the shares essentially propelled the company to look for investment opportunities elsewhere. As a framework of comparison, the weighted average yields for sterling loans to Chinese railways from 1899 to 1913 was calculated at around 5.2%, and those projects were still seen as risky ventures by British investors.³³³ Although 6% was lower than some of loans discussed here for the 1870s and 1880s, like Bernie Madoff's victims, the company management had to look for investment opportunities that would generate 6% yields with consistency. This consistent demand for

³³² For a contemporary calculation of losses by Sichuan Railway Company during the stock market collapse of 1910, see Memorial by Sheng Xuanhuai, May 22 1911, *Junjichu Lu Fuzhe* (军机处录副奏折) 03-7567-021, First Historical Archives, Beijing.

³³³ Ralph Huenemann, *The Dragon and the Iron Horse: The Economics of Railroads in China, 1876-1937* (Cambridge, MA: Council on East Asian Studies, 1984), 104-105.

earning streams as a result of promised debt yields was not a feature in previous official investments into money brokerages, and the shift took place precisely because of the embedding of public debt into this framework. Thus while mismanagement was the direct cause of this particular investment loss, it was public debt that compelled the company to be exposed to this highly leveraged and speculative financial market in the first place.

These managerial embezzlements led to prolonged infighting within company management throughout 1910, as different factions enlisted supporters in the provincial legislature and in Beijing to argue for and against replacing the company's board of directors. Yet despite these internal upheavals, the coalition of gentry, merchants, and student agitators still firmly linked the privately-managed company with the rhetoric of economic nationalism. In this, they were aided by the formation of provincial legislature in late 1909, which elected Pu Dianju as its first speaker. The entanglement between key actors of the railway company and the legislature was deep enough for the rhetoric of economic nationalism to be enmeshed with that of constitutionalism, so that when the central government in 1911 used accusations of peasant exploitation and lack of accountability within company management to attempt a hostile takeover of the railway company, the managerial elite and their provincial supporters were more than ready to retaliate.

The broad trajectory of railway protection movement in mid-1911 has been discussed extensively in relevant literature, so the emphasis here is to highlight how, beneath the highly emotive and at times seemingly xenophobic rhetoric of economic nationalism, the movement's

main critique was over the trust deficit by the Sichuanese public of state-issued domestic bonds, which was also related to the absence of political accountability over the Qing state's decision to borrow.

What has escaped the notice of most historians covering events of 1911 was how the central government proposed to buy back private shareholdings of regional lines; this was the first time that the national government offered different tranches of domestic bonds and shares to recompense private investors. From the carefully differentiated compensation packages offered to investors of different regional lines, the central government was hoping that its authority would be enough as collateral for provincial gentry merchants.³³⁴ Yet the trust required for accepting this type of non-collateralised public bond (with a 20-year duration) was precisely the type that reformist discussions sought to bring about through political accountability. As issuers of non-redeemable public debt through the railway company themselves, Sichuanese gentry and merchants were hardly likely to take the central government's guarantees seriously.

This also led to one of the main critiques by Sichuanese gentry-merchants: a lack of legislative approval for the foreign loans that underwrote the central government's attempt to take over private railway companies. With the opening of national assembly in 1910, legislative debate and approval of public debts was no longer a trust-building suggestion dreamed of by the likes

³³⁴ “Duzhibu deng zou zunzhi chouhua shouhui yuechuanhan ganlu xiangxi banfa zhe (度支部等奏遵旨筹画收回粤川汉干路详细办法折)”, in Wang Yanwei (王彦威), Wang Liang (王亮) eds., *Qing Xuantong Chao Waijiao Shiliao* (清宣统朝外交史料), vol. 21, 29-38.

of He Qi and Liang Qichao, but a parliamentary procedure that could have been feasibly incorporated into the negotiation process. Provincial assemblies in Hunan and Jiangsu had by then already put this into action, through vigorously questioning provincial loan negotiations by the governors. With the intellectual links between constitutionalism and trust-building for prospective bondholders fully formed by 1911, this line of critique was both powerful and plausible enough to be given as the foremost cause in interviews between Sichuanese activists and foreign missionaries.³³⁵

Yet the railway protection movement did not rouse the Sichuanese public for these reasons, rather, it was the direct relationship of debt between the company and its forced subscribers that lent credence to their claims of Sichuanese interests being violated by a coalition of central government officials and foreign bankers. As successor to *Zhaoxin* bonds, enforced railway subscription represented a continuation of attempts by late Qing society to attempt capital formation through public debt without the participation of modern financial intermediaries or foreign capital. Its renewed legitimacy rested on the acquiescence and involvement of reformist intellectuals and gentry-merchants, who linked it not only with their own financial interests, but also reformist discourses on accountability and economic nationalism. At the same time, the directness of the debt relationship meant popular mobilisation could be much more easily

³³⁵ *West China Missionary News*, v. 13, no. 11 (November 1911). Of course, the strategic element of emphasising legal and constitutional origins of the movement to foreign observers is fairly apparent, but what is more important is how the movement was framed into a procedural debate over public debt, marking a profound change from the contours of discussion surround *Zhaoxin* bonds.

achieved than when the subscription and circulation of public debt was firmly mediated by major commercial banks; popular protests against the new banking consortium in the 1920s never stirred up the same level of popular indignation.

4.3 The Novel Politics of Bailout Loans: Shanghai Rubber Share Bubble of 1910

The debacle over forced shares for Sichuan-Hankow railway revealed both the poverty of rural China and potential explosiveness of direct subscriptions for public debt. However, in its directness of relationship between the state and its bond/shareholders, and in its easy mobilisation of popular discontent, it was by nature a democratic conceptualisation of public debt, where politically engaged citizen-bond/shareholders would form the basis of private shareholder governance of the company, and by extension, the body polity.³³⁶ Such a conceptualisation of public debt, including its democratic as well as exclusionary features, was an unacknowledged Chinese progeny of classical liberalism, with reformist writers like He Qi and Liang Qichao as its midwives.

Yet at the same time, the Qing government was also incurring public debt by directly bailing out private foreign and Chinese financial institutions from their own highly leveraged equity

³³⁶ It is estimated that only 3-5% of the adult male population in Qing China was eligible for suffrage in its first (provincial and national) legislative elections between 1909-1911. For a detailed analysis of the electoral process, see Joshua Hill, *Voting as a Rite: A History of Elections in Modern China* (Cambridge, MA: Harvard University Asia Center, 2019), Chapter 3.

speculations. A natural reaction when reading accounts of the bailout loan, with its descriptions of heavily cooked books, failed clearings, and renegeing in forward trades, would be to remark on its extraordinary modernity and relevance to our time.³³⁷ But just as experiments in delineating a national economic space in colonial India and Egypt presaged later efforts in post-war Europe, the exceptional porousness of economic boundaries in late Qing and the absence of social-legal counter-movements became fertile ground for exploring the limits of global capital flow, and the use of public debt in peripheral countries to compensate foreign speculators and creditors.

But this was also a story embedded in the trajectory of late Qing political economy; for a state apparatus deeply ambivalent about the role of financial intermediaries and financial innovation, it must have been rather galling to deploy public funds so frequently to rescue private merchants. In fact, the bailout loan in 1910 of 3.5 million *tls.* (approx. 440,000 *l.*) was the single largest piece of public debt in the *Xinzheng* period that was not spent on railway projects or administrative deficits. It represented a competing conceptualisation of public debt, one that was intimately mediated through domestic and foreign financial intermediaries, involving sums unachievable through late Qing government's preferred method of direct (and enforced) subscriptions, yet much more amorphous and undefined as a discourse compared to those of

³³⁷ The debate over features of modernity and hyper-modernity in semi-colonial sites of interaction such as Shanghai is of long-standing provenance. But with the exception of Bryna Goodman and Wen-hsin Yeh, the implications of financial and economic innovations on our conceptualisation of modernity in Shanghai have been mostly overlooked, especially for the period prior to 1911.

direct subscriptions. By bowing to foreign pressure of bailing these financial institutions (literally phrased as *jiu shi* or “saving the market”), the loan also added a new dimension in how the Chinese state dealt with liquidity crises on financial markets.

In recent historiography, the bailout loan of 1910 has been treated as a minor feature in the 1910 Rubber Company Boom, as most of the focus have been to examine the event through the history of equity speculation in late Qing and the Republican era.³³⁸ Although this made sense within the field of financial history, it depicted the bailout as a natural response by local officials, whereas given the checkered history of Qing state arbitration in mercantile and financial disputes, such a response simply could not be taken granted. More specifically, existing discussions by and large overlooked the extent to which provincial public credit was tied to domestic financial intermediaries by this stage, which consequently would have explained a lot more about provincial officials’ predisposition to step in through bailout loans.

In examining the background to the bailout loan of 1910, one must point to the clear impact of Boxer Indemnities, and distinguish between the rubber company bubble and its subsequent bailout. Although the bailout loans were made in direct response to the bubble, the crisis

³³⁸ For example, Zhu Yingui’s 1998 article “Jindai Shanghai Zhengquan Shichang shang Gupiao Maimai de Sanci Gaochao (近代上海证券市场上股票买卖的三次高潮)” placed the boom and bust of 1910 in the context of three major speculative bubbles on the Shanghai Stock Exchange from 1880s to 1920s, while W.A. Thomas’s 1998 article “An Intra-Empire Capital Transfer: The Shanghai Rubber Company Boom: 1909-1912” recounted the event through the perspective of European/British speculators, and stressed its link with speculative capital flows within formal and informal parts of the British Empire.

stemmed from payment of Boxer Indemnities. By assigning indemnity quotas to each provinces for the indemnities, the central government also left to the provinces and custom offices to decide how they'd remit the indemnities to Shanghai. The funds were transferred by the superintendent for Shanghai customs office (*Jiang Hai Guan*) on a monthly basis to the committee for indemnities, which was comprised of major foreign banks representing their national claims. The same procedure was used for Chinese foreign loans incurred before 1901, notably the four major loans for Sino-Japanese War indemnities made between 1896 and 1898. According to receipts by superintendent of Shanghai customs office, annual remittances from provincial and regional custom offices for indemnity and other foreign loans ranged between approximately 32 to 41 million *tls.* per year from 1904 to 1909.³³⁹

Prior to the mid-1900s, it was remittance firms (*piaohao*) that mostly handled the transfer of debt quotas from provincial treasuries to either the Board of Revenue in Beijing, or the custom office in Shanghai. As mentioned in Chapter 1, in return for this fairly lucrative trade (consisting of remittance fees, handling and reminting fees, as well as gaining liquidity), the remittance firms served as short-term lenders to provincial treasuries when local deficits made it difficult to provinces to meet their quotas.³⁴⁰ This *ad hoc* framework of short-term, localised

³³⁹ Shanghai Customs Office (*Jiang Hai Guan*), *Jingli Yangkuan anyue shoushu Qingce* (经理洋款按月收数清册), from Huang Jianhui (黄鉴晖) ed., *Shanxi Piaohao Shiliao* (山西票号史料) (Taiyuan: Shanxi Jingji Chubanshe, 2002), 250-251.

³⁴⁰ See Yang Desen (杨德森), *Zhongguo Haiguan Zhidu Yangce* (中国海关制度沿革) (Shanghai: Shangwu Yinshu Guan, 1925), 111-112 for a detailed explanation of the process by which remittance firms collect their loan repayments directly from merchants paying custom duties.

debt was also one of reasons behind the absence of modern public debt from 1860s to mid-1890s. But with greater fiscal de-centralisation from the 1880s and imposition of Boxer Indemnities, provincial treasuries were no longer content to let these fees fall to private remittance firms. Led by Zhang Zhidong during his tenure in Hankow, throughout the 1890s and gathering pace in early 1900s, provincial governments across the country set up state-owned remittance firms, banks (mostly termed *guan yinhao* to denote their official backing) and mints. A key aim of these provincial financial institutions was to capture the seignorage of local monetary circulation by issuing copper cash coins and banknotes with highly fragile convertibility, since their official reserves were often appropriated by provincial governments to fill temporary budget deficits.³⁴¹ To support these institutions, provincial treasuries began to transfer the remittance business from private remittance firms, but the process was uneven and often contingent on outstanding debt claims held by private firms against these treasuries.³⁴² At the same time, these provincial-level financial institutions, especially official

³⁴¹ This was exactly the case of Sichuan provincial mint, whose start-up funds were appropriated from enforced subscriptions for the Sichuan-Hankow railway company. For an overview of these mints' profits, see Zhang Guohui, "Wanqing Huobi Zhidu Yanbian Xuyao (晚清货币制度演变述要)", *Jindaishi Yanjiu* (近代史研究), 5 (1997): 14-33; Ho Hon-wai, "Cong Yinjian Qianhuang dao Tongyuan Fanlan (从银贱钱荒到铜元泛滥——清末新货币的发行及其影响)", *Lishi Yuyan Yanjiusuo Jikan* (历史语言研究所集刊) 62, 3 (1993): 389-494.

³⁴² In the case of indemnity remittances by Jiangxi province, by 1904-05, official *guan yinhao* already took over 99% of the amount transferred to Shanghai. However, private *piaohao* retained over 70% of the remittance business in Sichuan during the same period. The peak amount reached by *piaohao* in remitting official funds was in 1906 (at 22.5 million *tls.*), although it declined precipitously by 1911. See Zhang Guohui, "20 Shiji Chuqi de Zhongguo Qianzhuang yu Piaohao (20 世纪初期的中国钱庄与票号)", *Zhongguo Jingjishi Yanjiu* (中国经济史研究), 1(1986): 141.

remittance firms, were forming commercial and financial connections with their counterparts in Shanghai, including setting up branches, investing, or standing surety for papers issued by Shanghainese money brokerages (*qian zhuang*).³⁴³

Once the indemnity and other loan repayments reached Shanghai (not necessarily actual silver, mostly claims to it) on a monthly basis, the lag between its arrival in Shanghai and acceptance by foreign creditors (repayment for Boxer Indemnities and other loans operated on different schedules) opened up another ground for arbitrage. In 1904, 70% of the remitted funds to Shanghai customs were then loaned out three times a month to local money brokerages following similar practices by HSBC and Yokohama Species Bank, with interest rates referencing those of daily market rates set by Chinese bankers.³⁴⁴ The arrangement took off fairly slowly, with approx. 4.3 million *tls.* distributed to various money brokerages between April and June 1904, but daily outstanding loans to these institutions gradually accumulated to several million *tls.* throughout the 1900s, with a high point of over 13.32 million *tls.* loaned out in mid-1906.³⁴⁵ As a framework of comparison, daily outstanding short-term loans offered by HSBC in Shanghai around the same period ranged between 450,000 – 1,650,000 *tls.*³⁴⁶ It

³⁴³ Also referred as native banks in contemporary English-language reports; however, I felt the term might give contemporary readers an anachronistic view of the range of service these institutions provided.

³⁴⁴ Memorial by Duan Fang, Nov. 20, 1904. *Junjichu Lu Fuzhe* (军机处录副奏折) 03-6583-021, First Historical Archives, Beijing.

³⁴⁵ Huang Jianhui ed., *Shanxi Piaohao Shiliao* (山西票号史料) (Taiyuan: Shanxi Jingji Chubanshe, 2002), 812.

³⁴⁶ See Shizuya Nishimura, “The Foreign and Native Banks in China: Chop Loans in Shanghai and Hankow

would be safe to suggest that the size of short-term loans offered by the Shanghai customs office (*jiang hai guan*) were around the same magnitude as those offered by the foreign banking sector in general.

In addition to these arbitrage involving the remittance of Boxer Indemnities, official and semi-official institutions also deposited their residual funds within this network of financial institutions. The most immediately relevant case was of course the investment of enforced subscription proceeds by Sichuan-Hankow railway company, but other major business conglomerates, including the China Merchant Steamship group under Sheng Xuanhuai also deposited some of their short-term capital with money brokerages, mostly through the intermediaries of Imperial Bank of China, but also directly. The manager in charge of Sichuan-Hankow Railway Company's in Shanghai was later shown to have loaned funds to ten different brokerages and comprador of a foreign bank, *and* directly speculated in rubber shares.³⁴⁷

One way to interpret this mosaic of public-private debt relations is to hark back to the earlier debate in the 1870s, as Zuo Zongtang first embarked on large-scale borrowing through his

before 1914", *Modern Asian Studies* 39, 1 (2005): 119, Table 2. Nishimura also included a tally for other foreign banks' chop loan exposure in 1908 on the next page, but further comparisons are difficult to accomplish, mainly because we don't the composition of durations within these chop loans; Chinese sources did not distinguish between overnight/weekly against monthly/quarterly loans, while definitions of chop loans for foreign banks are clearer (mainly within 14 days).

³⁴⁷ "Sichuan Gongsì Kuidào Jukuan Zunzhi Chahe Banli Zhe (四川公司亏倒巨款遵旨查核办理折)", May 1911, in Liu Jinzao (刘锦藻) ed., *Qingchao Xuwenxian Tongkao* (清朝续文献通考), vol. 370, 11154-11155.

agent in Shanghai; as previously argued in Chapter 1, the anxiety expressed other Chinese bureaucrats at the time was over the high rates of interest these loans incurred (between 8% - 12.5%). That they were concerned was precisely because they were aware of the highly leverage and subsequently fragile nature of money brokerages since the mid-Qing era, when depositing small amounts of official reserves to accrue interest was already common practice.³⁴⁸ Their concern was by embedding public debt into the late Qing fiscal system, the need to chase after high interest rates would become unavoidable. Following the gradual naturalisation of growth and interest as governing precepts in late Qing era by mandarins like Zhang Zhidong, the chase after high returns manifested itself through the pooling of liquidity in Shanghai's financial market.

Compared to the discourse of political and fiscal accountability trumpeted in reformist literature, this pooling of short-term liquidity did not represent an institutional upheaval. Indeed, it was remarkable how easily the institutions of public debt adopted itself to the constraints of late Qing public finances. Up to the 1900s, the number of innovations that late Qing taxation structure had to make to accommodate public debt was limited; as mentioned earlier, even the occupying forces levying the Boxer Indemnities paused over attempts to reform the salt taxes, much less the more contentious restructuring of land (and poll) taxes as debt collateral.

³⁴⁸ See Wei Qingyuan (韦庆远), "Lun Qingdai de Shengxi Yinliang yu Guanfu Jingying de Diandan ye (论清代的生息银两与官府经营的典当业)", in *Mingqingshi Bianxi* (明清史辨析) (Beijing: China Social Sciences Press, 1989): 113-127. Lai Hui-min, "Qianlong Chao Neiwufu de Dangpu yu Fashang Shengxi: 1736-1795 (乾隆朝内务府的当铺与发商生息)", in *Zhongyang Yanjiuyuan Jindaishi Yanjiusuo Jikan* (中央研究院近代史研究所集刊) 28 (1997): 133-175.

Demands for fiscal accountability have begun to make its impact felt through the gradual compilation of rudimentary provincial budgets throughout the *Xinzheng* era, but it made little impact on the channels of debt collection and transferral; existing domestic financial institutions quickly adopted to the regular demands for remittance by foreign creditors in Shanghai, with few records of delayed debt transfers by public or private remittance firms.

However, if the range of institutions handling public debt and its proceeds evolved rather slowly in the late Qing era, the degree to which these institutions exploited the pooling of short-term liquidity for credit creation paved the way for systemic liquidity crises. The newly formed provincial banks and money brokerages used their deposit of indemnity and debt repayments as token reserves for banknote issuance, and here again, the provincial bank in Hubei was named as a notable offender by foreign diplomats.³⁴⁹ For local money brokerages in Shanghai, short-term deposits were vital in supporting their issue of commercial papers (*zhuang piao*), as paid-up capital for most of these brokerages were usually no more than 100,000 *tls.*, yet they issued papers to the tune of 700,000-800,000 *tls.* per brokerage.³⁵⁰ Of course, the multiplying

³⁴⁹ British diplomats noted that “the provincial bank at Hankow, of unknown capital, has a note circulation of over 20 million dollars.....two other institutions at Soochow and Nanking, with no paid-up capital but with a guarantee from the provincial government, have placed in circulation notes of an aggregate face value of over 2 million.” Jordan to Grey, December 11, 1908, FO 371/435. From Niv Horesh, *Shanghai's Bund and Beyond*, 81.

³⁵⁰ For estimates on paid-up capital of Shanghainese money brokerages, see Zhongguo Renmin Yinhang Shanghai Shi Fenhang (中国人民银行上海市分行) eds., *Shanghai Qianzhuang Shiliao* (上海钱庄史料) (Shanghai: Shanghai Renmin Chubanshe, 1978 Reprint), 731-747. For scale of their commercial paper issues, see Zhongguo Yinhang (中国银行) eds., *Gesheng Jinrong Gailve* (各省金融概略) (Shanghai: 1915), 213-214.

effect of credit creation through these mediums was just another sign of the distance between reformist discourses on public debt, with its nods towards sound money and classical liberalism, and the highly leveraged and unmonitored field of financial speculation in late Qing treaty-ports.

Given these conditions, it was not too surprising that rubber company stocks became items of interest for Chinese speculators between 1909 and early 1910; very few companies in 1900s Shanghai could witness an increase of their dividends like that of Kalumpang Rubber Co. from 6% to 16% per annum, in addition to the increase of share prices from around 50 *tls.* to 230 *tls.* during the same period.³⁵¹ Most of the Chinese speculators went into the market in late 1909 and early 1910, with the stock prices peaking around April 1910. In this speculative phase, the Chinese money brokerages were aided by the practice of forward trading, which significantly freed up liquidity as compared to spot trading, as well as the enticement of subscription of shares via instalments. Even putting these factors into consideration, that the Shanghai stock market managed to attract around 18.9 million *tls.* in paid-up capital between 1909-1910 was “a very striking response on Shanghai’s part.”³⁵² Contemporary Chinese and English-language newspapers based in Shanghai have independently put the proportion of Chinese subscription

³⁵¹ *North China Herald*, Oct. 30 1909, 241-24.

³⁵² Figure from W. A. Thomas, “An Intra-Empire Capital Transfer: The Shanghai Rubber Company Boom 1909-1912”, *Modern Asian Studies* 32, 3 (1998): 739-760. Thomas was comparing Shanghai’s mobilisation of capital to that of London (2.4 million *l.* vs 12.8 million *l.*), which was disproportionately large for Shanghai considering the size of local financial market.

at between 70-80% (of 18.9 million), which seemed unduly high to later historians.³⁵³ Nonetheless, even a conservative estimate of 50-60% would entail a pooling of around 10-12 million *tls.* by Chinese subscribers, a figure higher than any Chinese subscription of domestic loans up to that point, enforced or voluntary.

When the steep decline in share prices between April and May 1910 was combined with a settlement of accounts in late June that year, it was clear that local money brokerages would be heavily affected. As with most speculative crises, the first brokerages to collapse were those that leveraged their exposure to share price fluctuations. In this case, the first wave of bankruptcies between July 21st and 24th involved around 6 million *tls.* of outstanding debt, including 1.4 million *tls.* of commercial papers (*chai piao*) held by foreign banks, and over 1 million *tls.* of papers held by British merchants alone. This was achieved by the pooling of funds and commercial papers from a conglomerate of eight money brokerages, with one of them issuing commercial papers 22 times its paid-up capital.³⁵⁴

Prior to the implementation of extraterritoriality in treaty-ports and the use of Mixed Courts, the Qing government had a long and fraught history of adjudicating commercial debt settlement between Chinese and foreign counterparts. This, of course, was not the first time European

³⁵³ *North China Herald* on Oct. 14 1910 put the figure at 70%, while *Shi Bao* reported an 80% Chinese shareholding. See “Zong Shanghui Jiyi Wanjiu Shimian Shi Bulu (总商会集议挽救市面事补录)”, Oct. 12, 1910, *Shi Bao*.

³⁵⁴ “Yanghang Qianzhuang Kong’an (洋行钱庄控案)”, *Shi Bao (Eastern Times)*, May 18, 1911. 4.

merchants and bankers provided short-term liquidity; the trading houses of Canton's thirteen *hong* have long engaged in lending and receiving loans from their foreign counterparts.³⁵⁵ In the late 18th and early 19th century, the solution was a system of collective responsibility, where other Chinese trading houses contributed to a general fund (*gong suo*, or Consoo Fund) for the repayment of outstanding loans, but by early 20th Century, the amount involved was far too large, with too many participants in the market for this to remain feasible.³⁵⁶ However, it seemed that a variant of this solution, where the regional government would borrow from foreign banks in Shanghai using merchant property as collateral, was briefly floated in meetings between Chinese officials, domestic and foreign bankers, and foreign diplomats in Shanghai.³⁵⁷

In the series of meetings between the Daotai and the consortium of foreign bankers headed by the Hongkong & Shanghai Bank in late July, the bankers sought to have their loans (of

³⁵⁵ Paul van Dyke, *Merchants of Canton and Macao*, 17-19.

³⁵⁶ Although in the case of the 18th century debt adjudication, the Chinese merchants were given favourable judgment by local Chinese officials, and ordered to repay “about twenty percent of the face amount of stated claims.” This facilitated the establishment of Consoo funds later on. See Frederic Delano Grant, Jr., *The Chinese Cornerstone of Modern Banking: The Canton Guaranty System and the Origins of Bank Deposit Insurance 1780-1933* (Leiden: Martinus Nijhoff Publishers, 2014), 122-123.

³⁵⁷ The meeting was attended by the Daotai, representatives from native bankers' guild, Chinese Chamber of Commerce, British Vice-Consul in Shanghai, and representatives from Jardine Matheson and the Hongkong & Shanghai Bank. Telegram from Shanghai, July 24th, 1910. FO 228/2506. The Daotai, more formally known as head of Suzhou, Songjiang, and Taicang Circuit (苏松太道), was seen and treated by foreigners in late Qing as the chief official for the Chinese portions of Shanghai.

1,400,000 *tls.*) to the failed firms recouped. In exchange, a low-interest loan of 3,500,000 *tls.* from the banks would temporarily stabilise existing framework of credit between money brokerages and foreign banks.³⁵⁸ The implied alternative would be for foreign banks to call in their loans to local brokerages completely, and in consequence not only destroy the market for short-term chop loans, but also leave Qing government's loans to these brokerages insolvent, including portions of Boxer Indemnity payments. Although foreign banks would undoubtedly suffer some loss as a result, as Nishimura has shown, the chop loan business "were subsidiary to their main business of foreign exchange dealings", but it would be catastrophic for the Chinese bankers and the government.³⁵⁹ Ultimately, it was the asymmetry of capital between the metropole and periphery, and its specific porousness in Shanghai forced Qing officials to realise, to paraphrase a well-known line, that there was no alternative (to debt).³⁶⁰

³⁵⁸ At 4% interest against the usual rate of 7%, this was later touted by bankers as a concession "for the payment of the failed Native Banks' liabilities to Foreign Merchants". See Enclosure No. 5, Warren Despatch No. 97 to Peking, December 17, 1910. FO 228/2506.

³⁵⁹ Shizuya Nishimura, "The Foreign and Native Banks in China: Chop Loans in Shanghai and Hankow before 1914", *Modern Asian Studies* 39, 1 (2005): 122.

³⁶⁰ That said, it is important to note the whip of capital asymmetry and liquidity was held by foreign (mainly British) bankers, *not* their diplomatic representatives. Having made a loan of 3.5 million *tls.* and recouped their direct loss of 1.4 million *tls.* through it, the interest of bankers was towards ensuring regular servicing of the loan by the Chinese government. To this end, the bankers handling the negotiation gave Cai Naihuang an impression that "after having met all obligations which should be due under the loan agreement, would have a balance (from the 3.5 million *tls.*) in his hands which, properly invested, would form the nucleus of a fund for the repayment of the capital and interest of the loan in due time." Thus when British diplomats began pressuring Qing officials to use the loan balance to compensate foreign *merchants* holding defaulted commercial papers from bankrupted brokerages, they found foreign bankers "rather slow to take up this question." Ultimately commercial papers held

As British diplomats later observed, by stabilising the market through foreign loans, Cai Naihuang (1861-1916) was taking on a thankless task that “hardly lay within the range of his official duties”, reflecting a contemporary consensus on the purviews of late Qing provincial officials, even for one posted to the vital port of Shanghai.³⁶¹ A protégé of Zhang Zhidong and Xi Liang³⁶², Cai was unusually proactive in coordinating responses to the first wave of bankruptcies, taking the express train from Shanghai to Nanjing for approval immediately after outlines of the loan have been reached on July 24th. However, although Board of Revenue intermittently offered liquidity to stabilise local markets between 1905 and 1910 through the Bank of Da Qing (itself a minor innovation), incurring public debt to foreign banks for the purpose of resolving commercial disputes immediately opened up new contours of debate about state’s role in financial markets.³⁶³

The reaction to Cai’s initiative first came from the Board of Finance (restructured from Board of Revenue in 1906), which was bypassed throughout bailout loan negotiations in July. Having

by foreign merchants did not receive the same treatment as those held by foreign bankers, and it might be inferred that foreign financial pressure was not applied to the same degree to the Chinese officials. Confidential Addendum, Warren to Jordan, December 21st, 1910. FO 228/2506.

³⁶¹ Warren to Muller, August 24th, 1910. FO 228/2506.

³⁶² As governor of Sichuan in 1904, Xi Liang established the Sichuan-Hankow Railway Company, and later enacted the infamous forced share subscriptions.

³⁶³ For an episode of market stabilisation through the Bank of Da Qing in Yingkou (otherwise known as the treaty-port of Newchwang), see Kong Xiangxian (孔祥贤), *Daqing Yinhang Hangshi* (大清银行行史) (Nanjing: Nanjing Daxue Chubanshe, 1991), 198.

reluctantly recognised the loan, the Board was further provoked with a request by Cai for another 2 million *tls.* through the Bank of Da Qing, so that the September instalment of Boxer Indemnity (approx. 1.9 million *tls.*) deposited with local brokerages would not have to be withdrawn from circulation. In the memorial that impeached Cai to the Prince Regent for this request, the Board reframed the technical issue of market liquidity into a moralistic accusation of Cai blackmailing the Board to cover his own mismanagement of Indemnity remittances.³⁶⁴ Thus the Board discounted the likelihood of a liquidity crunch on the scale warned by Cai, a revealing assessment that reflected a long-standing ambivalence by the ministry's predecessor, the Board of Revenue, on the multiplier effects of commercial credit.³⁶⁵ As if to prove his own predictions, Cai was forced by the Board to withdraw all deposits from brokerages, which precipitated another round of bankruptcies in early October, including Shanghai's largest brokerage.³⁶⁶ The ensuing financial panic across the Yangtze delta and up to Beijing resulted

³⁶⁴ “Duzhibu Zouhe Jiangsu Susongtai Dao Cai Naihuang (度支部奏劾江苏苏松太道蔡乃煌)”, September 1910, *Dongfang Zazhi* (东方杂志) vol. 7 issue 9: 122. British consular reported this as stemming from accusations by Bank of Da Qing directors to the Ministry that Cai Naihuang was suspected of colluding with local money brokerages, which later turned out to be unverified. Telegram from Shanghai, September 9th, 1910. FO 228/2506. Reports by British head of chamber of commerce later assessed Cai's policies during this period as “largely in accordance with official custom, and had the knowledge and private approval of his superiors.” Enclosure No. 2, Warren Despatch No. 76 to Peking, October 21st, 1910. FO 228/2506.

³⁶⁵ See Board of Revenue's discussion of paper currency in both the 1850s (Chapter 2) and during discussions of the Jenks Mission (Chapter 5); while they were vigilant in detecting and managing the inflationary effects of credit creation through public and private credit-creation, they were less united on how credit crunches could be prevented through prior injections of funds.

³⁶⁶ It was unusual that explicit British pressure to rescind Ministry of Finance's decision was unsuccessful, resulting in the collapse of Yuan Feng Run Bank (源丰润, or Yuen Fung Yun) on October 8th.

in over 13.5 million *tls.* of government deposits unaccounted for, and another loan of 3 million *tls.* from foreign bankers on December 11th.³⁶⁷

Another line of criticism over the bailout loan was derived from extensive administrative precedent in settling Chinese and foreign commercial debt disputes, but was voiced through the reformist institution of provincial and national legislatures. As with their provincial counterparts in Sichuan, the extensive reformist discourses of accountability meant that legislative assemblies were no longer content to leave public debt negotiations to the executive branches. In legislative hearings over potential impeachment of Cai Naihuang for unlawfully incurring these loans on October 7, 1910, one witnessed a scene familiar to any followers of contemporary parliamentary debates over bailout loans. Cai argued his case through the prisms of technical governance; this included explaining established practices of brokerage liquidation in Shanghai, where claims by foreign banking creditors took precedence over claims by local brokerages, and the threat of financial crisis by foreign banks if loans to domestic brokerages were called in. In direct contrast to this discourse of crisis prevention under a limited timeframe, provincial legislators relied on the legalistic distinction between brokerage's debt incurred directly to foreign banks versus those incurred via the intermediaries of compradors. At the same time, they cited ratified legal conventions where the Chinese government was only responsible for assisting foreign creditors in chasing defaults from private Chinese borrowers,

³⁶⁷ In contrast to the earlier bailout loan, which was made with no revenue-based collateral, the loan of December 1910 was charged at 7% per annum over six years, and backed by selected salt duties under the control of Liang Jiang governor-general.

but not responsible for the debt itself.³⁶⁸

This debate over the extent of state intervention in financial markets also produced one of the first fissures in the amorphous alliance between Chinese bankers and reformist gentry/intellectuals. Even as complaints surfaced amongst Chinese brokerages on the distribution and perceived favouritism of the bailout loan in August-September 1910, the gradual stabilisation of chop loan rates (combined with a bumper harvest) was working towards their favour. Naturally, the bankers opposed the withdrawal of government funds from Shanghai brokerages, and in public meetings held on December 24th, directly criticised the government for “failing to understand the workings of commerce, and understand crucial elements supporting the industries” by reluctance to extend further liquidity, which was a direct result of impeachment hearings by the Jiangsu legislature.³⁶⁹ If one considers the comprador origins of some of the earliest reformists in 1880s and 1890s, when notions of public debt and political accountability were broadly endorsed across the reformist spectrum, the divergent responses to the bailout loans represents a foretaste of what’s to come in Republican era politics.

³⁶⁸ *Jiangsu Ziyiju Di Er niandu Baogao* (江苏咨议局第二年度报告) 62, in Sang Bing (桑兵) eds., *Xinhai Geming Xijian Wenxian Huibian* (辛亥革命稀见文献汇编) (Beijing: National Library of China Press, 2011), vol. 38. The point made by Jiangsu legislators was broadly true, as commercial settlement of commercial debts was not only an established practice, but already written into Sino-American and Sino-British conventions of 1843 and 1858, and broadly enforced through the Mixed Courts in treaty ports. However, British diplomats pointed out that in July negotiations, Chinese representatives of the brokerage guild in Shanghai were invited to “guarantee the notes of the tree banks which had stopped payment; they absolutely declined all responsibility in the matter.” Warren to Jordan, December 21st, 1910. FO 228/2506.

³⁶⁹ “Zhongguo Shiye Xiehui Kaihui Jishi (中国实业协会开会纪事)”, December 27, 1910. *Shen Bao*. 18.

Following the public meeting, the Association for Chinese Industries (*Zhongguo Shiye Xiehui*) published a petition explaining in detail the importance of credit facilities of Shanghai brokerages and their relationship with foreign banking sectors, but this technical language paled in comparison to the widely reported parliamentary deliberations, which by early December became an item of review for the National Legislature's first session in Beijing. What irked the parliamentarians the most was following a dispute over Hunan provincial loans in early October 1910, it was thought that the principle of legislative approval for provincial public debt was reaffirmed, yet as national parliamentarians spoke to sustained applause on Dec 13th,

“.....that the first bailout loan repaid foreign debt incurred by merchants was already against the treaties. The second bailout loan was negotiated while provincial legislature was in session, yet it wasn't sent for legislative review.....this is akin to asking the people of Jiangsu to make up for a Ningbo banker's deficit. Where in the world would this type of logic exist? (Applause).....if these sums are to be repaid by the central government, then it is against this chamber's charter for the Ministry of Finance not to send it to us for approval; if they are to be paid by Jiangsu province, then it would be against provincial charter for the governor-general not to submit the loans for legislative review.”³⁷⁰

³⁷⁰ *Zizheng Yuan Di Yi Ci Changnian Hui Di er shi wu hao Yichang sujilu* (资政院第一次常年会第二十五号议场速记录), December 13th, 1910, in Li Qicheng (李启成) ed., *Zizheng Yuan Yichang Huiyi Sujilu* (资政院议场会议速记录) (Shanghai: Shanghai Sanlian Shudian, 2011), 353.

It was clear that behind the procedural disputes, what one is witnessing is a conflict between two competing features inherent in modern public debt that is still unresolved today; between representative accountability and the multiplier effects of financial intermediation. More specifically in this case, it was about exploring limits to this newly learnt mantra of political accountability against the exceptional porousness and asymmetry of capital markets in late Qing and Republican China, as one would find out through accounts of foreign interventions in the next chapter.

Chapter Five

5.1 “What amount can China pay?”: Boxer Indemnity and assessing Qing fiscal capacity

In September 1901, when Prince Qing first returned to a well-looted Beijing to sue for peace, Robert Hart had to arrange a loan from the Hongkong Bank for his daily expenses in the occupied capital. Living off British credit, Prince Qing and Li Hongzhang spent the winter waiting for the Eight-nation alliance to dictate their terms, including the thorny issue of indemnities. Qing government was by then no stranger to paying indemnities, nor foreign powers to demanding them, but both parties knew the scale this time would be unprecedented. With the government barely solvent after the Japanese indemnities of 1895, the question became: “what amount can China pay?”³⁷¹

This question is revealing in two ways; firstly, it marked a point when foreign governments directly participated in shaping the course of Chinese public debt. Past negotiations in 1896 and 1898 over Chinese borrowing for Sino-Japanese War Indemnities have broached this question, but European creditors were competing against each other then, and not on the heels of an occupation force in Beijing. The discussion over Boxer Indemnities was the first of many instances in late Qing and Republican China, where foreign governments and creditors sought to entice and impose a particular fiscal and economic trajectory for Chinese public debt.

³⁷¹ Robert Hart, *Memorandum concerning indemnity to be paid by China*, in *Report of Commissioner to China* (Washington DC: Government Printing Office, 1901), Appendix, p. 116, March 28, 1901, Rockhill to Hay.

Secondly, it was a technical question that tempered political demands for indemnities by the occupying powers. The process of inquiry became the first concerted effort by Chinese and foreign governments to measure and evaluate Chinese fiscal capacity, a feature that has been less covered by historians of Boxer indemnity, who were more concerned with the strain this indemnity placed on late Qing public finance.

The connections between measuring Chinese fiscal capacity and public debt began to form in the 1870s, as publicly tradable Chinese bonds were first issued in London. Like investors of other peripheral countries' debts, bondholders of Chinese debt would have preferred a homogenised series of data on Chinese fiscal capacity, ideally in standardised charts that would facilitate comparisons with other bond markets.³⁷² However, the ability to compile and standardise these measures of fiscal capacity rests on the ability to extract these information from countries surveyed. The process of extraction worked easiest in countries that had internalised standardised procedures of fiscal data collection.³⁷³ Failing that, it could be imposed to insolvent peripheries during debt crises, as Ottoman Empire found out through its

³⁷² See Marc Flandreau, "Cavaet Emptor: Coping with Sovereign Risk Without the Multilaterals, (October 1998). *Centre for Economic Policy Research Discussion Paper Series*, No. 2004.

³⁷³ It is arguable that the so-called "empire effect", or the lower yield spread enjoyed by British colonies issuing bonds, was simply a result of their institutional convergence to London's standard of fiscal data collection and presentation. That said, this institutional convergence was in itself the result of British colonial rule. See Olivier Accominotti et al, "The Spread of Empire: Clio and the Measurement of Colonial Borrowing Costs", *The Economic History Review*, vol. 64(2) (May 2011), 385-407.

public debt administration in 1881³⁷⁴. Ultimately, it demanded both an imbalance of power, and a willingness by the powerful to use it to extract data. But as British bankers found, “in the period to 1895 the Chinese as borrowers were able to demand that lenders meet their terms³⁷⁵,” which did not include offering bondholder useful revenue estimates in a neat pamphlet, not the least because the Chinese didn’t possess them either.

So bondholders must make do. Although the Corporation of Foreign Bondholder’s annual reports did not include China for this period, its archival collection of contemporary public reports on China gave a glimpse of what a well-informed investor in London might know about Chinese finances³⁷⁶. Trade statistics compiled by Maritime Customs Service received the most attention, mostly figures (including price patterns) for major import and export items, as well as the all-important customs revenue summaries. As foreign loans of the period were hypothecated on custom revenues, estimates of China’s fiscal capacity were based on the ratio

³⁷⁴ Another example might be the fiscal survey missions by European experts in Egypt between 1875 and 1880, which became highly useful once the country fell under British domination after 1882-83. See Malak Labib, “Crise de la dette publique et missions financières européennes en Égypte, 1878-1879”, *Monde(s)*, 2013/2, 23-43. That said, the Chinese maritime customs service was also held up by British commentators to demonstrate “the feasibility of securing by a foreign inspectorate the honest administration of the Customs, and a strict accountability for the proceeds”, with an eye to Turkey and recent negotiations there. *Pall Mall Magazine*, February 18, 1879.

³⁷⁵ Frank H.H. King, *The Hongkong Bank in Late Imperial China, 1864-1902*, 541.

³⁷⁶ Corporation of Foreign Bondholders, *Collection relating to the Financial and Commercial Affairs of Various Countries: China*, OS 94-104, Guildhall Library, London. Articles mentioned here and below were collected and annotated by Corporation of Foreign Bondholders as references for their annual reports.

between its annual revenue and those needed to serve debt repayments regularly, although customs figures formed only a portion of Qing revenues.³⁷⁷ These statistics were also supplemented by more descriptive consular trade reports commissioned by the British Parliament, and as trade statistics became more readily available, these trade reports also became more quantitative in their content, with shorter descriptions of economic geography (more encountered in mid-Victorian reports).

In contrast to trade information's quantitative turn, files that focused on Chinese public finance during this period were more interested in understanding operational mechanisms and logic of late Qing public finance, admittedly no easy task. Drawing an equivalence between sovereignty and a perceived lack of fiscal rationality, the writer of one article in 1880 grumbled that "it is abundantly evident that China is strong enough to insist on being taken as she is; as sovereign and as illogical with her own borders as she chooses to be."³⁷⁸ In addition to classifying most categories of taxation, attention was given to the relationship between Board of Revenue and provincial treasuries. In these analyses of Chinese fiscal structure, the inability to gather more information was often attributed to the inertia and vested interests of the mandarin class. The most incisive comments came from foreign correspondents based in Shanghai, who observed

³⁷⁷ "The Chinese Debt", *The Economist*, June 27, 1885. It is notable that this referred to another consular report by the British on the number and amount of foreign loans to China up to 1885 (an exercise also conducted by French diplomats during the Sino-French War of 1884-85, with the aid of the Hongkong Bank). The ratio used here were also used by Credit Lyonnais in their country risk reports for the international bond market during this period.

³⁷⁸ "The Finances of China", *The Times*, June 28th 1880.

in 1880 that “elasticity of revenue does not seem to be a feature of Chinese finance”, and highlighted arrears in provincial contributions to the Court, two significant aspects of late Qing finance noted in Chapter 2.³⁷⁹

By early 1890s, not much has changed in the quality of fiscal data from Chinese sources. However, improvements in Chinese creditworthiness in London and incessant speculations of a major surge in railway financing called for more comprehensive estimates. A debate on expatriate newspapers in China on the merits of a centralised budget, relayed through *The Economist* in early 1890, was one of the first national budgets of China seen by London readers. At 84,932,000 tls., the revenue figure was not far off from back-of-envelope estimates by Board of Revenue officials a few years before, and probably derived from similar Chinese sources.³⁸⁰ But other than custom revenues, it remained difficult for foreign experts to ascertain the composition of other taxes, and more importantly, to evaluate its capacity to support further debt.

³⁷⁹ Charles Rivington, *Chinese Loans* (Shanghai: Shanghai Mercury, 1880), 11. Rivington also offered regular newsletters on stocks and bonds listed on the Shanghai market, mostly its pricing (similar to *North China Herald* at the time), but also sometimes coverage on backstories to bond issuance, including that of Hu Guangyong’s negotiation of Xinjiang campaigns loan of 1878. The veracity of Rivington’s claims was hampered by his inability to speak or read Chinese, but his presentation and formatting of financial information demonstrated the closeness between treaty-port outposts such as Shanghai with the London market.

³⁸⁰ “A Chinese Budget”, *The Economist*, Jan 25, 1890, mostly reporting on articles by *The Chinese Times* and *North China Daily News* (Dec 29, 1889). Approx. 19,109,700*l.* in Dec. 1889 exchange rates, or about ¼ of British revenue levels at the time.

In particular, experiences of managing Indian salt taxes propelled British consular officials to investigate Chinese salt levies. This task was made more urgent by major Chinese loans made between 1896 and 1898, leaving custom revenues depleted as a source for collateral. What made British assessment of Chinese salt levies in 1897 distinctive was its departure from relying exclusively on Chinese sources. Instead, British consular officials extrapolated from a compensation claims filed in the British Court in Shanghai, from a Chinese merchant whose cargo were sunk following collusion with a foreign steamer³⁸¹. This would be the first of many surveys on Chinese economy that relied on the imposition of foreign jurisdiction, in an exercise that resembled surveys conducted in India and Egypt during this period.³⁸²

The estimates on salt levy yields formed part of a longer consular report titled “Revenue and Expenditure of the Chinese Empire”, lauded by foreign observers and quickly translated into Chinese. Although revenue figures did not differ much from previous estimates (at 88,979,000 tls.), the report introduced estimates of government expenditure for the first time, a significant extension in foreign assessment of Chinese fiscal capacity. Furthermore, by comparing Chinese revenues in land and salt taxes with India, the report left upon the mind of foreign diplomats “the impression that it would have been wise for China to supply her financial necessities by some reorganization of her internal taxation, rather than.....remodel the tariff on the basis of

³⁸¹ *Memorandum by Consul-General Jamieson of Shanghai, 1897, in Appendix 2, Minutes of Fifth Meeting of China Committee, March 13, 1901. FO 405/104, Affairs of China. Further Correspondence. Part XXI, The National Archives, Kew.*

³⁸² A much more well-known example would be the social-economic surveys conducted by South Manchuria Railway Co. (Mantetsu) in villages under railway company’s administration.

the rate of exchange of several decades ago.³⁸³ By 1897, it was unclear whether this task of reorganising Chinese taxation would be left to the Chinese; concessions demanded during negotiations over 1898 Anglo-German loan involved appointing British inspectors to audit salt and *likin* levies, with the expectation that “as the Inspector becomes familiar with the subject of (revenues)...if China gets deeper into the bog of financial embarrassment and rejects offers of guidance from it, we shall, when she fails to meet her obligations, be in possession of *information* at present wanting, and have men ready to organize whatever system of control may be thought best.”³⁸⁴

In the end, the British were fended off with extended control on *likin* collection by Maritime Customs under Hart as loan collateral, but it was a short reprieve; the scale of Boxer indemnities and the direct occupation of Beijing by the alliance two years later made it unavoidable that foreign government would be directly involved in assessing Chinese fiscal capacity. This was a debt settlement in the guise of a military expedition, one pithily compared by von Bülow in the Reichstag to inquiring into the assets of a bankrupt.³⁸⁵

Following examples of debt restructuring in Ottoman Empire (1881) and Greece (1898), a

³⁸³ Charles Denby, “Financial Condition of China”, July 8, 1897, in *United States Consular Reports: Commerce, Manufactures etc.* (Washington, DC: Government Printing Office, 1897), Vol. LV, 395.

³⁸⁴ FO 405/101, p. 227. January 22, 1898, MacDonald to Salisbury, italics mine. The Russian minister to China berated officials at the *Zongli Yamen* that accepting these conditions would reduce China to the status of Egypt.

³⁸⁵ FO 405/104, p. 179. March 29, 1901, Memorandum by Bertie.

commission for payment of indemnities was set up by diplomats from Britain, Germany, France and Japan in February 1901, although these countries (in addition to that of United States and Russia) also conducted their own inquiries independently. For British, American, and German inquiries, it was less an exploration of new information sources on Chinese fiscal capacity, than an amalgamation and comparison of existing knowledge from consul reports and estimates by bankers, trade associations, and custom officials. Unsurprisingly, assessments of Chinese fiscal capacity and presentation of relevant figures were predicated on their alignment to each nation's own interests. Britain's desire to withhold tariff increase as a bargaining chip for *likin* abolition led it to ignore their own estimates that tariff could be raised to 10% from existing levels of 3.17%³⁸⁶, while Germany emphasized administrative difficulties in raising revenue outside of custom duties, with an eye on forcing British to agree to tariff increases³⁸⁷. The contention over tariff increases also extended to salt levies and inland custom booths, with British diplomats and bankers referring to the 1897 consular report and their experiences in India to justify extending foreign supervision over salt levies, a point that other countries' diplomats disputed vigorously.

³⁸⁶ FO 405/104, p. 35-36. February 15, 1901. Satow to Lansdowne.

³⁸⁷ FO 405/104, p. 107-111. February 21, 1901. Memorandum by German Embassy. The reliance of British, American, and German diplomats (and to a lesser extent with French and Russian estimates) over a common set of sources and expert opinions made it difficult for one particular country to suppress their estimates, as was the case with tariff levels by the British. See Rockhill to Hay, April 23, 1901, in *Report of Commissioner to China*, P. 142: "I (Rockhill) replied that the data on which all estimates of the revenue of China were based were well known to everybody; they were practically the pamphlets on the subject by Mr. Jamieson (British Consul-General to Shanghai and author of the 1897 Consular Reports), to which might be added the memoranda recently submitted by Sir Robert Hart; that no accurate data beyond these were accessible to anyone..."

Compared to national committees, the Commission for Payment of Indemnities enjoyed the advantage of being convened in Beijing, with access to Chinese officials who remained for treaty negotiations. Up to that point, consular and private analysis of Chinese fiscal capacity were mostly compiled through citing public written records, including memoranda and rescripts between provincial officials and the Court that were published in *Peking Gazette* and Chinese newspapers along treaty-ports. A few referred to unspecified Chinese opinions, but none from Chinese officials in person. Thus the interview between commission members and Chinese officials on April 19 was significant, in that the involvement of Chinese bureaucracy in producing economic knowledge (in formats preferred by foreign diplomats, and ultimately bondholders) finally went beyond the limited participation of Maritime Customs.³⁸⁸

However, the forced participation of Chinese officials was only useful in that it brought foreign diplomats into contact with limits of “the official gaze” from the Board of Revenue. Of the three Chinese officials present at the interview, the only figure with extensive experience in fiscal administration was Na Tong (1857-1925), who began his career as a clerk in the Board of Revenue and circulated through various posts within the ministry, notably as director of Yunnan bureau in 1894, of Peking Octroi in 1895 and of the Treasury in 1896.³⁸⁹ Na’s

³⁸⁸ “Choushang Zhongguo Zhidi Gekuan You (筹商中国指抵各款由)”, April 19, 1901, Ministry of Foreign Affairs Archive, 02-07-009-01-003, Institute of Modern History (Academia Sinica), Taipei.

³⁸⁹ The bureau, in addition to overseeing taxes and levies from Yunnan, was also in charge of salt levies across the country. See Peng Zeyi (彭泽益), “Qingdai Caizheng Guanli Tizhi yu Shouzhi Jiegou (清代财政管理体制与收支结构)”, in *Zhongguo Shehui Kexueyuan Yanjiusheng Yuan Xuebao (中国社会科学院研究生院学*

progression through these postings made him as close to a financial expert at the Court level as could be produced in the context of late Qing bureaucracy.³⁹⁰ Yet much of Chinese officials' comments throughout the interview only served to point out administrative difficulties in assessing and collecting new tax formats, in particular for salt and grain levies, a minor adjustment that did not significantly improve foreign assessments of Chinese fiscal capacity. What the commission encountered here was less a case of tactical obstructionism,³⁹¹ but an example of how far Qing fiscal governance differed from trajectories of European fiscal state-building, even after decades of fiscal innovations since the 1850s.³⁹²

报), 1990(2), 48-59. The treasury (*Yinku*) was also site of the case of accumulated deficit in 1843 referred to in Chapter 1, when a deficit of 9.25 million tls. was discovered in its silver reserve accounts.

³⁹⁰ Although better known for his venality and patronage of Peking opera, Na's lengthy career within the Board of Revenue gave him more access to fiscal records than *jingshi* school of scholar-officials in Daoguang era. For a summary of Na Tong's career, see Zhi Zhi (知之) ed., *Na Tong Lv Li Xing Shu* (那桐履历行述), in *Jindaishi Ziliao* (近代史资料) (Beijing: Zhongguo Shehui Kexue Chubanshe, 1999), 260-262. One should again note the internal drive within Board of Revenue to standardise and regulate national spending along pre-1851 lines throughout the 1870s and 1880s, which resulted in the publication of operational references such as *Guangxu Kuaiji Lu* (光绪会计录) in 1894.

³⁹¹ To the consternation of American diplomats and provincial governors, the Court in Xi'an (through Prince Qing and Li Hongzhang) agreed to the highest indemnity estimates of 450,000,000 tls. with barely any bargaining, even when the diplomatic corps in Beijing made it clear that the figure was not necessarily set. So charges of tactical obstructionism gave too much credit to Chinese officials at the negotiation table.

³⁹² The *Financial Times*, commenting on the 1897 Consular Report on Chinese revenues described Qing fiscal system as "a marvel of perverted ingenuity". February 11, 1897. In *Collection relating to the Financial and Commercial Affairs of Various Countries: China*, OS 94-104, Guildhall Library, London.

Two conclusions were drawn from Commission's final report to the diplomatic corps in April 1901; one, that existing measurements of Chinese fiscal capacity, both in terms of figures and the methodology and data used, would be insufficient for European and American bond markets and their investors. Their veto would be felt through bond pricing, making an outright Chinese loan (along the models of 1896 and 1898) unlikely. Two, a joint guarantee of Chinese bonds by foreign powers would entail direct intervention in improving Chinese fiscal capacity by the powers³⁹³. The guarantor country with best credit rating would need to invest the most to prop up Chinese bond ratings, which meant in practice extensive and expensive intrusions by British on the model of Egypt over the duration of the bond. Britain at the time possess little appetite for such endeavors, notwithstanding Cain and Hopkins' protests of its transition into an empire of capital exports.³⁹⁴

This left the diplomats with the outcome of China issuing interest-bearing bonds, one that was considered by later historians to be the least burdensome option for China. Diplomatic historians have tended to attribute this to British intervention aimed to protect its commercial and institutional advantages. But from this section, one could also argue that such an outcome

³⁹³ At the time of Boxer indemnities, joint guarantee by creditor nations was a debt restructuring device last used in the Greek debt crisis of 1898, also caused by a war indemnity. The International Finance Commission, a multi-national body comprised of creditor nations was formed to administer Greek public finances; the Greek parliament was forced to accede legal authority to this commission to overrule Greek government's fiscal decisions if needed. See FO 32/699, FO 32/708 (National Archives, Kew) for similar discourses in creditors' discussions of Greece and China.

³⁹⁴ P.J. Cain and A. G. Hopkins, *British Imperialism: 1688 – 2015* (London: Routledge, 2016), 398-414.

was not an isolated case of diplomatic maneuver, but stemmed from a prolonged period of information gathering on Chinese fiscal capacity, as well as its evaluation by European bondholders. It was not the amount of indemnity itself (which doubled through inflated calculations during the negotiation), but quality of fiscal data available to bondholders, and difficulties in improving these figures without major foreign intervention that narrowed the range of public debt instruments available. However, this did not at all mean that the Qing government was left with a *carte blanche* in fiscal management; as we will see from the next section, technical details involving the debt's hypothecation and means of payment pressured the Chinese towards fiscal state-building on foreign terms and conditions.

5.2 Foreign Devils in Details: Boxer Indemnity as Levers of Fiscal Reform

To major foreign powers, the process of assessing Chinese fiscal capacity revealed the potential cost of imposing fiscal control on Ottoman or Egyptian models. No one wished to take on the burden alone, yet joint control seemed more problematic diplomatically, and Chinese trade volumes to most countries were not sufficiently large to justify the effort.³⁹⁵ Instead, major foreign powers relied on terms embedded within Boxer indemnity agreement to propel the Qing government to initiate fiscal reforms. It was propulsion rather than compulsion, because

³⁹⁵ Except of course for Japan, but with herself dependent on British credit in the London market during this period, the Japanese government was not able to extend her fiscal reforms from Korea and Taiwan to the Qing empire. See Michael Schiltz, *The Money Doctors from Japan - Imperialism, Financial Advice, and the Building of the 'Yen Bloc'* (Cambridge, MA: Harvard University Press, 2011) for detailed discussions on Japanese monetary reform for Korea and Taiwan between 1895 and 1915.

the element of coercion was implicit rather explicit, and lay in the fear by Chinese officials and gentry at the prospect of outright foreign fiscal control.

In current historiography of the period, anxieties over foreign fiscal control have generally been subsumed under a broader fear of imminent partition, seen as impetus for *Xinzheng* era (1901-1911) reforms. But for officials and intellectuals during and following the Boxer indemnities negotiations, foreign fiscal control was a much more likely option, either via international commissions or extended control of specific revenue streams. During negotiations over the indemnities, assessments by German and British bureaucrats on limits of imposing foreign control were not disclosed to the Chinese, while some foreign diplomats besieged by the Boxers openly floated the idea of foreign control.³⁹⁶ Provincial governors such as Zhang Zhidong cabled frantically upon any rumours of fiscal control,³⁹⁷ and Li Hongzhang had to be personally assured about details of British control on Egyptian finances.³⁹⁸ Even after the indemnities were signed off, Qing officials remained anxious about potential debt defaults that might invite foreign intervention, which mirrored the intentions of foreign officials such as

³⁹⁶ British custom officials to Foreign Office reported that "...for some time that the foreign Ministers in Peking believed fully in placing China under foreign financial control, probably under a "Caisse", like the one in Egypt, or a Control Board, like what, I understand, exists in Greece." Bredon to Foreign Office, November 27, 1900. FO 405/102, Affairs of China. Further Correspondence. Part XIX, The National Archives, Kew.

³⁹⁷ Telegram to Qian Nianqu, November 25, 1900. Zhang Zhidong papers, 182-33. Archive for Modern History, Chinese Academy of Social Sciences, Beijing.

³⁹⁸ MacDonald to Salisbury, October 24, 1900. FO 405/101. MacDonald claimed that Egyptian finances were under international (rather than exclusively British) control, which was accurate in terms of the Caisse de la Dette's membership composition, but Li was clearly thinking of the broader picture here.

Witte.³⁹⁹ In time, this anxiety seeped into official and intellectual discourses, so much so that even news of Hague Peace Conference of 1907 prompted pamphlets decrying attempts to use the venue for discussions on overseeing Chinese finances⁴⁰⁰. Awareness of this recurring anxiety aids our understanding of why specific conditions within the indemnity agreement were effective at prompting Chinese officials to conduct fiscal reforms, even as the content of these reforms diverged from foreign expectations.

One of the issues embedded in the agreement concerns the hypothecation of selected revenue streams. Although it was clear that custom duties, or what remained after servicing earlier loans, would be the chief source of indemnity repayment, the degree to which this source was completely monopolised was exceptional. Working from 1898-1899 revenue figures, future custom receipts were divided in two; those used to repay earlier foreign loans (mainly those between 1894 and 1898) and those meant for indemnity repayments.⁴⁰¹ Items of government expenditure previously funded from custom duties, such as maintenance for Chinese legations

³⁹⁹ “In 1895, Sergie Witte, Russia’s long-serving minister of finance, is said to have stated quite openly in conversation “his hope that China might fail to meet her engagements *punctually* in which case Russia would obtain the rights of *interfering directly* in the administration of Chinese finance.” From Simon Bytheway and Mark Metzler, *Central Banks and Gold: How Tokyo, London, and New York Shaped the Modern World* (Ithaca, NY: Cornell University Press, 2016), 57.

⁴⁰⁰ Pan Jing, *Lun Haiya Heping Hui Wu Ganshe Zhongguo Caizheng Zhili* (论海牙和平会无干涉中国财政之理)(1911).

⁴⁰¹ Including revenues from *likin* collection booths near major treaty-ports, pledged during negotiations for the Anglo-German loan of 1898.

abroad, were forced to seek funding from other sources of state revenue.⁴⁰² This meant that custom duties were no longer a source of deployable revenue for the Qing government, nor could it serve as a collateral for future loans. For the next thirty years, successive Chinese governments seeking foreign (and domestic) capital through debt would be plagued with the problem of what to pledge as security, with the one source recognised by foreign bondholders essentially unavailable as collateral.⁴⁰³

This exhaustive extraction of custom receipts as source of repayment was not an inevitable outcome of the indemnity negotiations; the Commission for Payment of Indemnities explicitly rejected a version of amortization table that left some funds available for the Qing government within custom receipts.⁴⁰⁴ Similarly, by concentrating exclusively on custom receipts, the Commission ultimately dismissed the motion to put Chinese salt levies under foreign

⁴⁰² *Report of the Commission for the Payment of Indemnities*, in *Report of Commissioner to China* (Washington DC: Government Printing Office, 1901), Appendix, p. 146, April 26, 1901, Rockhill to Hay.

⁴⁰³ Following the takeover of customs revenue by foreign banks in early 1912, increases in customs receipt (from its 1898-99 estimations) were used to pay off the portion of indemnity that were meant to arrive from other domestic sources (salt levies, native customs etc). Although this had the benefit of freeing up small amounts of revenue for domestic expenditure, they lacked the imprimatur of Customs Service's collection and management, and thus were not seen as dependable as customs revenue. Foreign officials of the Customs Service and its apologists have often justified foreign management as stabilising China's foreign bond ratings, but this claim rang hollow when their management left no room for the Qing and early Republican government to leverage the most dependable of all Chinese revenue streams, except via fortuitous accidents.

⁴⁰⁴ The version proposed by Hongkong and Shanghai Bank's representative in Beijing, E.G. Hillier, proposed a repayment duration of 50 years, as opposed to the final version of 39 years. FO 405/106, p. 115. Satow to Lansdowne, May 24, 1901.

supervision, a proposal mooted by the British, and which could have reduced the amount assigned to custom receipts under the final amortization table. Instead, salt levies were listed as collateral, with its management and collection retained by the Chinese.⁴⁰⁵ At the same time, explorations of other means of payment or collateral, such as stamp duty or taxes on urban dwellings (suggested by Hart), were also dismissed out of hand. Although the Commission mainly justified their decision through arguments of security, it was also an admission that foreign powers were uninterested in shouldering the cost of more intrusive fiscal control, even if the result might deliver desired fiscal reforms and increased revenues. Rather, by cutting away the entirety of customs receipts and a significant portion of *likin*, the only sources of revenue growth since the 1860s, the Qing government was forced to reform its fiscal system, even before the rush of reformist policies instituted in the 1900s.

The final amortisation table, presented by foreign diplomats to Li Hongzhang on June 2, 1901, encapsulates the framework of technical arrangements that sought to remould Chinese public finances. As head of the indemnities commission told Li Hongzhang:

“For the amortization we use the credit balance of the revenues actually devoted to the old loans, and which will begin from the year 1906, and will increase after that in 1916 and in 1932. China supplying annually 18,000,000 tls. more than what she is paying at the present for the interest on her old

⁴⁰⁵ This was also under strenuous objections by provincial governors such as Zhang Zhidong and Liu Kunyi, whose opinions the foreign governments took into account. Telegram to the Court in Xi’an, May 24, 1901, in *Zhang Wenxiangong Quanji* (张文襄公全集)(Taipei: Wenhai Chubanshe, 1970) Telegrams 11, 1-4.

loans, this sum would be devoted, until 1905, to the payment of interest exclusively. In 1906 a balance becomes available every year of the revenues actually controlled by the customs and terms of the amortization to begin to operate...’’⁴⁰⁶

Between 1902 and 1940, an annual sum of approx. 42,000,000 tls.⁴⁰⁷ would be paid to China’s foreign debtors, including both the Boxer indemnities and older loans from the 1890s. The tranches of debt repayment for Boxer indemnities were designed as such, so that the total amount remained roughly the same, even as older loans (mainly Franco-Russian and Anglo-German loans of 1896 and 1898) were gradually paid off. Almost ten years before the first national budget was drafted, here was a statistical construct that dictated the allocation of between 35-45% percent of the country’s revenue (at the time of its publication). Of course, unlike actual national or colonial budgets, the element of growth forecasting was kept to a minimum in the amortisation table, but it remained a form of fiscal state-building, by clearly delineating a portion of national revenue for the next forty years, as well as stabilising the institutions responsible for its collection.⁴⁰⁸ The expectation on the part of foreign diplomats

⁴⁰⁶ Minutes of meeting between Li Hongzhang and von Mumm, head of committee on the payment of indemnities. June 2, 1901, in *Report of Commissioner to China* (Washington DC: Government Printing Office, 1901), Appendix, p. 187, June 3, 1901, Rockhill to Hay.

⁴⁰⁷ Around 6,290,000l. according to rates on April 1, 1901.

⁴⁰⁸ Following the sign-off of the second Anglo-German Loan of 1898 with *likin* from treaty-ports included as collateral, Robert Hart noted that “the management of Likin on both salt and general merchandise.....for so long a time as the loan runs – which is forty-five years, - cannot fail to have a beneficial effect on *Chinese financial procedure*,” Circular No. 820, April 21, 1898, in *Documents illustrative of the origin, development and activities*

was that the amortisation table would form part of a reformed Chinese system of public finances, and in a literal sense too; debt amortisation tables frequently featured in appendices of national and colonial budgets during this time.

Yet by refraining from imposing direct financial control, the Qing government was still left with a certain degree of autonomy in its own pace and path of fiscal state-building. This was reflected in the manner the indemnities were assigned to various provincial treasuries for repayment; despite a vigorous debate by Court and provincial officials between late 1900 and September 1901 on the merits of stamp duties and domestic bonds, the Board of Revenue remain wedded to established methods of raising revenue, most recently used to pay for major foreign loans between 1896 and 1898.⁴⁰⁹ For the Board of Revenue around this time, fiscal reform (*licai*) still mainly referred to a blend of extractive measures, such as Gang Yi's mission to southern provinces in 1899, and intermittent efforts at obtaining more knowledge on provincial and local finances. As we have seen in the first section, their efforts to reach greater transparency in local finances dovetailed with that of foreign diplomats and bankers, but these

of the Chinese Customs Service (Shanghai : Statistical Dept. of the Inspectorate General of Customs, 1937), vol. 1, 104. The maintenance of British staffing for the customs for the duration of these loans was also a key stipulation in the Anglo-German loan agreement.

⁴⁰⁹ Perhaps unsurprisingly, Zhang Zhidong was vocal in advocating for a repeat of *Zhaoxin* domestic bonds of 1898, a suggestion ignored by most of his provincial colleagues. Interestingly, this was the first instance where foreign management of domestic bond issuance was advocated by senior Qing officials. See Telegram to Sheng Xuanhuai et al, January 4, 1901, in *Zhang Wenxianggong Quanji* (张文襄公全集)(Taipei: Wenhai Chubanshe, 1970 Reprint) Telegrams 49, 19.

efforts stemmed from the Board's own institution memories of earlier reforms, and they did not altogether conform to late Victorian models of fiscal state-building.⁴¹⁰

Nonetheless, to meet the nation-wide assignment of debt quotas, provincial governors submitted memorials that listed their proposed sources of revenue streams and austerity measures. For example, in assessing potential revenues to meet debt quotas for Shandong, Yuan Shikai hedged his optimistic estimates of 1,100,000 tls. (from land taxes, salt levies and savings in Yellow River conservancy) with caveats on fluctuating patterns of these revenues.⁴¹¹ These memorials both revealed previously under-reported revenues, and served as bargaining tools vis-à-vis the Board of Revenue, as provincial governors sought to reduce their quotas without much success. Taken together, they became one of the most comprehensive surveys into undeclared provincial revenues (*waixiao kuanxiang*) since its proliferation from the 1850s, and

⁴¹⁰ Most recently on January 17, 1898, the Board of Revenues submitted a memorial (the latest in a long line of similar requests since 1860s) for accurate provincial reports on *likin* and other revenues previously unreported to the Board. In an unconvincing move to placate provincial governors, the Board assured them that revelation of provincial revenues will not result in its appropriation by the Court. This attempt at reassurance was repeated word for word in 1909-10 during the drafting of a national budget. For discussions on Gang Yi's mission in 1899, See Ho Hon-wai, "Late Ch'ing Centre-Province Fiscal Relations as seen in the Imperial Missions of Kang-I and T'ieh-liang in 1899 and 1904", *Bulletin of the Institute of History and Philology Academia Sinica*, 68:1 (1997), 55-115. The continuity between Gang Yi's efforts at fiscal austerity and those attempted in the immediate aftermaths of the Taiping rebellion was staggering, and was reflected in Gang Yi's memorial in 1897, where 1853 was set as the base year for his provincial revenue surveys.

⁴¹¹ "Juzou Zunzhao Buyi Choutui Peikuan Yizhe Chaogao Zizhaoyou (具奏遵部议筹推赔款一折抄稿咨理由)", November 12, 1901, Zongli Yamen Archive, 01-14-019-02-027, Institute of Modern History (Academia Sinica), Taipei.

later incorporated into the first draft national budget of 1910-1911, but a significant gap remained between these reports and the scale of streamlined fiscal data envisaged by foreign diplomats.⁴¹²

In comparison to hypothecation and amortization tables, contention over medium of payment for Boxer indemnities was much better known as an example of technical detail that prompted Chinese fiscal reforms, which led to Jeremiah Jenk's mission to China in 1904. What was embedded in the original indemnity agreement was the provision, made at the insistence of British delegates, that further increases in Chinese tariff levels to pay off the indemnity could only be made following separate negotiations on the abolition of *likin* and standardization of medium of payment. In other words, the issue of monetary reform would follow as part of a larger agreement on reforming Chinese taxation between China and Britain (along with America and Japan), and in the resulting Sino-British (1902) and Sino-American (1903) treaties, the wording was "a uniform national coinage", without specifying its position vis-à-vis the

⁴¹² This quest for further information on local finances was not limited to the level of central government; provincial governors were equally interested in obtaining more information from their own jurisdictions. Zhang Zhidong again initiated the process in 1902, by requesting provincial treasuries and fiscal agencies to estimate their expenditure for the coming year, based on income and expenditure records of the past three years. Although the results bore greater resemblance to Jamieson's *Revenue and Expenditure of the Chinese Empire* (1897), which in itself was not a budget per se, it was followed by similar efforts in Fujian (1903) and Shanxi (1906). These identification of provincial revenue streams went hand in hand with the rise of foreign loans to provincial governors during this period, using much of the provincial sources as security. For example, *likin* from Shanxi province was identified as security for a loan of 1,000,000 tls. by the Hongkong and Shanghai Bank in 1905, prompting the drafting of provincial budget the year after.

gold standard.

However, an unforeseen oversight on whether the Chinese would service their indemnities in silver taels or gold-linked currencies was the actual impetus in nudging the Qing government towards currency reforms. Of course, the link between foreign debt and silver depreciation long predated the Boxer indemnities; Chinese officials and compradors have complained of this since early 1880s, while British bankers sought to entice Chinese to take out loans with longer durations. But the scale and duration of the indemnities was such that inaction was no longer a feasible option for the government. The Qing government responded by collaborating with the Mexican government in late 1902 to lobby the Roosevelt administration for assistance in stabilizing silver prices.⁴¹³ Note however that in communications between the Qing court and its representative in Washington, the target of the Qing court remained that one of stabilizing silver prices, thus reducing the amount needed for converting its indemnity payments into gold-linked currencies. Linking the future Chinese currency to the gold standard through the Jenks Mission was an aim pushed by the Roosevelt administration and endorsed by Chinese diplomats stationed in Washington, but significantly, it was not an original aim of the court or provincial governors.⁴¹⁴

⁴¹³ “Note from the Chinese *Chargé d'affaires* to the Secretary of State,” Commission on International Exchange, *Report on the Introduction of the Gold-Exchange Standard* (Washington DC: Govt Printing Office, 1904), 75-78.

⁴¹⁴ “Chenshu yu Moshi Huishang Yinbi Banfa Wenda You (陈述与墨使会商银币办法问答由)”, February 1903, Beiyang Ministry of Foreign Affairs Archive, 03-22-001-02-001, Institute of Modern History (Academia Sinica), Taipei. The role of Shen Tong, Chinese *Chargé d'affaires* in Washington at the time, has been under-

Thus the Jenks Mission, like the mission of his student Kemmerer two decades later, resulted from disputes and concerns over servicing Chinese foreign debt. And similar to the Kemmerer Mission, Jenks' recommendations buried technocratic management and central bank cooperation of monetary policies under a classical mantra of gold standard's automatic adjustment capabilities. Unlike Kemmerer however, the Chinese government made no pretence of accepting Jenks's policy proposals.⁴¹⁵ In assessing why Jenks's recommendations were rejected by the Qing government, the slim historiography maintained a dichotomy between nationalist objections on sovereignty grounds, and opposition from provincial governors for loss of local seignorage, but this binary between provincial decentralisation and nationalist rhetoric masked wider connections between Chinese responses to Jenks and evolution of public debt in this era.⁴¹⁶

emphasised in existing historiography, especially over his role at subtly reframing the issue of silver-price stability to that of new gold-linked currencies. Even so, the original Chinese memorandum communicated to the Department of State limited itself to the vague wording of "readjustment of the currency of China upon a stable relationship with that of the gold-standard countries". While the Americans took Chinese supplications for assistance in reducing exchange losses in indemnity payment as a commitment to American-mandated currency reform. See Emily Rosenberg, *Financial Missionaries to the World*, Chapter 1, Footnote 49.

⁴¹⁵ That said, American acquiescence to Chinese refusal was also a product of general scepticism by other foreign powers that a gold exchange standard could be so easily imposed on China, when only a few years ago they were unable to extract further revenues.

⁴¹⁶ See Zhuo Zunhong (卓遵宏), *Zhongguo Jindai Bizhi Gaigeshi: 1887-1937* (中国近代币制改革史) (Taipei: Guo Shi Guan, 1986); Li Yuping (李宇平), *Jindai Zhongguo de Huobi Gaige Sichao: 1902-1914* (近代中国的货币改革思潮) (Taipei: Guoli Taiwan Shifan Daxue Lishi Yanjiusuo, 1987); Dai Jianbing (戴建兵), *Baiyin yu Jindai Zhongguo Jingji: 1890-1935* (白银与近代中国经济) (Shanghai: Fudan Daxue Chubanshe,

Although the tenor of Chinese opposition rested on the appointment of foreigners, variations within their responses revealed competing strains of Chinese discussions on public credit. For officials at the Board of Revenue, the centralising tendency inherent in Jenks' institutional reforms were not unwelcome, rather, most of the questions directed to Jenks during his interview with Board members concern the precise role of foreign experts and likelihood of using new currency to service foreign debt.⁴¹⁷ Similarly, Chinese diplomats in Washington underplayed the element of foreign expertise and issues of control, but rather framed the new currency as one based on state credit, using terms and concepts that directly harked back to Xianfeng-era debates on paper money by the Board of Revenue.⁴¹⁸ However, the Board failed to clarify the function of a gold reserve based in London, a linchpin of Jenk's proposal. This led provincial governors to believe that the late Qing state would need to set and enforce silver

2005); Bumjin Koo (丘凡真), "Jingqi de Bizhi Gaige Fang'an yu Wanqing Bizhi Wenti (精琪的币制改革方案与晚清币制问题)", *Jindaishi Yanjiu* (近代史研究), 2005(3), 117-143. Cui Zhihai (崔志海), "Jingqi Fanghua yu Qingmo Bizhi Gaige (精琪访华与清末币制改革)", *Lishi Yanjiu* (历史研究), 2017(6), 92-108. Rosenberg's brief note of Chinese response to the Jenk Mission also framed it through the perspectives of a nationalist reaction, although as we have seen here, the alternative currency reform proposal was less nationalistic in its emotional, reactive sense, but more in a sense of based on domestic policy priorities and precedents.

⁴¹⁷ Transcripts between Jenks and Zhao Erxun (美使精琪为币制改造等事致赵尔巽及会晤记录稿), 1904. *Zhao Erxun Dang An* (赵尔巽档案) 79, Microfilm 0015, First Historical Archives, Beijing. As head of Board of Revenue, Rosenberg's statement that Jenks was only able to meet low-ranking officials seemed inaccurate.

⁴¹⁸ "Choushang Weichi Yinjia Niqing Meiguo Chuwei Zhuchi You (筹商维持银价拟请美国出为主持由)", March 1903, Beiyang Ministry of Foreign Affairs Archive, 03-22-001-02-004, Institute of Modern History (Academia Sinica), Taipei.

to gold ratio for the new currency, as well as the minting of actual gold coins.⁴¹⁹ This reading of Jenks' proposal led to clear scepticism by provincial governors on its feasibility, since the governors were much more aware that the late Qing no longer possessed the monopoly of violence even within China to enforce these exchange ratios.⁴²⁰ Again, origins of these concerns on state capacity could be found in the voluminous debates on monetary experiments of the 1850s (and earlier), and could not simply be dismissed as ill-informed pontifications.⁴²¹

The Chinese responses to the Jenks Mission were amorphous and at times contradictory to their

⁴¹⁹ Although Chinese officials opposed the Jenks Mission recommendations on different grounds, had the negotiations progressed to the next stage, the issue of finding a sufficiently large gold (or gold-linked currency) reserve to buttress the new currency would have been insurmountable without another large loan from the major powers. Jenks puts this figure at around 60,000,000 dollars, roughly the size of currency reform loans later negotiated between 1910-11. Given the sensitivities towards further ceding of sovereign rights at the time (the contours of 1910-11 negotiations were more concentrated towards retaining Manchuria), it would have been difficult to push through more intrusive fiscal monitoring measures demanded by foreign creditors.

⁴²⁰ Zhang Zhidong, "Xuding Jinjia Gaiyong Jinbi Buhe Qingshi Zhe (虚定金价改用金币不合情势折)", October 8, 1904, in *Zhang Wenxianggong Quanjì* (张文襄公全集) (Taipei: Wenhai Chubanshe, 1970), vol. 63, 8-10.

⁴²¹ Which incidentally was Liang Qichao's opinion towards the memorial by Zhang Zhidong. This delegitimising of older epistemes of fiscal knowledge as "ill-informed" points towards the construction of a new framework of knowledge on public finance. What is interesting, however, is compared to the tortuous debates on merits of *guoxue* during this era, the superseding of established epistemes of fiscal knowledge took place with little opposition. Even officials at Board of Revenue, in their conversations with Jenks, acknowledged the need to receive more training on modern fiscal management. See Liu Zenghe (刘增合), "Zhishi Yizhi: Qingji Yusuan Zhishi Tixi de Jieyin (知识移植: 清季预算知识体系的接引), *Shehui Kexue Yanjiu* (社会科学研究) 2009 (1), 138-146.

own policies. Yet these debates and Qing government's own currency reform measures, adopted in 1904-05, also revealed preferences on public credit that flowed over to the evolution of public debt. Although these measures shared with foreign recommendations a tendency towards standardization, regulating the weight of silver coins and their relationship with copper cash, they did not wish to cede state capacity of credit creation to tangible external forces; the seemingly intangible fluctuations of silver prices were left unaddressed. Provincial governors and officials correctly perceived that Jenks's recommendation of monetary policy transparency ("publicity" in Jenks's words) and autonomy through expert controllers would directly impact their discretionary powers over their expansionist fiscal policies, which around this time consisted of inflationary minting of copper cash and using the seignorage derived to secure further foreign loans.⁴²² The Board of Revenue certainly hoped that these seignorage would accrue to the central government through currency reform, which partially explains their more receptive stance to Jenks, but centralization under the Board of Revenue was quite a different proposition from centralization through the gold exchange standard under foreign expertise; in the Board's version, the capacity for credit creation would remain with the Qing state.

⁴²² See footnote 27 for Zhang Zhidong's explicit endorsement of silver as a source of easy money that would reduce Chinese imports. Zhang Zhidong in Hubei and Hunan during the *Xinzheng* era was particularly adept at minting silver dollars and copper cash for seignorage, see Ho Hon-wai (何汉威), "Cong Yinjian Qianhuang dao Tongyuan Fanlan (从银贱钱荒到铜元泛滥: 清末新货币的发行及其影响), *Bulletin of the Institute of History and Philology Academia Sinica* 62:3 (1993), 389-494. For a more explicit link drawn between adopting the gold exchange standard and potential deflation due to balance of payment deficits, see Liu Shiheng (刘世珩), *Yinjia Boyi* (银价驳议) (Shanghai: Nanyang Guanbao Zongju, 1904), which is a point-by-point refutation of Jenk's pamphlets on monetary reform. However, it remains uncertain whether this pamphlet reached a wide readership, despite some claims of it being read by Zhang Zhidong's private advisers.

In contrast, recent works by financial historians of the pre-1914 period have convincingly demonstrated the importance of secrecy and flexibility of rules in sustaining the gold standard between core members of the group; the more peripheral a country is to the group (especially those operating on gold exchange standards), the less room there is for flexibility in credit creation. Japan's ability to support credit creation at home and in its own imperial peripheries was contingent on its official sterling reserves in London, the largest of *any* country in 1913.⁴²³ However, compared to the country with the second largest sterling reserve (British India), Japanese financiers possessed the political independence to leverage these reserves into credit creation, something that treasury officials for India did not possess. The template offered by Jenks would have left China with even less room compared to India; the gold exchange standard became the least unyielding in colonies such as Egypt, French Indo-China and the Philippines, and although Chinese officials and intellectuals were less cognisant of gold exchange standard's fetter-like qualities for these countries, they intuitively identified the common erosion of monetary autonomy in these cases.

5.3 Foreign Debts through a Chinese Revolution: Loan Negotiations 1908-1913

Although foreign governments and creditors persisted with their efforts to reshape Chinese public finances through foreign debt, within current historiography on this tumultuous decade, the direct impact of loan negotiations between Qing and Republican governments with their

⁴²³ Bytheway and Metzler, *Central Bankers and Gold*, 25.

foreign lenders from 1908 to 1913 has been much less perceptible.

The record of failed negotiations played a part in this; foreign attempts to extend credit in Manchuria did not succeed, whether through individual railway loans or the more general Manchurian industrial development loan.⁴²⁴ The currency reform loan that was tied to the Manchurian enterprise was also halted with the Xinhai revolution, and this is not counting a number of rumoured and aborted negotiations, like Tang Shaoyi's mission to the United States in December 1908 that sought to negotiate a 300-million dollar from American bankers.⁴²⁵ At the same time, a significant feature of China's experience with public debt in these few years was the withholding of credit; Qing government's inability to obtain loans to fund its armies in Winter 1911 stemmed from British government's official policy of neutrality, but precisely because of its absence, the impact of public debt (and more particularly foreign debt in this instance) on historical events was less detectible viewed later on. Even for loans that did come into fruition during this period, portions of its proceeds were earmarked to settle outstanding debts incurred previously; for example, the Reorganisation Loan of 1913 included tranches that were used to complete the repayment schedule of 1910 bailout loans, while Sichuanese shareholders of the Sichuan-Hankow Railway were also offered a generous nationalisation package using the Reorganisation Loan. Little wonder then that not much was left for the

⁴²⁴ This was before June 1912, when Russia and Japan was admitted to the four-power banking consortium that had previously negotiated with the Qing government on the currency reform and Manchurian industrial development loans.

⁴²⁵ Williard Straight, "China's Loan Negotiations", *The Journal of Race Development*, Vol. 3, 4 (Apr., 1913): 369-411.

Reorganisation loan to embark on its own projects.

Furthermore, the relative obscurity had more to do with a fairly common feature of public debt in 20th Century than specificities in late Qing and Republican China: as our lens move successively from direct popular subscription of debt to negotiations between central governments and banking consortiums, the amount of public coverage and debate decreases, which in turn are reflected in the historiography. The deeply gendered and elitist composition of chief actors within these narratives obviously does not help its case either, compared to the far more representative and performative aspects of the Xinhai revolution, such as the perceived rupture in political institutions and popular culture.⁴²⁶

Although mindful of these limitations and constraints, linking up the series of loan negotiations made by the Chinese governments and their foreign creditors during this period is still a fruitful exercise, in contrast to extant Chinese-language historiography that adhered to the Xinhai divide between these loans. Firstly, the withholding of credit, and the threat to withhold it throughout loan negotiations has been under-analysed not only within the context of Xinhai Revolution and the early Republic, but also in the larger trajectory of public debt development

⁴²⁶ For a fairly recent and interesting analysis in the shift of political culture during and after the Xinhai Revolution, see David Strand, *An Unfinished Republic: Leading by Word and Deed in Modern China* (Berkeley: University of California Press, 2011). Henrietta Harrison's absorbing work on Republican symbols and ceremonies and their impact on popular culture also essentially begins with the Xinhai Revolution as the defining catalyst. See Henrietta Harrison, *The Making of the Republican Citizen: Political Ceremonies and Symbols in China 1911-1929* (Oxford: Oxford University Press, 2000).

in China: this was the first instance where the withholding of credit was used effectively and explicit as leverage.⁴²⁷ The effect of this *de facto* credit embargo on the trajectory of events between October and December 1911, although not within the purviews of this dissertation, has been under-reviewed in Chinese and English-language histories of the revolution.

Secondly, and this pertains more to the discussion here, the unequal flow and concentration of capital in disparate regions and social classes was certainly not something unique to China; although the unusual porousness of economic boundaries in late Qing and Republican China may, as seen in the previous section, exacerbated the ease and speed of capital flows. The comparative lack of performativity and representation in these national-level negotiations should not obscure its profound, and material impact on the everyday lives of individuals.⁴²⁸ In the case of Qing and Republican China, the impact of these negotiations, channelled through regressive taxation on consumption of staple goods like salt, would be felt disproportionately by the most marginal segments of the society.

Thirdly, the Chinese experience with foreign creditors and its own effort at domestic debt

⁴²⁷ Note the contrast between negotiations on public debt between Zuo Zongtang's representatives and Chinese merchants in the late 1870s and to the 1890s, where the leverage was more used in the sense of passive resistance, ie. lack of subscription to the loans once they were issued. Similarly, Robert Hart in his time was more concerned about the price of credit for China, not its monopoly and withholding by potential lenders, so to speak.

⁴²⁸ Ironically, the early Republican period actually was a high point in public visibility of public debt as a national issue in 20th Century Chinese history, through the repeated and highly publicised debates in provincial and national legislatures.

reforms from 1908 to 1913 placed its narrative firmly within the range of peripheral initiatives to global capital flow in the pre-1914 era. If the previous chapters have stressed the influences of domestic discourses in political economy, the attempted moulding of Chinese finances through loans by the banking consortium was both a variation of similar practices imposed on Latin American and Middle Eastern debtor countries, and presaged similar treatments to Central Europeans after World War I.⁴²⁹ On the other hand, the efforts by reformist Chinese officials and intellectuals to form a competing vision of national economy during these years would be deeply familiar to their counterparts in Kemalist Turkey or late-colonial era India⁴³⁰, where the Xinhai Revolution did result in a clearer dominance of reformist ideas on public finance in the upper echelons of provincial and central governments. The contention between these different modes of formulating national economy would find their expression in the national outrage and debates over the Reorganisation Loan's terms between 1912 and 1913, an account that contemporary readers of the 2011 Greek Crisis (or its 19th Century equivalent for that matter) would find much to recognise.

While noting Taft administration's role in vigorously propagating "dollar diplomacy" as a

⁴²⁹ Much obliged to Jamie Martin for pointing out the connections through his talk on the Ottomanization of Europe post-WWI.

⁴³⁰ See Manu Goswami, *Producing India: From Colonial Economy to National Space* (Chicago: University of Chicago Press, 2004), 215-216 for a discussion on the impact of Friedrich List on colonial-era Indian intellectuals, who of course also influenced Liang Qichao following his trip to the United States in 1903.

significant factor for this period⁴³¹, the turn towards consciously reordering Chinese economy through foreign debt was made since the early 1900s, with the deliberate selection of particular revenue streams for the Boxer Indemnities. This was continued through the Jenks Mission of 1904, where a particularly inflexible form of gold-exchange standard along the lines of the Philippines was advocated by Jenks. As detailed in the previous section, the adoption of this reform scheme by the Chinese, complete with foreign financial experts in positions of fiscal authority, would be rewarded by the floating of a large loan on London and New York markets. Although the stabilisation of silver prices by 1905 removed the immediate urgency for the Qing government to adopt this scheme, they formed part of the Anglo-American efforts to shape Qing government's fiscal structure in this decade, along with ongoing negotiations over *likin* abolition (and by implication, greater tariff autonomy).

Of course, the predominant outlet for foreign debt in China during the 1900s was through railway ventures and its related loans. But despite enthusiasm for railway ventures by British and American diplomats, it was not a field that these countries enjoyed undisputed sway in technology or financing.⁴³² In both cases, Anglo-American diplomats were also often overruled by their superiors in Washington and London, who prioritised maintaining balance

⁴³¹ Analysed in great detail in Emily Rosenberg's *Financial Missionaries to the World*, who also traced it to diplomatic manoeuvres in the Roosevelt administration.

⁴³² For an interesting analysis on the role of British diplomats stationed in Beijing during this era, see Koji Hirata, "Britain's Men on the Spot in China: John Jordan, Yuan Shikai, and the Reorganization Loan, 1912–1914." *Modern Asian Studies* 47, no. 3 (2013): 895–934. John Jordan also noted his "obsession" with railway projects in private correspondences. Jordan to Campbell, August 6, 1908. FO 350/5.

of power in Europe and vis-à-vis Japan over secondary railway projects in peripheral regions of the world.⁴³³ Loans devoted to fiscal and monetary reform, on the other hand, would bypass the territorial spheres of influence that contending powers have drawn up in China, reduce trade frictions for European and American traders throughout the country, and leave significant deposits of capital as sinking fund reserves in major financial capitals (mainly London at this stage). Furthermore, the conditions set in these loans could determine the pace and extent of concessions to be made to the Chinese over tariff autonomy negotiations and the management of customs service. Reiterations of this logic could be seen behind Anglo-American support of Chinese currency and fiscal reforms throughout the Republican era, as they sought to outmaneuver the Japanese's state-directed but smaller industrial loans before 1914 (and more active incursions after that).⁴³⁴

Chinese-language historiography, whether nationalist or Marxist, have generally lumped these attempts to mould the Chinese economic space as imperialist encroachments, with Marxist historiography referring specifically to Lenin's pronouncements on financial cartelism and

⁴³³ The saga of Jinzhou-Aihui (Chin-chou – Aigun) Railway project in 1910 was exemplary, where the State Department withdrew its support for the Anglo-American loan following British Foreign Office's concern that the loan might damage its entente with France, which in turn supported Russia's opposition to the railway. See Frederick V. Field, *American Participation in the China Consortiums* (Chicago: University of Chicago Press, 1930): 6-13. A similar incident involved the incorporation of French commercial interest to British rights to the Hankou-Guangzhou (Hukuang) railways by the Foreign Office over the objections of British diplomats in Beijing.

⁴³⁴ For an example of growing British wariness towards Japanese ambitions in the Hukuang Railway loan project, see Jordan's comments that Japanese only wanted the British as "suppliers of the capital" for their railway schemes. Jordan to Campbell, May 30, 1907. FO 350/4.

imperialism.⁴³⁵ Interestingly, this characterisation of the currency loans was largely left unrevised in more recent literature on Chinese public debt, with the Leninist argument even regaining some currency.⁴³⁶ Even if economic imperialism works as a conceptual place-holder for European and American attempts to mould the Chinese economic space through debt, it is still worthwhile to ask why it manifested itself in the support of centralising forces within Chinese governments before and during the revolutionary upheavals.

Current historiography has generally framed this question through the lens of power balance between Anglo-American and Russo-Japanese interests, but viewing this from the perspective of national economies, it was clear that by early 20th Century, currency reforms of the type designed by European and American bankers required an intricate and technocratic system of cooperation and coordination between central banks and governments.⁴³⁷ For gold-exchange

⁴³⁵ See preface to Qian Jiaju's *Jiu Zhongguo Gongzhai Shi Ziliao* (旧中国公债史资料) (Beijing: Zhonghua Shuju, 1984 Reprint), 6-8. The editors of *Zhongguo Jindai Huobishi Ziliao* (中国近代货币史资料) (Beijing: Zhonghua Shuju, 1964) simply grouped primary sources over these loans under the heading "Imperialist sabotage and attempts to control Chinese finances".

⁴³⁶ See Zhongguo Renmin Yinhang Canshi Shi (中国人民银行参事室) eds., *Qingdai Waizhaishi Ziliao* (清代外债史资料)(Beijing: Zhongguo Jinrong Chubanshe, 1991) vol. 2: 36-39. Ma Jinhua also briefly touched upon the topic in *Waizhai yu Wanqing Zhengju* (外债与晚清政局)(Beijing: Zhongguo Shehui Kexue Chubanshe, 2011), 201-207. The revival of Leninist/new-left line on currency loans came from Zhang Yongle (章永乐), "Daguo Xietiao yu Da Tuoxie: Tiaoyue Wangluo, Yinhang Tuan yu Xinhai Geming de Lujing (大国协调与大妥协: 条约网络、银行团与辛亥革命的路径)", *Xueshu Yuekan* (学术月刊), 50 vol. 10 (Oct. 2018): 91-109.

⁴³⁷ See Mark Metzler and Simon Bytheway, *Central Banks and Gold*, Chapter 1 for details for central banking cooperation between Japanese and British authorities pre-1914. The literature on Anglo-American banking coordination, especially during the panic of 1907, is voluminous and could be approached through Barry

standards, the need for national governments to actively maintain its exchange equilibrium vis-à-vis major currencies is paramount, and given that the Qing empire remained nominally independent, these tasks would have to be performed by domestic agencies. It was a point of contention between Chinese and foreigners on who should be managing these institutions, but what was not in doubt by the early 1900s was a new set of institutions, practices, and statistics on fiscal and economic governance was needed.⁴³⁸ Furthermore, just as the nature of currency reforms through foreign debt could evade spheres of influences on the ground (although they had to contend with other informal currency zones), it was also a particular form of reform that, while supporting the centralising tendencies of national governments, asked (relatively) little of the state's capacity for enforcement. According to proponents of gold-exchange standards, backing the convertibility and trustworthiness of banknotes could be achieved simply with a large sinking fund in London that would stand as the lender of last resort, a task that for the late Qing government, would be much easier to achieve than mobilising its subject to purchase domestic bonds.

Viewed through these lenses, the receptiveness of central government officials in Beijing to currency reforms became somewhat more plausible, and we have already seen their interest in

Eichengreen and Marc Flandreau eds., *The Gold Standard in Theory and History* (London and New York: Routledge, 1985), particularly Chapters 4, 8-9.

⁴³⁸ The cost of otherwise directly intervening was of course explored in the assessment of Boxer Indemnities. Furthermore, anyone who encountered the bureaucratic exchanges between the British government of India and the Treasury in London over the Indian reserve deposit would know that outright colonisation does not absolve colonial governments of the need to intervene in its monetary markets from time to time.

learning about the details of Jenks' currency reform proposal during his visit in 1904. Much like how the concept of public debt was first made palatable by reformist intellectuals in the 1870s and 1880s, overlapping discursive spaces on national economies between foreign creditors and Chinese officials formed a basis for their negotiations throughout late Qing and much of the Republican era on monetary reform.

One of the common features was pursuit for quantifiable accountability in public finances, although both parties were ambivalent about making these figures public, despite the clamouring by reformist intellectuals.⁴³⁹ Again, this was very much motivated by the relentless pressures of public debt on the part of the Chinese, as Boxer indemnities propelled national and provincial governments to clarify their financial positions between 1901 and 1904.⁴⁴⁰ The pressure of public debt was most keenly felt in the gradual disclosure of extra-budgetary revenue sources (*waixiao kuanxiang*) by provincial authorities. Although Board of Revenue have frequently nudged provincial treasuries to adequately reveal its scale⁴⁴¹, the need to remit

⁴³⁹ In negotiations between Sheng Xuanhuai and Willard Straight over currency loans, Straight proposed to hide foreign creditors' auditing rights over Chinese budgets through an exchange of memoranda that would not appear in the main articles of the loan agreement, with both sides later agreeing on the Chinese sending copies of their accounts for review by the banking consortium. "Duzhi Bu Jiekuan Zheng Hetong Huiyi Wenda (度支部借款正合同会议问答)", March 9, 1911. Duzhi Bu Papers 0173, First Historical Archives, Beijing. From Xia Liangcai (夏良才), "Qingmo Bizhi Shiye Jiekuan de Jige Wenti (清末币制实业借款的几个问题)", *Xueshu Yuekan* (学术月刊), 2 (1986): 21-26.

⁴⁴⁰ See Chapter 5, Sections 1 and 2 for details on the setup of provincial budgets.

⁴⁴¹ The last major round of reorganisation and data-gathering by the Board of Revenue in 1883-84, with limited results. See Liu Zenghe (刘增合), "Guangxu Qianqi Hubu Zhengdun Caizheng Zhong de Guifu Jiuzhi ji

regular debt repayments meant that these sources were becoming more visible not only at the national level, but also at the provincial level over prefectural spending too. This formed the background to Board of Finance's drive in 1908 – 09 to demand provincial accounts for their extra-budgetary revenues.⁴⁴²

However, what the Board discovered through these accounts was a systemic deficit throughout the provinces. Although this was not exactly a surprise given regular provincial memoranda that pled poverty in response to debt repayment quotas, the inclusion of extra-budgetary revenue in these provincial accounts left the Board with little hope of finding further untapped revenues. The precise extent of this deficit remains a matter of academic debate, but a budget deficit of between 50-70 million tls. (approx. 6-8.5 million *l.*) for 1911 was given by the Board of Finance to national legislators in October 1910.⁴⁴³ To put this figure into perspective,

qi Xiandu (光绪前期户部整顿财政中的规复旧制及其限度)”, *Zhongyang Yanjiu Yuan Lishi Yuyan Yanjiu Suo Jikan* (中央研究院历史语言研究所集刊), 79 2(June 2008): 235-257. For an overview of *Waixiao kuanxiang*, see Iwai Shigeki (岩井茂樹), *Chūgoku kinsei zaiseishi no kenkyū* (中国近世财政史の研究) (Kyoto: Kyoto University Press, 2004), Chapters 3-4.

⁴⁴² Hu Jun, *Zhongguo Caizheng Shi Jiangyi* (中国财政史讲义) (Shanghai: Shangwu Yinshu Guan, 1920), 392-393.

⁴⁴³ “Zizheng Yuan Diyici Changnianhui Dishihao Yichang Sujilu (资政院第一次常年会第十号议场速记录)”, in Li Qicheng ed., *Zizheng Yuan Yichang Huiyi Sujilu* (资政院议场会议速记录)(Shanghai: Shanghai Sanlian Shudian, 2011), 79-80. The figure of 50-70 million tls. was most likely an estimate from the results of 1908-09 surveys, as well as through the process of drafting a national budget for 1911. To this day, an accurate estimate on national and provincial deficits from the 1908-09 surveys remains unavailable, mostly due to the painstaking labour needed to unify diverse currency standards (over 13 by one count), streamline over-assessment due to each province's *xie xiang* framework, and selection of a modern budget framework that could capture as

official annual revenue was estimated at around 89 million tls. by British observers in 1897, while regular revenue estimates for mid-19th Century (pre-1850s) fluctuated between 45-50 million tls. This is especially striking, since previous estimates have tended to admit ignorance over the scale of extra-budgetary revenues. This deficit figure essentially quantified a phenomenon well-known to provincial officials, and formed a perennial source of complaint for *Xinzheng*-era foreign bankers in China; namely provincial officials' incessant demands for advances on railway and industrial loans.⁴⁴⁴ Viewed from the longer trajectory of Chinese fiscal state-building (revenue statistics were collected from Mongolia, the Altai Region, and Tibet for the first time), the deficit gave a snapshot of how much capital early 20th Century China needed on a national scale, before it was engulfed by civil and foreign wars until 1953. The deficit was also something overshadowed by the revolutionary upheavals of 1911-12; the 1911 Revolution simply exacerbated the need for foreign loans, but this was a structural deficit brought about by China's chronic trade imbalance from its modernisation, a persistent challenged that bridged the political divides of late Qing and Republican governments.

The scale of this deficit also highlighted another common feature between Chinese officials and foreign creditors; a common recognition that "China will require to borrow largely for administrative and development purposes during the next few years, and her requirements will

much as the original fiscal data. See Han Xiang (韩祥), "Wanqing Caizheng Guimo Gusuan Wenti Chutan (晚清财政规模估算问题初探)", *Zhongguo Jingjishi Yanjiu* (中国经济史研究), 2014(3): 25-41.

⁴⁴⁴ C.S. Addis, "Chinese Reorganization Loan: Memorandum on the exclusive Government support of the British Group", June 24, 1913. PP MS 14 Box 20. Charles Addis Papers, School of Oriental and African Studies Archive, London.

have to be met, in the main, by loans raised in Great Britain, France, and Germany.”⁴⁴⁵ In particular, because of the currency reserve needed to sustain trust in state-backed banknotes, most monetary reforms contemplated by the late Qing government have implicitly accepted the need for foreign capital. This consensus also explains a significant feature of currency and reorganisation loan negotiations during this period: the receding of interest rates as a key concern of the loan terms. Other than a brief episode in Reorganisation Loan, when Yuan Shikai requested a slightly lower rate of interest from the banking consortium, issues of interest and discounts were not major areas of contention between the negotiating parties. If one considers the anxieties of Qing officials in 1870s over interest rates in Chapters 2-3, it is evident that by 1911, the phenomenon of fiscal expansion has been clearly naturalised as a feature in late Qing discourses on public finances.⁴⁴⁶

⁴⁴⁵ *Ibid.*, Page 5.

⁴⁴⁶ The decline in public anxiety over interest rates was partially due to the stabilisation of rates for these major loans at around 4-5% (not including short-term provincial loans), but also related to a shift in public discourse in favour of positive/expansionary public finances by many late Qing and early Republican politicians. The rise of parliamentary institutions between 1909 and 1911 was also an occasion for public debates over expansionary public finances’ merits and challenges. See speech by Liu Zexi, December 26, 1910, in “Zizheng Yuan Diyici Changnianhui Di Sansihao Yichang Sujilu (资政院第一次常年会第三十号议场速记录)”, in Li Qicheng ed., *Zizheng Yuan Yichang Huiyi Sujilu (资政院议场会议速记录)*(Shanghai: Shanghai Sanlian Shudian, 2011), 456-466. What was noteworthy here is that expansionary public finance was seen as an intrinsically desirable goal, and reductions imposed by parliamentary select committee defended as a temporary measure prior to constitutional reforms. The contrast between this and debates on fiscal retrenchment in post-Taiping era couldn’t be greater.

These common goals between Chinese officials and foreign bankers should be borne in mind, as we consider key points of contention between them. In contemporary correspondence by Anglo-American bankers over loans to China, the keyword was “control”. For railway loans, this implied a desire by foreign lenders for foreign management and potential ownership of the lines in the event of a default, but gentry and popular reactions against this degree of control, as seen in Sichuan and elsewhere, gradually prompted foreign bankers and diplomats to relax their demands⁴⁴⁷. In loans negotiated for the redemption of Peking-Hankow and Tientsin-Pukow lines, loan security rested on provincial revenues and *likin* proceeds, and not on the railways.⁴⁴⁸ This ceding of control to Chinese management was blamed by foreign bankers on cost overruns for Tientsin-Pukow line, who had no wish to see a repeat for the much larger loans contemplated in the currency loans.⁴⁴⁹

⁴⁴⁷ See Memorandum by Campbell, Sep 8, 1908, FO 371/422 for recognition of this predicament by British diplomats.

⁴⁴⁸ Two separate negotiations conducted from 1907 to 1908 between Chinese officials and Anglo-German banking consortium. Beyond immediate considerations of rights recovery in vogue during the 1900s, pledging provincial revenue (including *likin*) essentially embedded the interests of foreign bankers to that of the Chinese economy, at both the provincial and national level, as opposed to individual railway lines that could be easily partitioned by foreign creditors. However, this also rested on the assumption of functioning national and provincial governments, which was emphatically not the case between 1916-1928. As a result, railway loans contemplated during the Beiyang era reverted to the mortgaging of railway lines as basis for negotiation.

⁴⁴⁹ Willard Straight, “China’s Loan Negotiations”, *The Journal of Race Development*, Vol. 3, 4 (Apr., 1913): 383-384. Chinese sources however blamed cost inflation on German procurement practices and exorbitant salaries for expatriate staff. See “Jin Pu Lu Yangyuan zhi Xinshui (津浦路洋员之薪水)”, March 23, 1910. *Shen Bao*, 4.

For the question of currency and reorganisation loans, the question of control was twofold; at the operative level foreign creditors demanded, at a minimum, auditing and publication of government spending, using the improved estimates from provincial and national fiscal surveys mentioned above, with some embedment of foreign monitoring. This was the level that received most attention from Chinese and foreign negotiators at the time, and the one that provoked most of public reactions. However, for currency loans in particular, the question of control also implied a re-orientation of Chinese monetary system towards a direct and subordinate position to centres of global capital, through currency reforms policies negotiated between Chinese and foreign bankers.⁴⁵⁰ The contention over control reflected competing versions of how Chinese public finances should be linked to metropolises of capital, and more specifically, who ultimately held the levers to creation of credit.

Following the signing of agreements on currency reform loans in April 1911, Chinese representatives secretly met foreign bankers and financial experts in August to discuss the contents of currency reform, including Jeremiah Jenks, Willard Straight, E.G. Hillier and others.⁴⁵¹ When one compares the composition of Chinese delegation to their predecessors in

⁴⁵⁰ For the period immediately before 1914, this would imply a sterling deposit on Bank of England's account, along the lines of British India, Japan, and Argentina. In the case of China, a smaller deposit might also be needed in New York and Paris.

⁴⁵¹ Fittingly, the meeting was held in the plush surroundings of the Savoy in London, and in a clear sign of the ambivalence by bankers and Chinese officials on the need for public participation in monetary policy-making, there were no public announcements by the Board of Finance on the Committee's agendas, nor was the report by the Committee made public. The Chinese representative also stated "that he had come to this conference without

the Boxer reparation commission in 1901, it was clear that new definitions and pedigrees of fiscal expertise have taken root in the Board of Finance. In contrast to figures like Na Tong, who began his career as a lowly clerk in the Board of Revenues, the 1911 delegation was headed by Chen Jintao (1871-1939), who completed his doctoral dissertation under Irving Fisher.⁴⁵² Although their exchanges with foreign financial experts could be sharp at times, it was no longer a conversation between different traditions of fiscal and monetary practices.⁴⁵³ In addition to stressing the importance of external audits, foreign experts were fixated on the possibility of uncontrolled credit creation through banknote over-issuance by the prospective central bank, as well as the composition of reserves that would stand as surety for these banknotes. In an accurate foretelling of fiscal policies in the 1930s, one of the experts foresaw a scenario where “the Chinese government might conceivably issue internal bonds to an unlimited amount having nothing specific behind them, and use these as a basis of bank note circulation.”⁴⁵⁴ In effect, public debt as an instrument for national economy was already a distinct possibility by 1911, and financial experts (along with bankers) were trying to prevent

allowing it to be generally known in China that he had done so.” Minutes of Chinese Currency Committee, Fifth Meeting, August 4, 1911. FO 228/2507.

⁴⁵² Chen was also the first known Chinese student to have received a doctorate in economics in the U.S. The other two delegates also received their degrees in the U.S and Britain, with Xu Enyuan (1885-1926) apprenticing in a British county bank between 1906 and 1908. See A.R. Burt, J.B. Power, Carl Crow eds., *Biographies of Prominent Chinese* (Shanghai: Biographical Publishing Company Inc., 1925).

⁴⁵³ For example, one of quickest points of agreement reached was over the format of accounting and budget statements to be submitted by the Chinese government following the currency reform loan.

⁴⁵⁴ Minutes of Chinese Currency Committee, Fifth Meeting, August 4, 1911. P. 40. FO 228/2507.

its use for as long as possible.⁴⁵⁵

Fortunately for the financial experts, their Chinese counterparts were more temperate in their push for control over credit creation; in response to a suggestion by foreign experts to permit the free mintage of silver bullion imports (which would have increased domestic silver circulation and in consequence market liquidity), Chen Jintao said that “it was China’s intention ultimately to go to a gold standard.....and that free and unlimited coinage...would be something which his Government would not accede to.”⁴⁵⁶ Here, what preoccupied Chinese delegates the most was the ability to gradually curtail banknote issuance by foreign banks on Chinese territory, a question that was parried by foreign financial experts.⁴⁵⁷ In other words, the creation of credit as a monetary goal was secondary to the need for the Chinese government to incorporate it as a part of its national economy. Given this priority, much of the Chinese agenda in this conference was to relax (but not release) the leash on credit creation, by excluding marketable bonds (ie. Chinese debt issued quoted on London markets) from the range of stipulated reserves for banknotes. Otherwise, Chen stated, “it would make the bank note currency more inelastic”, when the lack of elasticity was precisely an intention of currency frameworks designed for peripheral countries like China, the Philippines, and the Dutch East

⁴⁵⁵ Of course, European powers (especially Germany, but also Britain) have already put debt into such uses by the end of WWI, and much of the work of post-war bankers was trying to cajole this instrument back into the cages of gold standard.

⁴⁵⁶ Minutes of Chinese Currency Committee, Second Meeting, August 1, 1911. P. 22. FO 228/2507.

⁴⁵⁷ Minutes of Chinese Currency Committee, Third Meeting, August 2, 1911. FO 228/2507.

Indies (Indonesia).⁴⁵⁸ Interestingly, the committee adopted a wording that essentially ceded this point to the Chinese delegates, in return for his acquiescence on the hiring of foreign adviser to the Board of Finance.⁴⁵⁹

Although in many aspects not the preferred reform plan by the banking consortium⁴⁶⁰, the currency reform plan agreed by both parties envisaged a phased de-monetisation of silver, and its replacement by fiat currencies (including banknotes and coins) linked to foreign currencies on gold standard. With the exception of a few technocratic features (such as details on exchange rate stabilisation mechanisms), this was a deal that included most of 1935 Currency Reform plan's goals, albeit with a longer timeframe for the demonetisation of silver. The deal also represented a confluence of Chinese and foreign goals, as the basis for foreign bankers' support

⁴⁵⁸ Chen was probably aware of foreign diplomatic representations on the over-issuance of banknotes by late Qing provincial authorities, which was a major grievance of foreign mercantile and banking interests in treaty-port areas. See "Yin Qianzhuang chu Chaopiao Shi (银钱庄出钞票事)", December 17, 1908, Ministry of Foreign Affairs Archive, 02-07-009-01-003, Institute of Modern History (Academia Sinica), Taipei.

⁴⁵⁹ A common feature of negotiations between foreign banking consortium and the Chinese government for currency reform and Reorganisation loans was their willingness to compromise on detailed points of implementation that would, in the eyes of foreign diplomats stationed in China, render Chinese dilution of the terms much more likely on the ground. See Jordan to Hillier, June 11, 1912. FO 228/2349, where Jordan (British Minister to China) admonished the bankers over their accommodation on the supervision of expenditure of provisional advances.

⁴⁶⁰ Charles Addis later expressed disappointment with the vagueness of resolutions adopted by the Chinese Currency Committee. Addis to Campbell, September 5, 1911. FO 228/2507. More drastic reform (involving measures to quickly switch to gold-linked standard) were of course advocated by Jenks in his mission to China in 1904.

of Chinese reforms remained that of its subordination to the hierarchy of pre-1914 global capital markets, despite their concessions to Chinese state's control over credit creation. This also explained their relative lenience in terms of foreign oversight of Chinese expenditure, whereby the Chinese government was only required to present quarterly accounts of expenditure relating to the loan to the consortium, along with the appointment of a foreign adviser (of Dutch nationality) to the currency reform process.

With the outbreak of revolution in October 1911, the banking consortium and immediately halted their cautious endorsement of Chinese currency reforms, and turned their attention towards protecting their financial interests in China, manifested through price fluctuations for Chinese bonds quoted on London and other debt markets. This aim was behind both the usurpation of control over custom revenue by foreign banks in Shanghai, and efforts by foreign governments to enforce a credit embargo to the belligerent parties throughout the Winter of 1911-12.⁴⁶¹ The latter was particularly effective in ensuring that the Qing government, even after recalling Yuan Shikai, was unable to sustain their campaigns to suppress Republican

⁴⁶¹ The usurpation of control refers to coordinated efforts from October to December 1911 by the Maritime Customs, foreign banks in Shanghai, and British diplomats to divert custom revenue from collection by Qing officials, who might have defaulted on Chinese debts. The funds were directly deposited by the Maritime Customs to foreign banks in Shanghai, which would in turn maintain regular repayments to bondholders. For a detailed account of the proceedings from the British perspective, see Stanley F. Wright, *The collection and disposal of the maritime and native customs revenue since the revolution of 1911* (Shanghai: Statistical Department of the Inspectorate General of Customs, 1927), while an updated summary could be found in Hans van de Ven, *Breaking with the Past*, Chapter 4.

revolutionaries.⁴⁶² Although foreign bankers and diplomats were of course unable to prevent the revolution's ignition, through the diversion and withholding of debt, they contained its escalation in a manner calculated to escape detection by the general public.

For the foreign bankers' Chinese counterparts, the 1911 Revolution served a function akin to triggers of modern-day debt crises; although the structural deficit within Qing budget is well-known to contemporaries, most of central government's daily functions were not yet impeded. Central and provincial governments continued its practice of juggling different funding needs from multiple revenue sources, although as the nature of provincial loans between 1909-1911 indicated, this balancing act was becoming harder to sustain. The 1911 Revolution both disrupted the flow of commerce in most southern provinces (especially for regional hubs like Hankou), and most significantly, installed a new crop of provincial officials whose political legitimacy no longer flowed from the central government. By early to mid-1912, this meant that remittances from most of the southern provinces to the Republican government under Yuan

⁴⁶² In particular, the shadowy affair of Cottu Loan and its significance to the trajectories of 1911 Revolution has long been overlooked. In their desperation, the Qing court signed off on two loans in late October with a disreputable French financier (Baron Cottu, previously charged with fraud in the Panama Canal scandal) of 150 million francs (approx. 6 million *l.* or 48 million *tl.*). As a price for their approval, the national legislature demanded dissolution of the Manchu-dominated cabinet, amnesties for the revolutionaries, and a constitution drafted by the legislature. Despite meeting these demands and with the support of French minister in Beijing, the Qing court was still unable to convince the French government to reverse their stance of neutrality by mid-November, whereupon the loan failed to issue. This represented the last major effort (supported by Yuan Shikai) of the Qing court to seek foreign funding, the absence of which drove them to negotiations with the Republicans in the South.

Shikai became irregular, even as these provincial revolutionaries grudgingly acknowledged Yuan's political authority. Thus perhaps paradoxically, the revolution undermined China's position from one negotiating over long-term loans for structural reforms to one eagerly seeking advances to cover day-to-day administrative costs.

This deterioration in China's negotiating position gave the banking consortium the lever to press forward with its version of fiscal reform for China in early 1912. To be sure, it also envisaged a form of national economy, but as the consortium's Chinese critics noted, it was a form that ran dangerously close to that of Egypt.⁴⁶³ The taxation of salt production and trading nationwide would be put under a salt gabelle with foreign management, a measure previously contemplated by Boxer Indemnities Commission. Similarly, foreign auditors would be appointed by the banking consortium to scrutinise and ultimately sign off on items of government expenditure that were using loan proceeds, a role designed as "not merely advisory, but also executive".⁴⁶⁴ On a less binding level, the bankers and foreign representatives also contained demands for the continuation of foreign management in custom services (including foreign bank's control of custom revenues), an expansion of foreign auditors in railway accounting departments, and provisions for acquiescing to Russian and Japanese interests in Manchuria and Mongolia.⁴⁶⁵ Although the foreign creditors shared with their Chinese

⁴⁶³ Li Yuanhong to Yuan Shikai, Sep 19, 1912. In Second Historical Archive of China eds., *Minguo Waizhai Dang An Shiliao* (民国外债档案史料) (Beijing: Dang An Chubanshe, 1992). Vol. 1. 133-134.

⁴⁶⁴ Jordan to Grey, April 29, 1912. Enclosure 1. FO 371/1318. Also Willard Straight, "China's Loan Negotiations", 393.

⁴⁶⁵ Peking Representatives to Consortium Principals, March 12, 1912. Requote from Frederick V. Field,

negotiators the aim of institution-building at a national scale, their priorities for these institutions lie in maintaining Chinese creditworthiness on international bond markets and where possible, the porousness of Chinese economic borders to global capital flows. The element of credit expansion was seen as a secondary issue, since foreign oversight on government spending was designed precisely to curb its growth.⁴⁶⁶

As one has argued throughout this section, a closer examination of the agendas proposed by Chinese officials and foreign bankers would reveal many overlapping areas of agreement, nor in the case of the Reorganisation Loan, was the façade of capital embargo by the banking consortium as solid as it appeared to contemporary Chinese observers.⁴⁶⁷ But the loan came at a distinctive moment in Chinese experience with public debt; since China's first encounter with modern public debt in the 1870s, the spectre of national bankruptcy *a la* Egypt (and to a lesser degree Ottoman Empire and Persia) has haunted its officials and intellectuals. Yet as many intellectuals and politicians recognised, what the banking consortium proposed in monitoring public expenditure and reorganising the salt gabelle came straight from the Egyptian

American Participation in the China Consortiums (Chicago: American Council Institute for Pacific Relations, 1930), 76.

⁴⁶⁶ For an institutional analysis of the salt gabelle, see Julia C. Strauss, *Strong Institutions in Weak Politics: State Building in Republican China, 1927 – 1940* (Oxford: Clarendon Press, 1988), where the adaptability of the salt inspectorate to different policy orientations throughout the Republican era was recounted in great detail.

⁴⁶⁷ The episode of the Crisp Loan of 1912 was particularly illustrative of the potential for Chinese government to breach the embargo imposed by the banking consortium, as it proved that the banking sector in London was eager to break the *de facto* alliance between the Hongkong and Shanghai Bank with the Foreign Office.

playbook.⁴⁶⁸ It was a painful realisation for these elites, all the more so after the elation of a Republican revolution.⁴⁶⁹ This contention over the terms of Reorganisation Loan was amplified through the medium of open telegrams (*tongdian*), as provincial officials, parliamentarians and key interest groups vied to publicise their positions. And rather like contemporary debt crises in Greece and Argentina, there was a degree of performativity involved in public opposition to the loan by parliamentarians, including their blockade of Hong Kong and Shanghai Bank on the eve of loan agreement's signing.⁴⁷⁰ Nonetheless, the disregard of parliamentary oversight over the Reorganisation Loan by foreign bankers and diplomats signalled the end of the road for the late Qing consensus on Chinese reforms through public debt, where political accountability had been conjoined with that of fiscal accountability. This was a consensus broadly shared between reformist Chinese and foreign diplomat-commentators on Chinese affairs, but here the diplomats were prepared to ditch political

⁴⁶⁸ For an example of contemporary hand-wringing over public finances and comparisons with Egypt, see Yan Fu (translator of *Wealth of Nations*) to Xiong Chunru, Oct. 20, 1913, in Wang Shi (王棫) ed., *Yan Fu Ji* (严复集) (Beijing: Zhonghua Shuju, 1986), vol. 3. Similarly, Song Jiaoren made explicit references to foreign fiscal oversight of Egypt in his electioneering speeches in late 1912.

⁴⁶⁹ When Chen Jintao, now the first Minister of Finance for Sun Yat-sen's provisional government, brought a draft loan agreement with the Russo-Chinese Bank for Senate approval in February 1912, outraged senators argued "if we must face demise (through financial supervision and scrambling for influence), one might as well end this grand old nation in the hands of the Manchu government, rather than through this republic." "E Sheng Canyiyuan Liu Chengyu, Shi Gongjiu, Zhang Bolie zhi zhi gongbu (鄂省参议员刘成禺、时功玖、张伯烈职之公布)", *Shenbao*, March 2, 1912. 3.

⁴⁷⁰ That said, as David Strand noted in his work, such performativity was also a sign of how "in 1921 and 1913 the Senate as a representative republican body peaked in a crescendo of activism and influence." *An Unfinished Republic*, 9.

accountability for that of fiscal accountability. By undermining the parliamentary system that Chinese reformers prided themselves on, the banking consortium and foreign diplomats paved the way for later nationalist and socialist critiques of foreign debt in relation to authoritarian rule.⁴⁷¹

For the cohort of Chinese officials in charge of the loan negotiations, they were thus stuck between renewed stringency of terms from foreign bankers, and highly publicised displays of opposition from Chinese parliamentarians.⁴⁷² In their responses to opposition by provincial officials and parliamentarians, these financial experts relied on the newly compiled statistics on structural deficit to argue for the necessity of foreign loans and fiscal reforms. In Minister of Finance's public address to the nation following the Reorganisation Loan's signing, a barrage of figures was used to demonstrate how around half of the national budget was related to public

⁴⁷¹ This undermining of parliamentary institutions through bypassing their rights to loan oversight was not limited to China during this period, but also applicable to the process of democratisation in Czarist Russia and Mexico. Viewed more broadly, contemporary experiences with debt crises in Latin America and Europe have also highlighted the tension between democratic accountability and the type of fiscal accountability and retrenchment demanded by international banking consortia. See Charles Kurzman, *Democracy Denied, 1905-1915: Intellectuals and the Fate of Democracy* (Cambridge, MA: Harvard University Press, 2008), Chapter 9 for an overview of great powers' interventions of peripheral countries' fledgling representative institutions, although Kurzman's focus seemed to have geared more towards "great powers" as a monolithic entity.

⁴⁷² In a sign of how carefully the parliamentarians manoeuvred to avoid popular recrimination, when the terms for fiscal oversight were sent to the Senate for approval on May 12, 1912, senators gave their conditional approval through a discussion meeting (*cha hua hui*, or more literally "tea and discussions"), not a formal session or committee meeting. See *Zhongguo Jindai Yanwu Shi Ziliao Xuanji* (中国近代盐务史资料选辑) (Tianjin: Nankai Daxue Chubanshe, 1985), vol. 1, 28-29.

debt, and criticised other policies proposed by parliamentarians as “mould a cup of sand and calling it a cup of rice”.⁴⁷³ This reliance on economic statistics was a form of technocratic discourse that was used to defend the unpopular loan agreement, a rhetorical strategy not available to previous Chinese advocates for fiscal reform in the 1880s and 1890s.⁴⁷⁴

At the same time, these Chinese bureaucrats were adept at exploiting the stringent conditions imposed by foreign bankers and diplomats for their own versions of national economy, including the issuance of domestic public debt. While sharing the parliamentarian’s distaste for foreign management in customs and salt inspectorates, the Chinese officials at Ministry of Finance were astute enough to leverage the reputational effects of foreign management as guarantors of domestic public bonds issued in 1914 and 1915. Later termed the Third and Fourth Year National Loan (*Min San Min Si Gongzhai*), a separate National Loans bureau was expressly formed with the British inspector-general of customs as its vice-chairman, further

⁴⁷³ Liang Shiyi (梁士诒), “Jiuji Muqian Caizheng Banfa ji Gao Guoren Shu (救济目前财政办法及告国人书)”. May 16, 1913, in Wang Yunwu (王云五) eds., *Minguo Liang Yansun Xiansheng Shiyi Nianpu* (民国梁燕孙先生士诒年谱)(Taipei: Taiwan Shangwu Yinshuguan, 1978 Reprint), 147-152.

⁴⁷⁴ One has also encountered similar rhetorical strategies in Cai Naihuang’s response to legislative inquiries on the bailout loan of 1910. Even at this fairly early stage, one of the ripostes to this line of argument was to question the accuracy of these figures (as opposed to questioning the use of statistics in general); in senate questioning of Premier Tang Shaoyi in April 1912, senators already complained that “the government is completely unaware of actual fiscal situation on the ground, yet it blatantly comes up with overblown numbers to mislead the public, for the purposes of borrowing to fulfil its extravagant spending plans.” “Bennian Caizheng Zhuangkuang Zhiwen Zhengfu Shu (本年财政状况质问政府书)”, April 1912, in *Minguo Jingshi Wenbian* (民国经世文编) (Shanghai: Minguo Jingshi Wenshe, 1913), Caizheng Vol. 6, 68.

involving the customs service in the management of Chinese public bonds. The institution-building aspects of these domestic bonds have been extensively recounted in Chinese-language studies, but something that was not stressed in existing historiography was the impact of 1911 Revolution, which firmly brought the crop of mid-ranking officials to the forefront of institutional reforms. This included not only key figures involved in the negotiations on currency reform loan, but prominent intellectuals and commentators like Liang Qichao, who briefly became the first head of national mint between March and December 1914. These figures, successors to comprador-reformists and diplomats of 1870s and 1880s, were highly mindful of the lesson from *Zhaoxin* Bonds and Sichuan Railway Shares.

The impact of these reformist figures could be detected in how the Third and Fourth Year National Loan were promoted; on the one hand, the embedding of foreign monitoring in the issuance process was a gesture towards the issue of trust and creditworthiness in domestic public debt, while the use of public meetings, publication of *baihua* pamphlets, and even staging of public theatre to boost subscription referred to both the direct relationship envisaged between the state and its subscribers, as well as the vibrancy in public speech-making and performances in the early Republic.⁴⁷⁵ The particular enthusiasm overseas Chinese subscribers

⁴⁷⁵ See *Tichang Neiguo Gongzhai Hui Di Er Ci Baogao Shu* (提倡内国公债会第二次报告书)(Beijing: Tichang Neiguo Gongzhaihui, 1914). What was notable in the collection of speeches and *baihua* pamphlets promoting the Third Year National Loan was their attention to earlier efforts and rhetoric by Sichuan Railway Company in the 1900s, emphasising the bond's attractiveness as an investment and security for retail subscribers, while also appealing to the citizen's support of new republican institutions through the more formal media of public speeches. An effort to balance these potentially conflicting rhetorical strategies could also be seen in an

displayed for these bonds (marketed through official missions to Southeast Asia) also signalled their identification with the new republican nation-state.

Yet if one were to look into the list of main underwriters for the bonds, this narrative of citizen-bondholders oversubscribing to public debt managed by creditworthy institutions becomes somewhat blurred. For the Third Year National Loan, it was the Bank of Communications that underwrote around 24.9% of total issuance, with the Bank of China (formerly Da Qing Bank) taking another 11%. The two Chinese banks, along with the Hongkong and Shanghai Bank, also underwrote 26.5% of total issuances for the Fourth Year National Loan.⁴⁷⁶ Although it is reasonable to assume that much of these bonds were then sold to retail investors, like their counterparts in London and elsewhere, the Chinese banks' successful underwriting of domestic bonds meant that their voices on debt management would be heeded from now on. In addition to their prominent roles in underwriting these bonds, the inclusion of Chinese government bonds (including domestic bonds) as part of the banks' currency reserves also meant that domestic public debt was speedily embedded into the framework of private credit creation in

“reformed” drama for bond promotion that was staged throughout Beijing in Sep-Oct 1914; hastily written and staged by members of Society for National Loan Promotion (*Tichang Neiguo Gongzhai Hui*) and Association for Popular Education of Beijing (*Beijing Tongsu Jiaoyu Yanjiu Hui*), the play aimed to “awake people’s sense of patriotism, but also trigger people’s habit for saving, so that the society in general can know about domestic bonds, and (view it) as not only useful for the nation, but also profitable for individuals.” (Li Dingyi, *Shehui Congtan* (社会丛谈) (Beijing: Guohua Shuju, 1935), 39.)

⁴⁷⁶ Jia Shiyi (贾士毅), *Minguo Caizheng Shi* (民国财政史) (Shanghai: Shanghai Shudian, 1917), 1060-1066. These were lucrative assignments for the banks, with a commission of 6% offered by the government.

the early years of the Republic.⁴⁷⁷ This structural embedding of public debt into the Chinese financial system (through mechanisms different from those in the 1870s or 1910), and its concentration in the hands of domestic financial institutions marked the moment when Chinese public debt became truly modern.

⁴⁷⁷ By December 1914, the Bank of China already held over 7.13 million Yuan worth of government securities on its balance sheet, although it is unclear how much of these securities were Chinese government debt issued on foreign markets. Between Bank of China and various minor commercial banks of the period, there also existed the arrangement that in exchange for a mixture of cash and government bond deposits (usually 60% cash and 40% government securities), the Bank of China would provide a certain amount of banknotes for the minor banks to circulate in their own regions, with government bonds thus serving as credit multipliers. (See *Zhongguo Yinhang Shanghai Fenheng Shi: 1912-1949* (中国银行上海分行史)(Beijing: Jingji Kexue Chubanshe, 1991), 11. This is not including the ballooning of convertible note issuance by the two main Chinese banks between 1912 and 1915, which multiplied by 38 times (Bank of China) and 37 times (Bank of Communications) in the space of four years. (See *Zhonghua Minguo Huobishi Ziliao: 1912-1927* (中华民国货币史资料) (Shanghai: Shanghai Renmin Chubanshe, 1986), 147-148, 162-163.

Conclusion: Sinews of Paper, or Continuities and Ruptures in Public Debt

The successful issuance of Third and Fourth Year National Loans between 1914 and 1915 is a good place to take a pause, and review some underlying themes in the history of modern public debt in China.

Why 1914-1915? Because firstly, with the outbreak of World War I, the 1913 Reorganisation Loan became the last major Chinese bond issuance for London and other European markets until the 1980s.⁴⁷⁸ For much of World War I, British diplomats watched uneasily as Japanese capital poured into China, culminating in the infamous Nishihara Loans of 1917-18. The latter loans, approved directly by the Japanese cabinet and lent through Japanese banks without any pretence of public offerings, represented a different strand in the technique of public debt, with different implications for Chinese economy and monetary regimes. Despite repeated negotiations between Chinese governments and foreign creditors in the Interwar era, the prospect of a major capital infusion from European and American sources remained elusive until mid-1930s; between 1912 and 1928, the Republican government managed to raise only

⁴⁷⁸ One should note that even as late as 1913, the nominally Japanese portion of the Reorganisation Loan was in fact issued on the European market. Later on, Chinese bond issuance during the Reform period tended to focus on Hong Kong, with some offerings in Tokyo in the 1980s and early 1990s. However, with gradual attempts to diversify and internationalise Chinese financial market and its currency, US-dollar denominated sovereign debt were issued in 2004 and 2017, while the Chinese government issued its first RMB-denominated sovereign debt in London in 2016.

6% of the amount issued for Qing-era railway loans.⁴⁷⁹ Much of the protracted negotiations were related to partial defaults that various Chinese loans began to suffer after 1915, especially railway bonds whose repayment were impacted by civil wars during the Republican era.⁴⁸⁰

Secondly, the period following the Reorganisation Loan saw a precipitous decline in central government's ability to collect its share of provincial transfers. With the exception of 1914, when proceeds of the Reorganisation Loan and prompt provincial transfers resulted in a nominal surplus, the remainder of Republican era saw the government in Beijing engulfed in perennial deficits. Yet in contrast to earlier eras in this account, the central government between 1916 and 1928 no longer possessed sufficient authority to enforce provincial transfers to Beijing.⁴⁸¹ This is not to posit a disintegration of central authority altogether, as is the

⁴⁷⁹ Xu Yi (许毅), *Beiyang Zhengfu Waizhai yu Fengjian Fubi* (北洋政府外债与封建复辟) (Beijing: Jingji Kexue Chubanshe, 2000): 452-453.

⁴⁸⁰ The railway bonds most affected by partial defaults in 1920s were the Tientsin-Pukow Bonds issued between 1908 and 1910 (approx. 2,960,000 *l.*), the Hukuang Bonds of 1911 (1,500,000 *l.*) and Lunghai Bonds of 1913 (4,000,000 *l.*). Both Huenemann in *The Dragon and the Iron Horse* and Köll in *Railroads and the Transformation of China* covers the disruptions brought on by warlord requisition of railway stocks. Outstanding default and restructuring of the Hukuang Railway Bonds remained a contentious issue throughout Republican-era negotiations, and due to its significant subscription by retail American bondholders, periodically resurfaces in contemporary Sino-American relations. See Tracy Alloway, "Trump's New Trade War Tool Might Just Be Antique China Debt", *Bloomberg*, August 29, 2019. <https://www.bloomberg.com/news/articles/2019-08-29/trump-s-new-trade-war-weapon-might-just-be-antique-china-debt>

⁴⁸¹ One could argue that Republican China was made up of fiscally autonomous blocs that persisted until 1949, with warlords and the central government competing for revenue in "China proper", while regional governments in Xinjiang, Manchuria, and Tibet managed their own fiscal affairs with little of the provincial transfers that

impression in much of the historiography for the Beiyang era; indeed, domestic public bonds were issued in ever greater amounts until waning days of the Beijing government. But the power dynamics between central and provincial governments surrounding public debt, as well as between central government and Chinese society in general, underwent a rapid reconfiguration after 1914-15, which calls for a pause in this narrative.

One of the key elements that prompted this reconfiguration was the voices of domestic financial intermediaries, which, if one reads accounts of early modern European debt markets, have been fairly conspicuous by its relative silence in this dissertation. The distinct voices, that is, not actual influences of financial intermediaries, which have been covered here via their decisions to withhold credit for many of Qing government's attempts to borrow. However, with the possible exception of Zheng Guanying, none of the most well-known thinkers on late Qing public debt came from a background of domestic financiers, as we have seen in the aftermath of bailouts for Shanghai financiers in 1910-11, the liberal-reformist consensus on political and fiscal accountability already began to diverge from domestic financiers' interests.

On the other hand, newly-formed Chinese banks began to hire Chinese graduates from Japanese and American institutions between 1905 and 1915, who gradually took over levers of credit from earlier generation of merchant-officials.⁴⁸² These bankers were far more

characterised late Qing fiscal relations.

⁴⁸² Mostly referring to the generation of Chinese bankers such as Zhang Jia'ao (1889-1979), Chen Guangfu (1881-1976), Bei Zuyi (1893-1982), and Bian Baimei (1884-1968). The life and works of Bian Baimei has been

conversant in the financial and political orthodoxies preached by their Western colleagues, and by 1916, were confident enough to repudiate directives from Beijing on the inconvertibility of paper currencies. Thus the Third and Fourth Year National Loans were very much the last instances where domestic financial intermediaries' voices on public debt were not distinctly articulated.

The potential ruptures within this pause prompt us to think about the broader question of ruptures and continuities in late Qing and Republican history, a question that is perhaps part and parcel with the period.

Much of this dissertation, especially in its first three chapters, stem from a desire to stress inherent continuities between the pre- and post-Taiping period, including how treasury deficits were managed, how debt between the Qing state and its lenders were negotiated, and how its officials tried to incorporate growth into existing fiscal and discursive frameworks. While this takes into account the expansion of revenue sources from *likin* and custom duties in the post-Taiping period, what one had hoped to emphasize was the continued recourse to past policy precedents and debates while attempting to manage (and at times, push back against) the post-Taiping fiscal expansion. Earlier works on this period have perhaps gave an overtly

feature in Brett Sheehan's *Trust in Troubled Times: Money, Banks, and State-Society Relations in Republican Tianjin* (Cambridge, MA: Harvard University Press, 2003). Bei, Bian, and Chen were promoted to their positions by an older generation of able officials with purchased degrees, who in turn owed their positions through the comparative fluidity of late-Qing officialdom. Zhang was recommended by none other than Liang Qichao, who noticed Zhang's accomplishments as a student of economics in Meiji Japan.

conservative reading to these official deliberations, when contrasted with an idealised version of Meiji Japan's experiences with similar issues. To me this comparison, while not always explicit, underestimated the vibrancy of domestic Chinese discussions on economic governance, and the difficulty in constructing and transmitting a competing liberal-reformist discourse on public debt with different intellectual sources; characterisations of conservatism would make more sense if there was a plausible discursive alternative for late Qing officials before 1890s.⁴⁸³

That said, it was clear by late 1890s and early 1900s, there was a conscious drive to foist a new set of fiscal procedures, routines, and intellectual pedigrees to managing Qing public finance. Even as discussed in Chapter 4 & 5 (and similar with other policies during the *Xinzheng* era), this drive was one that benefited centralizing tendencies of the late Qing court, the speed at which late Qing officials obscured and discarded older governing ideas and precedents was remarkable. In many ways, this rupture in fiscal expertise paralleled similar trends in hydraulic management, where “reproductive statecraft” as a governing priority was discarded by late Qing authorities, along with domestic intellectual heritage on water management, to be superseded by modern hydraulic techniques.⁴⁸⁴ Viewed more broadly, these ruptures could be

⁴⁸³ This is of course referring to Mary C. Wright's work on *Tongzhi*-era restoration, but also thinking of Chinese-language historiography on economic and industrial policies for the same period. Incidentally, a lot of these discussions might also have underestimated the longevity of early 19th C. and *Bakumatsu* period thinking on economic governance on the early Meiji era, but that is beyond this dissertation's purview.

⁴⁸⁴ David A. Pietz, *The Yellow River: The Problem of Water in Modern China* (Cambridge, MA: Harvard University Press, 2015), 67-68. Although not elaborated in greater detail, the term “reproductive statecraft” shares

viewed in conjunction with the introduction of Western natural sciences in the late 19th Century, with works on political economy translated by missionaries as part of a larger mission to extend knowledge (*ge zhi*), despite missionaries' own superficial understanding of financial mechanisms.⁴⁸⁵

That these ruptures took place so quickly can be seen, in part, as a result of the *ti-yong* dichotomy, which surfaced in the 1870s and 1880s but didn't extend to realms of governing techniques until late 1890s and 1900s. By late Qing and Republican era, this dichotomy has evolved into a framework where both fiscal, hydraulic, and other scientific expertise was placed in "the domain of the "outside", of the economy and of statecraft, of science and technology, a domain where the West had proved its superiority...and its accomplishments carefully studied and replicated."⁴⁸⁶ More specific to fiscal discourses and expertise surrounding public debt, the direct impact of debt accumulation through interest also needs to be acknowledged. Unlike the introduction of modern hydraulic engineering to the Yellow River, foreign creditors had an ever-increasing interest to enforce Western modes of fiscal accountability to their Chinese

some affinity with the lack of emphasis on growth as a governing priority in mid-Qing fiscal management. This of course allows for the promotion of agricultural productivity by some mid-Qing officials, which was noted by Pietz and incidentally formed part of Chapter 2's arguments on Zhang Zhidong's intellectual pedigree.

⁴⁸⁵ Benjamin A. Elman, *On Their Own Terms: Science in China, 1500-1900* (Cambridge, MA: Harvard University Press, 2005), Chapter 10–11.

⁴⁸⁶ Partha Chatterjee, *The Nation and Its Fragments: Colonial and Postcolonial Histories* (Princeton, NJ: Princeton University Press, 1993), 6.

borrowers.⁴⁸⁷ Thus the latter chapters of this dissertation can also be read as an account of political, economic, and intellectual ruptures that were directly caused by the accumulating mechanisms of late 19th Century capital.

And yet, one does not hope to end on a note of deep and enduring rapture. For while pointing out the attempt dichotomy between material and spiritual domains, Chatterjee also observed how such division was “neither co-extensive with nor coincidental to the field constituted by the public/private distinction”.⁴⁸⁸ This observation was made in a context where distinctions between public and private were negotiated with a largely external colonial presence, what happens, as was the case for public debt in late Qing and Republican era, when such a distinction must be first defined, then contested within the body politic? This is where I suggest that the displacement of domestic debates and intellectual sources on public debt and political economy, most notably in the 1900s and 1910s, does not represent a complete rupture in how Chinese officials, intellectuals, and merchants approached modern public debt.

For example, we have seen in Chapters 2 and 3 how provincial officials and reformist intellectuals in treaty-ports attempted to navigate the extent of state involvement in promoting economic growth, using the new instrument and discourses of public debt. The arguments used

⁴⁸⁷ One should also note that modern hydraulic expertise was first introduced to China through river conservancy projects around Shanghai and Tianjin, in both cases advocated and managed by foreign commercial interests in those treaty-ports.

⁴⁸⁸ Partha Chatterjee, *The Nation and Its Fragments*, 10.

by Zhang Zhidong to justify state intervention in *new* sources of profit against perceived encroachment of private livelihoods were matched with those by late Qing reformists to reconcile state involvement in development with mid-Victorian liberal principles. Similarly, the rapid displacement of domestic discourses on political economy went hand in hand with testing new boundaries between the state and its prospective subscribers in Chapters 3 and 4. These repeated negotiations between different elements of late Qing society over public debt produced a continuity that was arguably more than one of objective agendas and structural challenges.⁴⁸⁹ At the risk of gross over-simplification, the continuity was one of attitude and approaches over particular questions of political economy, which was reinforced by the persistent recurrence of some governing challenges.

In particular, an ambivalence, bordering distrust at times, towards private financial intermediaries was a stance shared by different groups of officials and intellectuals throughout this account. This ambivalence is perhaps more understandable when found in official memoranda, especially those from the Board of Revenue in mid- to late Qing (see Chapter 1), but even reformist intellectuals were weary of the role private foreign banks played in underwriting foreign bond issuances in Chapter 3. It did not signal a distrust of modern banking institutions in themselves, as late Qing officials like Sheng Xuanhuai were enthusiastic about

⁴⁸⁹ Both Philip Kuhn and R. Bin Wong have referred to linkages and continuity in governing agendas faced by the late imperial government to the post-1949 era, with Wong noting the obscuring effects of “new Chinese vocabularies that assign newness to concerns that in fact stretch back centuries.” R. Bin Wong, *China Transformed: Historical Change and the Limits of European Experience* (Ithaca and London: Cornell University Press, 1997), 282-283. Also see Philip A. Kuhn, *Origins of the Chinese State*, Chapter 3.

promoting Chinese imitations, but weariness of private financial intermediaries' ability to contend with the State's prerogative for credit creation. As we have seen from Chapters 1 and 5, it was a power jealously guarded by both Daoguang-era intellectuals and foreign-trained financial experts.

What is noteworthy here is the liberal-reformist role in perpetuating this attitude of ambivalence; calls for fiscal and political accountability, witnessed in Chapter 3 and 4's discussions, were not rejections of the State's monopoly over credit creation. Rather, they were demands to change the composition of the State in question, rather than pressuring the State to cede its prerogative to another institution.⁴⁹⁰ During the brief debate on adopting gold-exchange standard in *Xinzheng*-era China, the argument that an external mechanism would thus automatically constrain credit creation by the State, one frequently touted by classical liberals in Victorian era (despite a record that was far from automatic), barely made an appearance in Chinese discourses. The receptivity of late Qing intellectuals and politicians to Japanese models of fiscal reforms or strands of progressive liberalism in Nineteenth Century America certainly did not help the cause of external restraint on credit creation either.⁴⁹¹

⁴⁹⁰ The closest example to delegating State prerogatives over debt issuance was the formation of National Loan Bureau, formed in preparation for the issuance of Third Year National Loan of 1914. Its board including representatives of major commercial banks, with the Inspector-General of Maritime Customs serving as *de facto* comptroller. However, the Bureau was incorporated back into the Ministry of Finance by 1917.

⁴⁹¹ It is a commentary on the eclectic adaptation of foreign discourses on political economy in late Qing that one could find instances of key Chinese figures opting for both groups (Liang Qichao and Sun Yat-sen for example).

As Republican China lurched from insolvency to insolvency after 1915, marked by a financial revolution that began with an explicit rejection of the Republican state's credit creation capacities by private Chinese financiers, this ambivalence towards private financial intermediaries would find its expression through new discourses of political economy and popular politics.⁴⁹² At the same time, the earlier acquiescence and at times endorsement of the State's role in issuing public debt for economic growth would pose a discursive conundrum to rising voices within modern Chinese financial sector, as they sought to resurrect and remold a Republican state amenable to their interests, using modern public debt as their lever.

⁴⁹² See Debin Ma, "Financial Revolution in Republican China During 1900-1937: A Survey and a New Interpretation," *Australian Economic History Review* 58, Issue 1 (2019): 1-21 for an interesting interpretation of financial development in the Republican Era, with the argument that "what happened in China's early twentieth century financial revolution was precisely a transfer of the European type of city-state driven financial revolution onto the Chinese context." Although the author's suggestion that arbitrary imperial rule as an explanation for under-development of late imperial Chinese financial institutions might not be that far from the one posed by Rosenthal and Wong (2011); there were no greater constraints to arbitrary imperial rule than *sustained* military competition from rivals with similar political longevity (ie. Early Modern Europe).

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