

**THE RISE OF SHANXI MERCHANTS:  
EMPIRE, INSTITUTIONS, AND SOCIAL CHANGE IN QING CHINA,  
1688-1850**

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## Abstract

This dissertation traces the rise of Shanxi merchants during the Qing era (1644-1911). During the eighteenth and nineteenth centuries, merchants from Shanxi Province in north China formed an unprecedented, expansive business network that not only controlled long-distance trade between China proper, Mongolia, and Russia, but also created an empire-wide banking system in China for the first time. Given these accomplishments, Shanxi merchants have become synonymous with traditional Chinese entrepreneurship.

My research considers how Shanxi merchants rose to prominence and why they became so successful. I argue that the history of Shanxi merchants has to be understood in the context of the political economy of the Qing imperial project. During the first half of the eighteenth century, thanks to its rapid expansion, the Manchu empire engulfed the Mongolian steppe and Xinjiang, which resulted in the opening of the nomadic market for Chinese traders for the first time in history. The activities of Shanxi merchants helped to integrate these frontier regions with China proper. These merchants developed a series of institutions based on the time-honored local traditions of north China, which were then adapted to suit the socio-economic conditions on the frontier. These institutional innovations included the creation of new forms of native-place organizations, trade guilds, new firm structures, and new banking systems.

Shanxi merchants' institutional innovations had profound impacts on late imperial Chinese society. On the one hand, these new institutions on the frontier pioneered a series of changes in China proper during the nineteenth century. On the other hand, Shanxi merchants used these institutions to create a new social order with mercantile power at its helm, which was radically different from the orthodox Confucian order backed by imperial ideology. For this reason, I argue that understanding Shanxi merchants' history also challenges dominant perceptions of the spatial economy of the Qing Empire. As this study reveals, the remote and landlocked northern frontier of the empire was not a backwater but a center of economic dynamism, a source of enormous wealth, and an incubator of new institutions, organizations, and values.

Drawing insights from the "New Qing History" scholarship and institutional economics, this dissertation builds on a wide range of primary sources, including Chinese-language archival materials from both Inner Mongolia and the Mongolian People's Republic, local business documents made available to me by private collectors in Shanxi, stele inscriptions collected by Japanese investigators during the first half of the twentieth century, as well as gazetteers, genealogies, and oral history interview records from Shanxi and Inner Mongolia.

## Dedication

*for my mother and father, for all the support and love*

## Acknowledgement

The thanks that I owe to all those who have enabled me to write these words is boundless, but there is only space here to list a few among the many to whom I am and will ever be grateful. All my family, in China, the United States, and elsewhere, has offered always the most wonderful love and support. During my years at Stanford, mentors and friends have truly been like another family to me, nurturing while challenging.

My particular and profound appreciation for the encouragement and guidance of Matthew Sommer, whose example of how to live a rounded scholarly life I shall strive to follow in the years to come. And, without Mark Lewis' guidance, I might never have started this Ph.D. program at all. Karen Wigen always pushes me to think beyond the confines of Chinese history and to think cartographically and photographically. I owe a special debt to Avner Greif, whose wholehearted dedication to knowledge and unending curiosity has been most inspiring. I also owe a great debt to Nicole Kwan, a teacher and true friend. It is difficult to imagine the writing process without her constant help and support.

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## Table of Contents

Abstract	iv
Acknowledgement	vi
List of Tables	viii
List of Figures	ix
Maps	x
Introduction	1
Chapter 1: Building Business in Imperial Expansion: The Qing-Zunghar War and the Rise of Shanxi Merchant Firms in Early Eighteenth Century Mongolia	30
Chapter 2: Doing Business across the Empire: The Shanxi Merchant Network in the Gao Pu Jade Smuggling Case	87
Chapter 3: Managing Merchants on the Frontier: The Hang and the Imperial System of Control	114
Chapter 4: Bringing Home to the Frontier: The Origin of Merchant She Organizations in Hohhot	157
Chapter 5: Merchants at the Helm: The Rise of Trade Guilds and the New Order of Hohhot	222
Chapter 6: Creating New Nexus of Power: Money and Banking on the Edge of the Qing Empire	285
Conclusion	350
Bibliography	354

## LIST OF TABLES

1. Unlicensed Sojourners in Urga by Places of Origins	69
2. Number of Sojourners by Occupation and Current Whereabouts	70
3. List of Native-place She in Hohhot	162
4. Trade Guilds of Hohhot	283

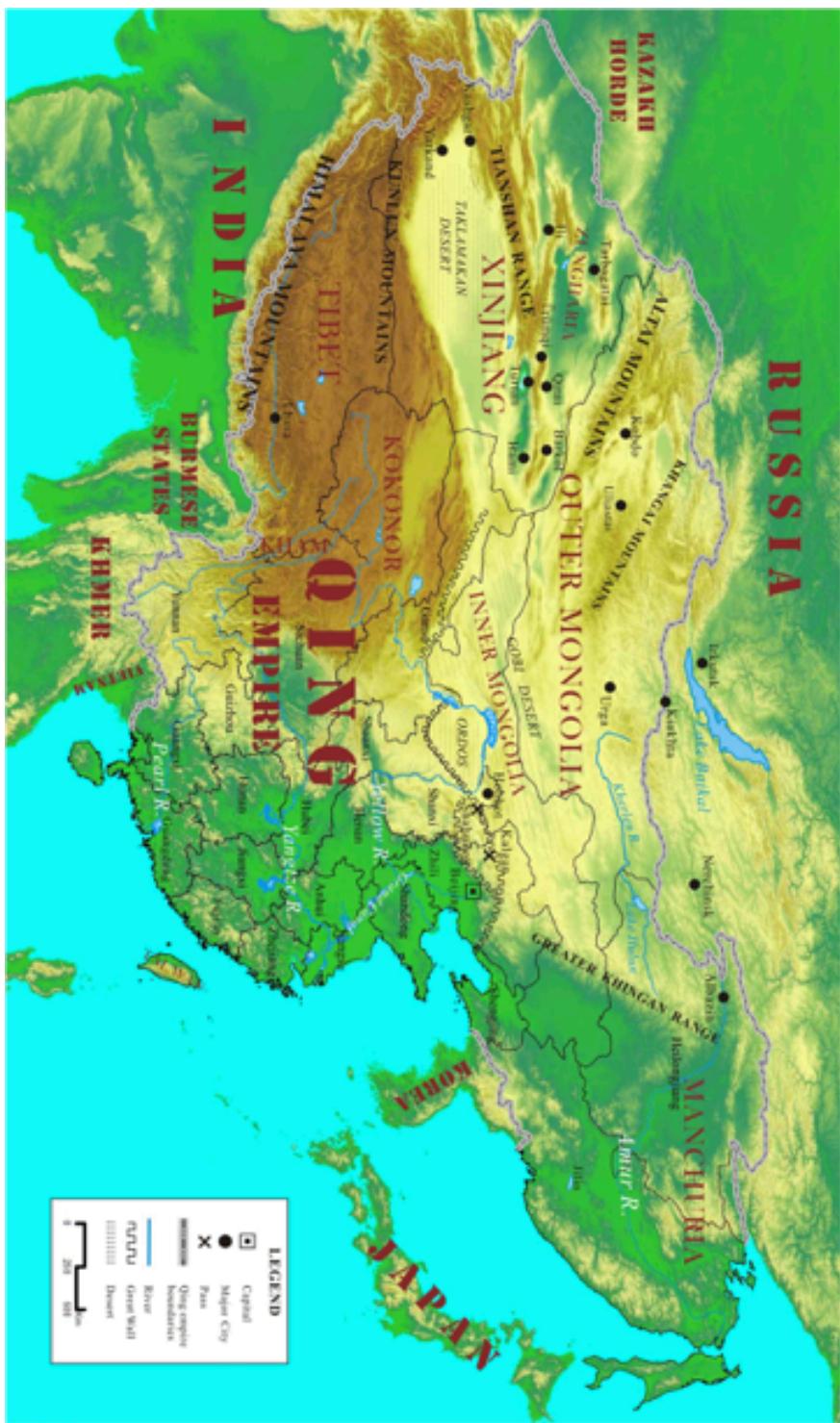
## LIST OF FIGURES

### MAPS

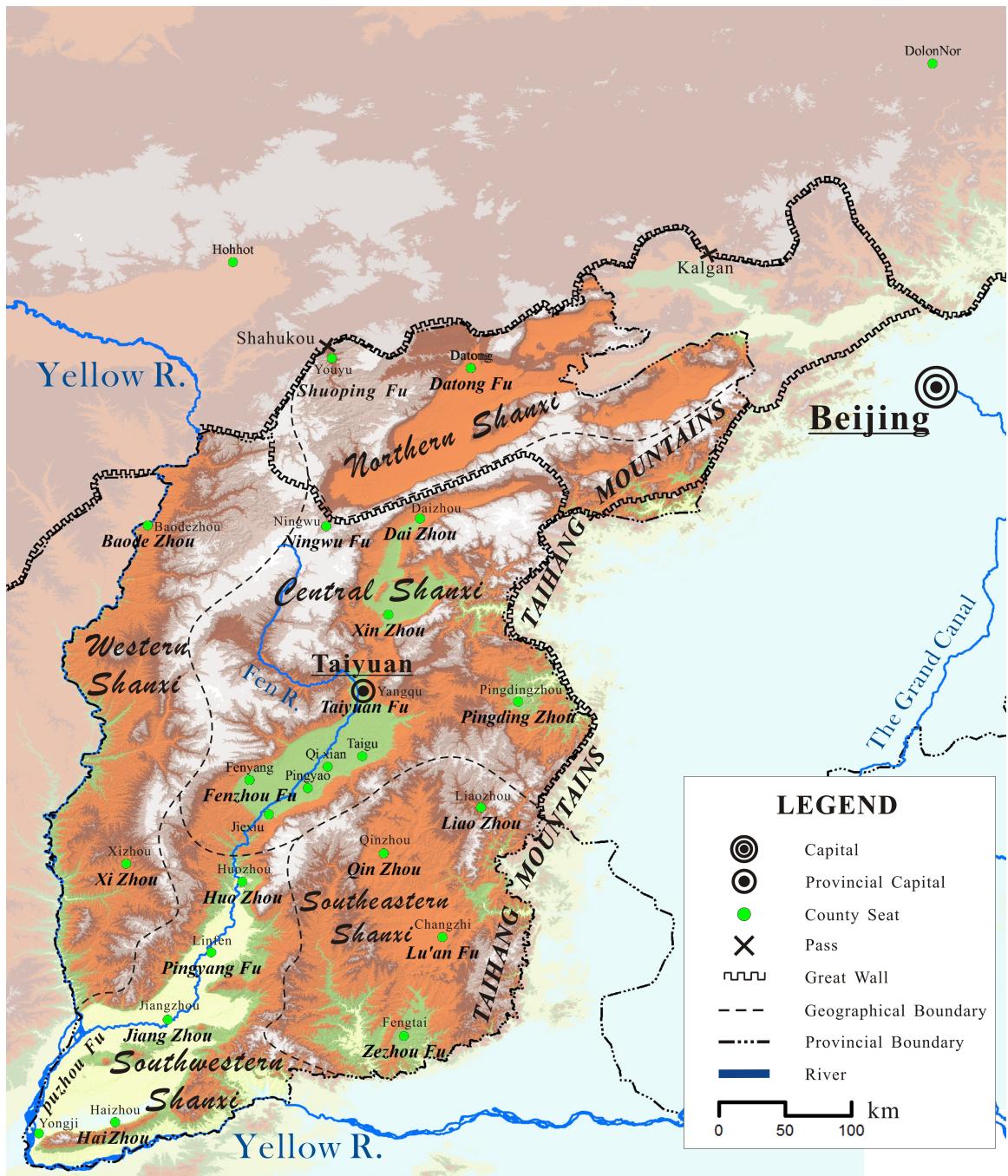
5. Qing Empire circa 1800	x
6. Regions of Shanxi Province circa 1730	xi
7. Regions of Shanxi Province circa 1730	xii
8. Prefectures and Counties in Shanxi Province circa 1750	xiii

### ILLUSTRATIONS

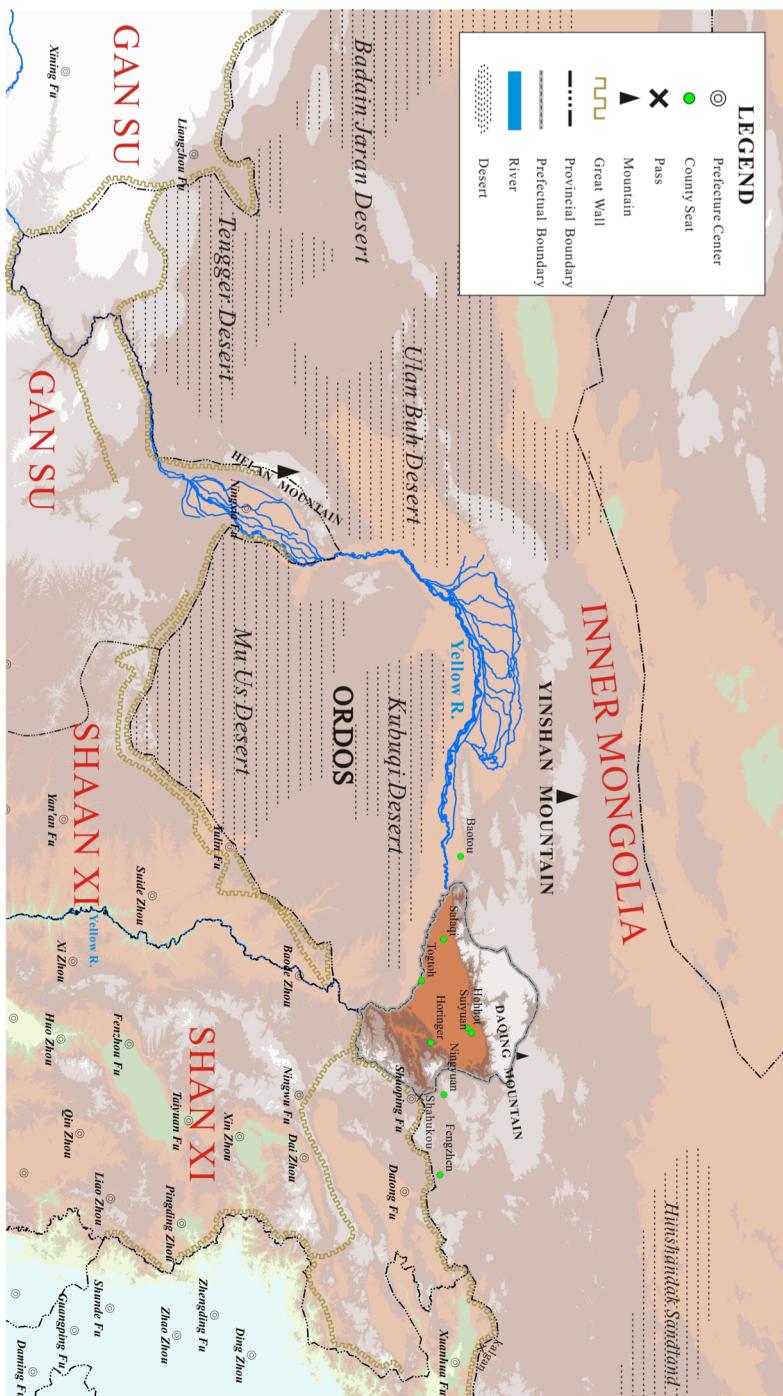
1. The City Wall of Pingyao, Pingyao County	27
2. The Qiao Family Mansion in Qiaojiaobu Village, Qixian	28
3. The Wang Family Mansion at Jingsheng Village, Lingshi	29
4. Qing Era Map of Uliastai and Nearby Official Postal Road in 1862	85
5. A Tea Brick from the Qianlong Era	86
6. Silver and Copper Standards Comparisons	344
7. Manual on Differentiating and Authenticating Silver Ingots	345
8. A Woodblock Printing Plate of a <i>Qianpiao</i>	346
9. A <i>Qianpiao</i> Issued by Xinglong Sudian in 1787	347
10. A <i>Qianpiao</i> Issued by Tianyihe Firm in 1824	348
11. The Two Sides of a <i>Qianpiao</i> Issued by Fengyuqing Firm in 1861	349



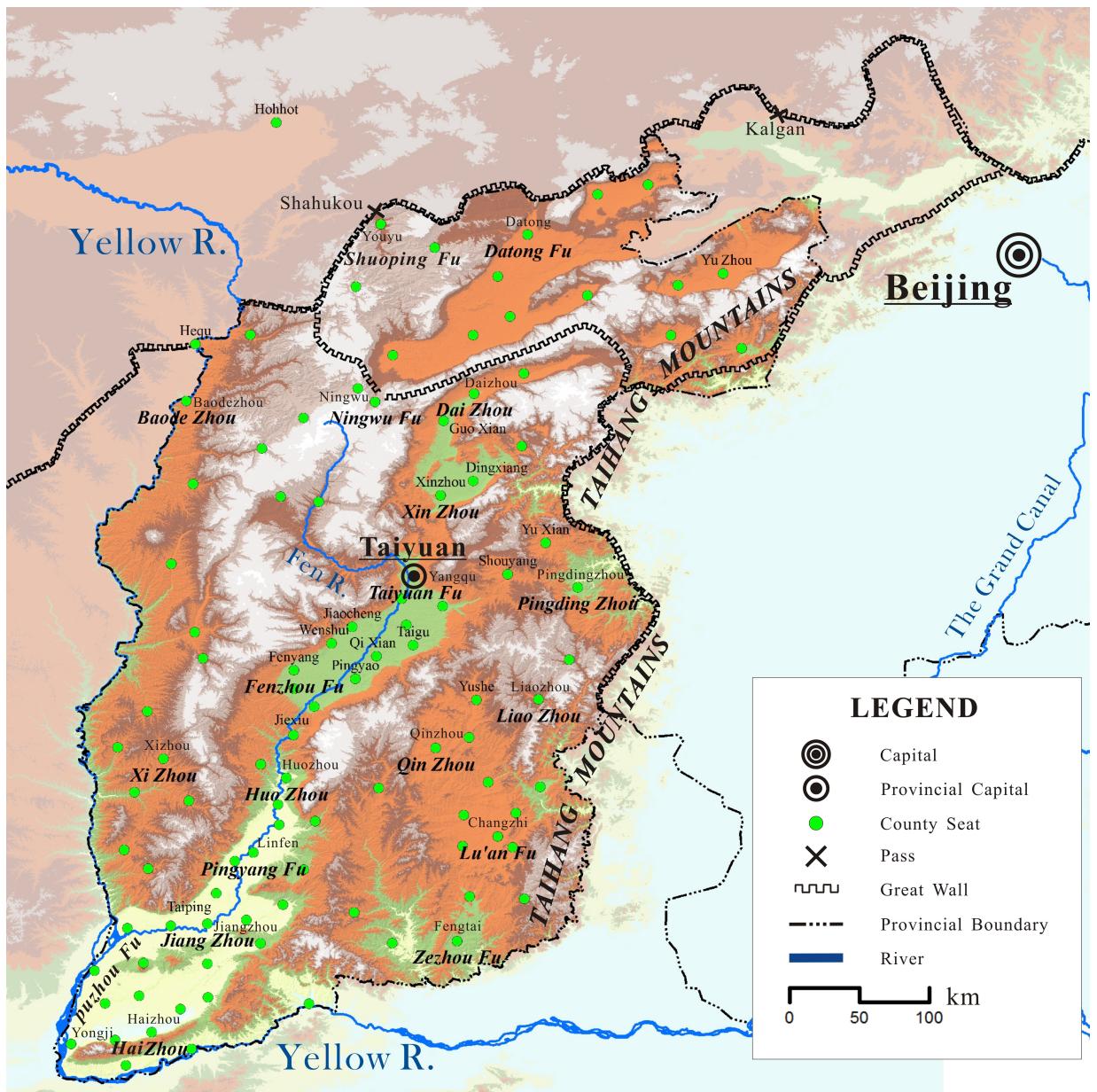
Map 1: Qing Empire circa 1800 (made by Zhijian Qiao and Bin Shen)



Map 2: Regions of Shanxi Province circa 1730 (made by Zhijian Qiao and Bin Shen)



Map 3: Inner Mongolia circa 1800 (made by Zhijian Qiao and Bin Shen)



Map 4: Prefectures and Counties of Shanxi, circa 1750 (made by Zhijian Qiao and Bin Shen)

## INTRODUCTION

### *Toward a New Narrative of the Shanxi Merchants' History*

In the spring of 2008, when completing my master's thesis at Stanford about northern Song biographies of women, I stumbled across an opportunity to accompany and translate for a small delegation of Chinese government officials and architectural experts who were on a study trip in California to learn about the American experience of heritage conservation. The delegation hailed from Shanxi, an inland northern province that boasted five thousand years of history and many of the most storied sites in China, and that is generally considered the cradle of Chinese civilization. As it turned out, the heritage that the delegation was seeking to preserve was not that ancient: it was neither the glorious grottos of the early medieval period, nor the magnificent temples of the Tang, Song, and Liao dynasties. Instead, the focus of the delegation's concern was Pingyao, a county seat in central Shanxi built and developed during the Ming and Qing era that has fortunately been preserved in its traditional form. The city became a UNESCO World Heritage site in 1997 for its representativeness of the shape and style of pre-modern Chinese cities. But representativeness aside, Pingyao was no ordinary city; in addition to the intact city walls, the grid of streets and alleys and old temples, the city also contained dozens of imposing bank buildings and many grand merchant-built courtyard dwellings from the Qing era that were not commonplace vistas

among historical Chinese sites. According to the enthusiastic members of the delegation, what distinguished Pingyao from other places in the late imperial period was its epicenter status in the historic rise of the famous Shanxi merchants, who, borrowing a slogan coined by local historians, “dominated the commercial arena (in China) for five hundred years (*cheng xiong shang jie wu bai nian*).”

By 2008, public interest in the Shanxi merchants had surged. In an age of rampant materialism and market ethos, the Chinese public had become increasingly obsessed with China’s long commercial tradition and the pre-modern roots of Chinese entrepreneurship, in which Shanxi merchants emerged as an outstanding representative. In such a climate, Pingyao became a place of pilgrimage, where millions of visitors came to pay homage, not to its architectural treasures, but rather to those great merchants of the late imperial period and the vast wealth they amassed there. Since the turn of the twenty-first century, partly due to public interest and partly due to the active promotion of the Shanxi provincial propaganda machine, stories about Shanxi merchants also popped up in newspaper articles, blog posts, documentaries, business manuals, performing arts, and TV dramas, which vied to capitalize on the popular imagination of the exemplary pre-modern Chinese businessmen. Together, they cooked up an image of Shanxi merchants who were wealthy yet down-to-earth, shrewd yet honest, profit-driven yet morally committed, lowly-stationed yet culturally sophisticated. In short, at a time when China had just fully embraced market economy, Shanxi merchants rose prominently in the discourse and imagination of Chinese business history, becoming a symbol of a

long tradition, while also embodying the zeitgeist of the fast-commercializing contemporary society.

Spending a full week with the delegation won me an invitation to visit central Shanxi that summer, and the visit was a revelation for me. Despite my familiarity with the hyperbole about Shanxi merchant wealth, I was still unprepared for the sheer scale and number of the architectural monuments that attest to these merchants' resourcefulness. As I noticed during the trip, Pingyao is not the only city graced with handsome merchant dwellings; Qing-era buildings in neighboring county-seats such as Taigu and Qixian, despite the wreckage of time, boast even more conspicuous designs and even greater opulence, making Pingyao's mansions look almost pedestrian. I also realized that the Shanxi merchants' wealth and power were not merely an urban phenomenon. Successful merchants of the late imperial era often returned to their home villages and built extravagant mansions for their families, which, over generations, could expand into building compounds of palatial scale. Merchant family mansions, large and small, spread across the countryside and dominated the landscape of many a village in central Shanxi. While most of these buildings have been destroyed, there are a fortunate few that survived the turbulence of the twentieth century and have reemerged as tourist sites after recent repairs and reconstruction, such as the famous Qiao family mansion in the Qiaojiaobu village of Qixian,<sup>1</sup> the Cao family mansion in the Beihuang village of Taigu, the Wang family

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<sup>1</sup> In recent years, the Qiao family of Qixian has become probably the best-known merchant house of late imperial China. In comparison with many other families of central Shanxi, the Qiao family's wealth came relatively late. It was not until the Daoguang Reign (1821-1850) that they became well established as one of the leading merchant houses. Based in Baotou, an Inner

mansion in the Jingsheng village of Lingshi, and the Chang family mansion of Yuci. Although I knew that the leading Shanxi merchants were among the wealthiest in the empire during their time, I was still shocked that the original size of the Wang and Chang family compounds could rival even that of the imperial palace in Beijing. Even in the ordinary villages I visited outside Pingyao, albeit poor and dilapidated in the contemporary era, many dwellings still exhibit traces of the elegance and affluence of that bygone era. Being exposed to these architectural remnants, almost all of which were constructed in the eighteenth and nineteenth centuries, I became deeply interested in the stories of the merchants behind these buildings and eager to learn what historical forces had contributed to their wealth.

### **The Existing Narrative**

With questions in mind, I went back to study the current historiography on the Shanxi merchants, but found them wanting in narrative paradigm and analytical framework. Although the wave of popular interest in the Shanxi merchants' stories showed no sign of subsiding, historiography had not kept apace. Current understandings of the Shanxi merchants' history still embrace a revisionist paradigm established in the 1980s by a group of historians who were either natives

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Mongolian town and the commercial offshoot of Hohhot, the businesses of the Qiao family span many areas, including Mongol-trade, grain trade, banking business, as well as the new *piaohao*, or remittance banks. Their modern-day reputation, however, was a result of their well-preserved mansion in Qixian, a popular tourist site. The Qiao family mansion first attracted public attention in the early 1990s, when it featured prominently in Zhang Yimou's award-winning film *Raise the Red Lantern* (1991). A 45-episode CCTV drama titled "The Qiao Family Mansion (*qiao jia da yuan*, 2006)," a fictional account of the rise of the Qiao family, became a massive hit among the Chinese TV viewers.

of Shanxi or employed at institutions in the province.<sup>2</sup> Trying to make up for the time they lost during the Cultural Revolution, these scholars approached history with a missionary zeal, not only to revise the orthodox Communist interpretation of history, but also to restore their historical subjects to their rightful places and to reclaim a lost tradition for their province.

On the one hand, writing in the post-socialist era when the previously rigid Marxist ideology had given way to a new zeitgeist extolling the virtue of market and commerce, consciously and subconsciously, these scholars together created a narrative of Shanxi merchants' history that invalidated the Marxist interpretation and catered to contemporary societal needs. Concretely speaking, they revised the earlier Marxist view that Shanxi merchants were the "running dogs" of the imperial state and dependents of the feudal landlord class, and that their wealth was the fruit of exploitation. Instead, these scholars tend to boast about the merchants' achievements, the originality and creativity of their entrepreneurship, their high moral standards and social responsibility, and their positive contributions to China's economic development in the early modern era. In addition, these writings also aim to reveal the lessons that these pre-modern merchants could offer to contemporary

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<sup>2</sup> Important authors include Zhang Zhengming, Huang Jianhui, Zhao Ruyong, Shi Ruomin, Liu Jiansheng, Kong Xiangyi, Ge Xianhui etc. After a two-decade hiatus, in the early 1980s, local historians began to publish essays in academic journals to reclaim the significant role of Shanxi merchants in Chinese history, which led to a wave of scholarly research that continues to this day. Many conclusions and the interpretative framework of this revisionist historiography are well reflected in Zhang Zhengmin's popular 1995 monograph, which remains the most authoritative and widely read survey of Shanxi merchants' history. Three editions of the book have been published. See Zhengming Zhang, *Jin shang xing shuai shi: cheng xiong shangjie 500 nian* (Taiyuan: Shanxi gu ji chu ban she, 1995, 2001); Zhengmin Zhang & Shu Zhang, *Jin shang xing shuai shi* (Taiyuan: Shanxi jing ji chu ban she, 2010).

entrepreneurs and to the future development of China's market economy.<sup>3</sup> Such revisionist scholarship shattered the overly critical and rigid framework of Mao-era communist ideology in the writing of business history, but it suffers from a eulogistic attitude and lacks the analytical rigor required to understand the deep causes of the rise and fall of the Shanxi merchants.

On the other hand, unlike the Mao-era Marxist interpretation of history that tends to adopt a national perspective, this revisionist historiography has been written from a local standpoint. For Shanxi scholars of the post-socialist era, the purpose of writing the history of Shanxi merchants is to assert a strong sense of local pride, but also to reclaim an adventurous, forward-thinking mercantile tradition that had long been lost, as this once prosperous province had fallen behind in the twentieth century to become an economic backwater today. While private businesses in coastal provinces had already benefitted from market reforms and open competition, Shanxi lagged behind and is now trapped in a resource curse as a coal-mining center. To reclaim the commercial tradition of the Shanxi merchants is thus to provide historical inspiration and spiritual stimulus for the people of Shanxi today to engage in entrepreneurial activities and rebuild the province's commercial power. That is exactly why the Shanxi provincial government's propaganda

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<sup>3</sup> The first publication in the reform era that boasts about Shanxi merchants' way of business is Jichun Tian and Cunshan Liu's 1986 monograph. See Jichun Tian and Cunshan Liu, *Shanxi shangren de sheng cai zhi dao* (Taiyuan: Shanxi sheng wenshi ziliao yanjiu weiyuanhui, 1986). For an essay on a similar topic, see Ruyong Zhao, "Shanxi shang ren de jing ying shu," *Shanxi caijing daxue xuebao* 9, no. 4 (1987): 96-98. Recently, Liang Xiaomin's popular business history writing also aims to use Shanxi merchants' experience to offer business lessons to the contemporary reader. See Xiaomin Liang, *You shanxi hua jin shang* (Beijing: Peking University Press, 2015).

machine continues to support cultural adaptations as well as scholarly research on the Shanxi merchants. For these scholars, writing such history is a responsibility and a calling.<sup>4</sup>

Written from a provincial standpoint, such historiography shows serious limitations, however. For one thing, a provincial standpoint implies an introverted perspective. While merchants from Shanxi in the late imperial period went far beyond the confines of their province and conducted long-distance trade in faraway places, the existing narrative focuses heavily on what happened inside the province. For example, when explaining why this landlocked province emerged as the cradle of the most powerful mercantile network in the empire, one of the most often invoked factors is poverty: low agricultural productivity and increasing population pressure pushed male adults away from home to make a living in peddling and trade. But not all poverty-stricken population and low-productivity places are conducive to the creation of business networks. People from the equally poor Zhili province and the even more backward Gansu province were not known for their commercial exploits. Within Shanxi, the mountainous western parts of the province, albeit arid and barren, did not push its impoverished men to roam abroad as traders. Similarly, it was also problematic to claim, as some scholars argued, that the early development of craftsmanship and abundance of tradable commodities such as iron, silk, and tobacco in Shanxi accounted for the merchants' expansion outward.<sup>5</sup> After

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<sup>4</sup> I acquired this impression during my interviews and conversations with the two elderly historians Huang Jianhui and Zhang Zhengming.

<sup>5</sup> Numerous works in the existing historiography cite low agricultural productivity and rich local resources as two deep roots that led to Shanxi merchants' success. For examples, see

all, Shanxi merchants did not rise to prominence because their home regions provided all the products for them to profit from; rather, they became intermediaries to facilitate economic exchange between far-flung regions. From a different perspective, the tea-growing regions of Fujian and Hunan and cloth-producing areas of Jiangnan attracted traders from afar but did not churn out grand merchants with outlying business empires. In other words, it is difficult to understand what forces and factors contributed to the merchants' success if we only focus on what had transpired within the province. In order to apprehend the expansion and the power of the Shanxi merchant network, scholars cannot neglect these traders' activities and organizations in far away markets and localities. In other words, instead of an introverted gaze at the province, it is also imperative for us to look elsewhere at the developments and transformations under the Qing Empire to grasp the Shanxi merchants' accomplishment.

Moreover, because these local historians often use Shanxi as the unit of analysis, they also homogenize the regional differences within a province that is roughly the same size as England. In fact, not all counties in Shanxi produced merchants; and merchants from different regions within the province rose to prominence at different times and under radically divergent historical conditions. Neglecting such regional differences led these scholars to claim a long, unbroken Shanxi mercantile tradition dating back to the Warring States period. It also committed them to a flawed narrative paradigm that assumes continuity between the

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Zhengming Zhang & Shu Zhang, *Jin shang xing shuai shi* (Taiyuan: Shanxi jing ji chu ban she, 2010), 17-24; Jianhui Huang, *Ming qing shanxi shang ren yanjiu* (Taiyuan: Shanxi Jing ji chu ban she, 2002), 1-24, 56-63.

Shanxi merchants of the Ming and Qing dynasties, a paradigm that continues to dominate the mainstream narrative of Shanxi merchant history.<sup>6</sup> Building on Japanese historian Terada Takanobu's highly respected monograph,<sup>7</sup> this continuity narrative traces the origins of the Shanxi merchants' success to the late fifteenth century, when the Ming dynasty mobilized merchants to supply grain and cloth to the massive army stationed along the Great Wall in Shanxi. In exchange, these merchants were granted lucrative licenses to sell salt within the state monopoly. This system enriched the Shanxi merchants and enabled them to ascend the national stage. With the licensed salt trade at the heart of their business, these merchants built a long-distance commercial network that spanned many provinces.

Whereas Terada's research covers only the Ming period, this mainstream continuity narrative asserts that the big businesses of the Qing were simply extensions of their Ming predecessors. However, if we disaggregate the simplistic provincial category of "Shanxi merchant," this paradigm of Ming-Qing continuity cannot be sustained. As Terada's research shows, the leading traders of Shanxi during the Ming dynasty hailed primarily from southern parts of the province, where salt production and a rich agricultural base provided their initial accumulation of capital; the great merchants of the Qing era, in contrast, mostly

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<sup>6</sup> The view of an unbroken mercantile tradition of Shanxi is embedded in almost all the previously mentioned works written by Shanxi historians, such as Zhang Zhengming, Huang Jianhui, and Liu Jiansheng. Yet local historians are not the only ones subscribing to this view. Japanese historian Saeki Tomi was among the first to bring up sources in ancient and medieval history to craft a narrative of Shanxi's long tradition of great merchants and businesses. See Saeki Tomi, "Sansai shōin no kigen to enkaku," *Tōhōgaku*, no.7 (1979): 1-24.

<sup>7</sup> Takanobu Terada, *Sansei shōnin no kenkyū* (Tokyo: Tōyōshi kenkyū sōkan, 1972).

originated in the counties of central Shanxi—and as I discovered during my trip, almost all of the imposing merchant dwellings in this region were built in the eighteenth and the nineteenth centuries, i.e. the second half of the Qing dynasty. In other words, the merchants of Ming and Qing must be understood as fundamentally different phenomena. What historical forces in the eighteenth century transformed central Shanxi into the preeminent merchant base of the entire empire?

If Terada's impressive research provided a powerful explanation for the ascent of merchants from southern Shanxi in the Ming era, scholars have yet to rigorously analyze the rise of Qing era Shanxi merchants as an independent phenomenon.<sup>8</sup> The focus of the research on Qing era Shanxi merchants is primarily confined to the study of *piaohao*, a form of remittance bank that Shanxi merchants created in the early nineteenth century. Over the course of the nineteenth century, dozens of *piaohao* banks sprang up in central Shanxi with branches all across the Qing Empire, forming a powerful network that was centered in Pingyao and the neighboring Taigu and Qixian. The dominance of the *piaohao* in the finance sector at the turn of the twentieth century left a strong and lasting impression on the minds of the Chinese public. Studies on the *piaohao* began to be published as early as the 1930s, which in fact constituted the beginning of scholarly research on the Shanxi

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<sup>8</sup> Saeki Tomi's 1977 essay specifically focuses on the Shanxi merchants of the Qing era, but it only provides a general overview without examining archival sources. See Saeki Tomi, "Shindai ni okeru sansai shōin," *Shirin* 60, no. 1 (1977): 1-14. Liu Wenzhi's short paper is very similar in this regard. See Liu Wenzhi, "Qingdai qian qi de shanxi shang ren," *Tianjin shehui kexue*, no.4 (1987), 70-74. Zhang Zhengming and Huang Jianhui's books also listed the political and economic factors in the Qing era to contextualize Shanxi merchants' business, but they had not conducted rigorous analysis to establish connections between the larger historical forces and the history of these merchants.

merchants.<sup>9</sup> Since then, *piaohao* continued to generate significant scholarly interest, leading to the publication of a number of important primary source collections and monographs.<sup>10</sup> However, *piaohao* scholars usually approach the history of these banks from the narrow perspective of financial history, without taking into account the complicated historical context, underlying commercial activities, or social implications of banking development. Because of this narrow approach, the relationship between the rise of *piaohao* and the Shanxi merchants' long distance commercial exploits in earlier periods remained obscure. Despite the fact that almost all the *piaohao* were created by merchant families with deep roots in long-distance trade, such as the Qiao family of Qixian and Cao family of Taigu whose mansions I visited, it is still unclear how these traders were able to quickly create a new form of banking institution and dominate the growing financial sector of the

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<sup>9</sup> In the 1930s, two scholars began to conduct systematic research on the Shanxi *piaohao*. In 1937, economist Chen Qitian published the first monograph on this subject. See Qitian Chen, *Shanxi piao zhuang kao lue* (Shanghai: Commercial Press, 1937). At the same time, Kong Xiangxi, a native of Taigu County in Central Shanxi, Chiang Kai-shek's brother-in-law, and KMT's primary economic minister, commissioned Wei Juxian, a maverick historian from Shanxi to research the history of the *piaohao*. Wei went back to Shanxi and collected a great number of sources and deposited them in the Chinese Central Bank archives, which were taken to Japan during the war. Wei published a monograph in 1944, see Juxian Wei, *Shanxi piaohao shi* (Nanjing: shuowen she shushe, 1944).

<sup>10</sup> The most important works on the history of *piaohao* are written by financial historians. For the most significant collection of primary sources, see Jianhui Huang and etc., *Shanxi piaohao shiliao* (Taiyuan: Shanxi jingji chubanshe, 2002). For representative recent monographs on the history of *piaohao*, see Ruomin Shi, *piao shang xing shuai shi* (Beijing: zhongguo jingji chubanshe, 1998); Jianhui Huang, *Shanxi piaohao shi* (Taiyuan: Shanxi jingji chubanshe, 2002); Guohui Zhang, (Beijing: Shehui kexue wenxian chubanshe, 2007). Whereas English language scholarship on the history of the Shanxi traders is non-existent, scholarly interest in the *piaohao* has grown in the last decade. For a short essay that analyzes the Shanxi *piaohao* from the perspective of management theory, see Randall Morck and Fan Yang, "The Shanxi Banks," NBER Working Paper, no.15884 (2010), accessed August 7, 2017, <http://www.nber.org/papers/w15884>. For a recent doctoral dissertation in English, see Luman Wang, "Money and trade, hinterland and coast, empire and nation-state: An unusual history of Shanxi *piaohao*, 1820-1930," Ph.D. diss., USC, 2014.

late Qing empire. In other words, without seriously examining and understanding the historical trajectory in the expansion of the Shanxi merchants' network and the development of their businesses during the first half of the Qing, the creation and rapid development of the *piaohao* network in the nineteenth century remain a mystery.<sup>11</sup>

In sum, while enthralled by the architectural remains of the Qing era that I visited in central Shanxi, I became discontented with the dominant narratives of the Shanxi merchants' history that were created within the provincial, revisionist paradigm. A strong belief grew in me that there yet remains untold an important history of the Qing-era merchants who created these magnificent buildings.

### The Emergence of New Sources

As I dug deeper into the primary sources, I began to realize that there is good reason why the study of Shanxi merchants has stalled. The sources about these merchants are so scattered, fragmented, and disjointed that they naturally resist systematic analysis and defy coherent narrative—unlike the late imperial Huizhou merchants who were avid preservers of paper documents, Shanxi businessmen, their firms and banks, and their families left surprisingly little paper trail, and there is no organized archive to speak of. In fact, the majority of the existing scholarship has been built on the same set of primary sources including traditional gazetteers, the Veritable Records of the Qing dynasty, and piecemeal commercial documents collected by

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<sup>11</sup> Most existing scholarship, including the aforementioned 2014 dissertation, only give cursory explanations of the relationship between Shanxi merchants' long distance trade and the rise of *piaohao*.

researchers in the mid-twentieth century in Shanxi. Although this set of sources is becoming increasingly available in the form of published collections, the limitation of the existing historiography, to a great extent, reflects the limitation of the primary sources on which it is based. After spending two months in provincial and county level archives, libraries, and even local antique markets, it became clear to me that there was little possibility of discovering new and systematic sources within Shanxi itself that would allow me to write a new history of the Shanxi merchants. Like the merchants who had to leave their province in order to make a living, I had to look elsewhere to recover their story.

Fortunately, over the last nine years of my dissertation research, significant new sources have surfaced. Most critical for my project was the emergence of two important archives of Qing-era local administrations on the northern frontier of the empire, where Shanxi merchants had congregated and made their fortunes. On the one hand, a few young scholars from Inner Mongolia began to use sources such as the records of the merchants' travel permit applications and brokers' license applications from Tumed Left Banner Archives in Hohhot to examine the history of Chinese commercial penetration of Mongolia during the Qing, a trend in which Shanxi merchants dominated.<sup>12</sup> On the other hand, and even more significantly, a large portion of Chinese language sources from the archives of the *Urga amban yamen* (the top civilian

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<sup>12</sup> For such scholarship, see Mi Tian, "Qingdai de lü meng shang yu gui sui she hui," Ph.D. diss., Sun Yat-sen University, 2008; Jun Cheng, "Qingdai qian qi guihua de ya hang," *Neimenggu daxue xuebao* 46, no. 2 (2014), 83-87. Guo Juanjuan, *Lü meng Shanxi shang ren yu Neimenggu chengshi jingji jindaihua, 1860-1937, yi Guisui Baotou wei zhongxin de kaocha* (Beijing: Jingji guanli chubanshe, 2016).

governmental unit with jurisdiction over trade in Qing Mongolia), became available to scholars.<sup>13</sup> Originally housed in Ulan Bator's Mongolian National Archives, this set of documents was later acquired by the Republic of China's Committee on Tibetan and Mongolian Affairs in Taipei. A few scholars at Academic Sinica first took advantage of these sources to study the Sino-Russian trade in Kyakhta, a trade controlled by Shanxi merchants on the China side.<sup>14</sup> In addition to the records of the Kyakhta trade, this archive also contains many documents about the composition of Chinese merchant communities in Outer Mongolia.<sup>15</sup> I subsequently acquired and examined both sets of materials, and my understanding of the history of Shanxi merchants was, to a great extent, shaped by them.

Other local sources from north China and the northern frontier regions also came to light. In the field of Chinese socioeconomic history, scholars often rely heavily on stele inscriptions collected from urban centers and religious establishments to study

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<sup>13</sup> For details, see Chapter One.

<sup>14</sup> Lai Huimin, a socioeconomic historian at the Academia Sinica's Institute of Modern History, pioneered in this regard. In recent years, she published a number of papers that used these sources to study the Sino-Russian trade and Urga's merchant communities. She also organized workshops and guided graduate students and young scholars to explore these materials. See Lai Huimin, "Qing zhengfu dui qiaketu shangren de guanli 1755-1799," *Neimenggu shifan daxue xuebao* 41, no.1 (2012): 39-66; "Shanxi chang shi zai qiaketu de chaye maoyi," *Shixue jikan*, no.6 (2012): 33-47; "Qingdai kulun de maimaicheng," *neimenggu shifan daxue xuebao* 44, no.1 (2015): 18-32; "Qingdai beishang de chaye maoyi," *Neimenggu shifan daxue xuebao* 45, no.1 (2016): 57-74.

<sup>15</sup> The documents in the Mongolian and Tibetan Affairs Committee contain many kinds of information regarding the Qing administration in Urga and the Chinese communities and businesses in Kyakhta, Urga and various parts of Outer Mongolia.

social organization, philanthropy, and commerce,<sup>16</sup> but in the past, steles in dilapidated northern market towns and remote frontier regions had not been systematically examined. The situation has changed, however, as in recent years a group of historians from north China began to methodically collect, publish, and study stele inscriptions from places like Hohhot, Kalgan, and market towns across northern China, many of which contained valuable information on Shanxi merchants.<sup>17</sup> While examining this set of materials, I also discovered a small yet significant set of stele inscriptions from temples and guilds in a string of cities on the Sino-Mongolian borderlands. These sources were collected by the Japanese scholar Imahori Seiji in the 1930s and 1940s when he was doing research on social organization in China's "feudal society," and they were included as an appendix to his monographs published in the early post-war era.<sup>18</sup> Although Imahori's materials have been available since the 1950s, few scholars have actually taken advantage of the wealth of information contained in them—this is

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<sup>16</sup> For a good example in English language, see Susan Naquin, *Peking: Temples and City Life 1400-1900* (Berkeley and Los Angeles: University of California Press, 2000).

<sup>17</sup> The scholar who exemplified this trend is Xu Tan of Nankai University, who has spent many years visiting old guild sites and hand-copying stele inscriptions in many market towns across north China. In addition to a series of empirically rich articles, she also published the stele inscriptions of merchant guilds that she hand copied in 2013, see Tan Xu, *Qingdai Henan Shandong deng sheng shangren huiguan beike ziliaoj xuanji* (Tianjin: Tianjin guji chubanshe, 2013). In the last decade, stele inscriptions from Shanxi have also been systematically collected and published in different forms: see Zhengming Zhang, David Faure, and Yonghong Wang, *Ming qing shanxi beike ziliaoj xuan* (Taiyuan: Shanxi jingji chubanshe, 2005, 2007, 2009). More pertinent to our purpose here, Du Zhengzhen of Zhejiang University used stele inscriptions from the southeastern part of Shanxi province to study the merchants of this region and the changing social landscape during the Ming-Qing era, see Zhengzhen Du, *Cun she chuan tong yu Ming Qing shi shen: Shanxi Zezhou xiang tu she hui de zhi du bian qian* (Shanghai Shi: Shanghai ci shu chu ban she, 2007).

<sup>18</sup> Imahori Seiji, *Chūgoku hōken shakai no kikō* (Tōkyō: Japan Society for the Promotion of Science, 1955; Kyūko Shoin, 2002); *Chūgoku hōken shakai no kōzō* (Tōkyō: Keisō Shobō, 1991);

*Chūgoku hōken shakai no kōsei* (Tōkyō: Keisō Shobō, 1991).

particularly regrettable, since the majority of the steles that Imahori recorded in the 1930s Hohhot are long gone and no scholar today could even dream of the opportunity to witness and record steles in such a systematic fashion.<sup>19</sup> These expertly transcribed inscriptions form an important source for me to reconstruct the process in which Shanxi merchants developed social and business institutions on the frontier.

Moreover, through personal connections established during my research, I was able to access two recently opened private collections of documents and objects that had remained unexplored by historians. Since the 1980s, a growing number of antique lovers and amateur historians both inside and outside Shanxi have devoted their private resources to collecting Qing-era documents and objects that belonged to merchants. But for a long time, few were willing to publicize their collections or share them with people in academia or even with each other—a phenomenon I became painfully aware of myself only after spending valuable time and much effort trying to see primary sources in the hands of collectors in Pingyao, Yuci, and Taiyuan to no avail. Nevertheless, through the introduction of a friend, I gained access to the materials held at the recently founded Shanxi Merchant Museum in Beijing (founded in 2007), which

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<sup>19</sup> During the Japanese occupation between late 1930s and early 1940s, Imahori conducted thorough investigations of Hohhot's social organizations. He studied gazetteers, conducted interviews, and most important, collected hundreds of old stele inscriptions in the city. Many of these steles contained key information on the history of merchant associations. Imahori published his findings after the war in his monograph *Chūgoku hōken shakai no kikō* (Institutions of the Feudal Society of China), which focuses exclusively on the guilds of Hohhot. The primary sources published in this book are invaluable. In addition to providing thick descriptions of Hohhot's various guilds, this book includes one hundred and fifty pages of transcripts of over six hundred stele inscriptions that date back to the turn of the eighteenth century. Since most of these steles are no longer extant, the transcriptions in Imahori's appendix constitute a precious time capsule. Few Chinese cities, with the notable exceptions of Beijing, Suzhou, Hankow and Shanghai, boast as many sources so systematically collected and expertly compiled.

include written documents and a myriad of objects gathered by a few leading collectors. Because of the relatively small number and disjointed nature of these documents, this new collection has yet to attract scholarly attention at the time. But these texts encompass many genres, including account books, family correspondence, genealogies, and even language textbooks. In addition, the many kinds of physical objects included in this collection, such as plaques, photographs, stamps, tea bricks, tools, and furniture, provided me with a nuanced perspective on the lived experience and material culture of the Shanxi merchants. Moreover, in late 2015, when I had already begun writing my chapters, I learned that Liu Jianmin, who was famous for having collected Shanxi merchant materials for thirty years, had recently begun to work with historian Liu Qiugen of Hebei University to organize and publish his vast collection in an astonishing eighty-eight volume compilation.<sup>20</sup> Liu's collection constitutes the most impressive set of published primary sources on Qing-era Shanxi merchants to date. It includes precious records of the *piaohao*, but also many detailed manuals for the tea trade, long-distance travel guides, rare merchant jingle songs, business and family correspondence, as well as financial certificates and banknotes. It was not possible for me to delay the completion of my dissertation in order to await the publication of Liu's collection, but thanks to the generosity and scholarly camaraderie of the two Mr. Lius, I was able to examine some of these sources and use them for my research prior to publication. These sources have enriched my analysis of the Sino-Mongol trade and of the development of the Shanxi merchants' financial prowess.

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<sup>20</sup> This set of sources, titled “*Jinshang shiliao jicheng*” will be published by the Commercial Press in Beijing in late 2017.

Finally, digital databases of archival sources of the Qing era, such as the archives of the Grand Secretariat and the Qing Palace Memorials and Archives of the Grand Council, have provided a convenient way to search for textual materials that contain significant information on Shanxi merchants, a means only recently available to historians. Since these archives consist of documents at the imperial court level, the ones involving Shanxi merchants are therefore records of unusual and politically significant events. Instead of reporting on their regular business, these sources point to the Shanxi merchants' role in matters of political significance, such as military provisioning and foreign trade, as well as smuggling and other serious crimes that had to be reported to the highest authority. These sources constitute a kaleidoscopic view of the Shanxi merchants' activities, illustrating their geographical reach as well as the plethora of trades they pursued. The diversity of topics include traders from central Shanxi who were caught smuggling ginseng in Manchuria, merchants from Taigu who lent money to officials in Beijing, and Shanxi business leaders requesting to open new routes of foreign trade. We can find the Shanxi merchants' financial contributions to local fortifications in times of war, as well as their accusations of corruption among local magistrates. These central government documents reveal the complexity of Shanxi merchants' activities and also provide key information that complements local sources.

In many ways, my dissertation research involved exploring, discovering, and acquiring new sources through multiple channels as much as reading, analyzing, and synthesizing them. This dissertation is my first attempt to use these new sources to construct a new history of the Shanxi merchants.

## **Toward a New History of the Shanxi Merchants**

Given the large volume of sources that I have collected and the complexity of the history they suggest, this dissertation represents only a modest beginning, in which I do not attempt to recount the waxing and waning of the merchants' fortunes throughout the entire span of the Qing Dynasty, but only to investigate the least understood period of their history, from the early Qing until the creation of the *piaohao* remittance banks in the 1820s. My purpose here is to explain the political economy and institutional forces that contributed to the Shanxi merchant's rise in the eighteenth and early nineteenth centuries.

While traces of the Shanxi merchants' activities were seen all over China, my sources took me well beyond the Great Wall to Hohhot, Uliastai, and the widespread marketplaces on the northern frontier of the Qing Empire; thus, they brought me into direct engagement with the "New Qing History" scholarship. The insights from this scholarship provide a fresh perspective to rethink the history of the Shanxi merchants. Since the 1990s, the so-called New Qing History has been established as a new paradigm in the studies of Qing China in the Anglophone scholarly world. It reinterprets the Qing not as the last incarnation of a "Chinese" dynasty, but rather as a multi-ethnic, multi-cultural empire ruled by the Manchu minority, wherein the Chinese provinces constituted the most populous and richest component of the empire, but only one part of that empire. Although the historians who are directly associated with the "New Qing History" primarily focus on the Manchus and the imperial court, emphasizing their deep roots in the cultures and institutions of Inner Asia, this newly established paradigm also led to new histories being written on the Qing borderlands. Such marginal places as

Taiwan, southwestern Yunnan and Guizhou, and Xinjiang, which received scant attention in the past, emerged as the focal point of a new wave of research on Qing history and are now seen as frontiers of Qing imperial expansion, wherein the agenda and interests of the court, various imperial agents, and the different sections of local societies intersected and clashed with each other. In particular, thanks to the work of James Millward and Peter Perdue, the northern frontier, including the Mongolian steppe, Xinjiang, and other parts of Inner Asia, is increasingly perceived as central to the Qing imperial project, which straddled both the Inner and East Asian worlds. Both historians pointed out that the Manchu court used commerce as weapon and utilized the power and resources of Chinese merchants to facilitate imperial expansion and to integrate these frontier regions into the empire.<sup>21</sup>

Here, I found the key to uncover the big story of Shanxi merchants' ascent in the eighteenth century. My sources suggest that the Chinese merchants who first participated in the Qing imperial project on the northern frontier and dominated these Inner Asian border regions were from Shanxi, and that these merchants, predominantly from central Shanxi, who built a sprawling long-distance trade network and eventually an extensive banking system over the course of the Qing era, made their fortune initially by going north and exploiting the opportunities afforded to them by imperial expansion. To put it crudely, by luck or simply proximity, merchants from Shanxi were the first to

<sup>21</sup> See James A. Millward, *Beyond the Pass: Economy, Ethnicity, and Empire in Qing Central Asia, 1759-1864* (Stanford: Stanford University Press, 1998); Peter Perdue, *China Marches West: The Qing Conquest of Central Eurasia* (Cambridge, MA: Belknap Press, 2005), 303-409. For a study of the merchants' involvement in the Jinchuan region in the west, see Yingcong Dai, "The Qing States, Merchants, and the Military Labor Force in the Jinchuan Campaigns," *Late Imperial China* 22, no. 2 (2001): 35-90.

take advantage of Qing imperial expansion on the Mongolian steppe in the early eighteenth century, which in turn positioned them to profit from the fast-growing trade between Inner Asia and China proper—a trade which only became possible as the Qing empire established an orderly environment for consistent and peaceful economic exchanges.<sup>22</sup> Moreover, their dominance in the steppe trade also drove Shanxi merchants to penetrate the provinces of China proper, sourcing commodities for export and exploring channels to sell the goods they brought back from the steppe, which led to the formation of an empire-wide business network and the later rise of the Shanxi banking system. Therefore, the history of Shanxi merchants must be understood in the context of the political economy of the Qing imperial project on the frontier, and my dissertation reveals the process through which these merchants formed a symbiotic relationship with the empire. While their activities allowed the empire to expand and consolidate, it was their inadvertent role as the agents of the empire that contributed to their wealth and lasting success. Finally, to go a step further than the endpoint of this dissertation, the collapse of the Shanxi merchant network in the early twentieth century

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<sup>22</sup> Chinese commercial penetration of Mongolia in the Qing has generated significant scholarly interest, but few scholars have examined this phenomenon in relationship with the historic rise of the Shanxi merchants, treating them as separate historical subjects. For an exemplary detailed survey of Chinese businesses in Mongolia, see Minghui Lu and Yankun Liu, *Lü Meng shang: 17 shiji zhi 20 shiji Zhongyuan yu Menggu di qu de mao yi guan xi* (Beijing: Zhongguo shang ye chu ban she, 1995). For a well-researched book-length study of Chinese penetration in Inner Mongolia with a particular focus on the Ordos region and land development, see Yi Wang, *Transforming the Frontier: Land, Commerce, and Chinese Colonization in Inner Mongolia, 1700-1911* (Ph.D. diss., University of Chicago, 2013). For a Japanese language monograph on the urban development in Outer Mongolia, which also concerns Chinese penetration, see Noriyuki Satō, *Shindai haruha Mongoru no toshi ni kansuru kenkyū: jūhasseikimatsu kara jūkyūseiki nakaba no furē o rei ni* (Tōkyō: Gakujutsu shuppankai, 2009).

was part and parcel of the downfall of the Qing imperial order, especially in Mongolia and other parts of the frontier.

The story of the symbiotic relationship between merchants and the early Qing state has become a familiar one,<sup>23</sup> but while the existing historiography has mostly visited this relationship from the perspective of the Manchu state, I aim to examine it from the angle of the merchants and to identify the factors within the Shanxi business communities that underpinned their success.<sup>24</sup> Admittedly, it was the Qing expansion that afforded Shanxi merchants the opportunities to pioneer the trade in the frontier markets, but in order to succeed in supplying the military and trading with nomads in an unfamiliar territory, the Shanxi merchants had to overcome challenges of geography and culture as well as problems associated with the finance and organization of trade. The difficulties appear even more daunting if we consider the fact that the majority of the Shanxi merchants who thrived on the frontier were originally rural dwellers from modest backgrounds—as Shanxi historians correctly maintain, poverty and lack of opportunity back home constituted a major factor that pushed these young men of central Shanxi beyond the Great Wall during the Qing era. Then how did these

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<sup>23</sup> Not only Chinese frontier merchants are perceived as brokers of the Qing Empire, Uyghur and Chinese Muslim businessmen also attract scholarly attention for their relationship with the Qing state on the northern frontier. See Kwangmin Kim, *Saintly Brokers: Uyghur Muslims, Trade, and the Making of Qing Central Asia, 1696–1814*, PhD diss., University of California, Berkeley, 2008. Also see Jonathan N. Lipman, *Familiar Strangers: A History of Muslims in Northwest China* (Seattle: University of Washington Press, 1997).

<sup>24</sup> Similarly, historian Patterson Giersch suggested in a state of field review that the studies of commerce and empire in the Qing requires more scholarly attention to be paid to the merchant side of the story in the future. See C. Patterson Giersch, “Commerce and Empire in the Borderlands: How do Merchants and Trade Fit into Qing Frontier History?” *Frontier History China* 9, no.3 (2014): 361-383.

grassroots entrepreneurs, turning up on the frontier as uprooted sojourners with little means, find ways to take advantage of unprecedented opportunities to run such complicated businesses? How did they manage to survive in an alien environment, foster cooperation with each other, build business organizations, and overcome the financial and monetary constraints in the borderlands? To answer these questions, the second component of my narrative recounts the development of a series of business institutions in the Shanxi merchants' communities, such as trade firms, native-place organizations, trade guilds, and private banking systems. In order to examine institutional changes in detail, I focus on the Inner Mongolian city of Hohhot, which became the entrepôt of Sino-Mongol trade and arguably the headquarters for the Shanxi merchants' frontier businesses. The growth of Hohhot into a metropolis took place in tandem with the ascent of Shanxi merchants in the eighteenth century, and the sources from the city provided rare opportunities for us to examine how institutions in its business communities evolved over time. By analyzing the history of institutional changes, I argue that the Shanxi merchants' ability to adapt and innovate to meet their business needs played a key role in their continued success during the Qing era. More importantly, by revealing that many of Shanxi merchants' most innovative and influential business institutions first took shape in the borderlands, I demonstrate that the northern frontier was not a backwater and thus peripheral to the Chinese economy, but rather a center of economic dynamism, a source of enormous wealth, and an incubator of new business institutions. It was not only central to the Qing imperial project, but also an engine in the development of commerce and trade.

Lastly, while conventional business history approaches business institutions from an economic perspective, I see them as social structures and clusters of behavioral norms. Above all, as a form of social cooperation, business is fundamentally about trust. For the Shanxi merchants' business institutions to function, there had to be mechanisms to secure trust. Since trust is socially constructed, my narrative thus analyzes the social foundations of trust on which the Shanxi merchants built their business institutions. And here I reveal another key insight of my research. While existing scholarship maintains that Chinese business was organized around the family and lineage system, relying on kinship relations and personal networks to sustain trust and cooperation,<sup>25</sup> the social foundation upon which Shanxi merchants built businesses was remarkably different, as the lineage system was not powerfully developed in north China, let alone in frontier market towns filled with lonely sojourners. Without the support of kinship groups, Shanxi merchants created an institutional structure to build trust between owners and management by providing large incentive shares to loyal employees. Furthermore, in order to build trust and facilitate social cooperation between merchants, instead of relying on family ties and personal connections, they developed native-place and guild organizations that were built on institutional principles deeply rooted in the communal self-governance of rural villages in Shanxi.<sup>26</sup> In the end, by creating a set of new

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<sup>25</sup> For an analysis of the role of family in Chinese business, see Gary G. Hamilton ed., *Asian Business Networks* (Berlin; New York: Walter de Gruyter, 1996), 7-59. For a study of the lineage as a business organization, see David Faure, "The Lineage as Business Company: Patronage versus Law in the Development of Chinese Business," in *The Second Conference on Modern Chinese Economic History* (Taipei: Institute of Economics, Academia Sinica, 1989); "A Note on the Lineage in Business," *Chinese Business History* 1, no. 2 (1991):1-3.

<sup>26</sup> My line of thinking here is influenced by two influential social scientists at Stanford: Francis Fukuyama and Avner Greif. In his 1996 book on trust, Fukuyama differentiated trust based on

business institutions that reshaped the mechanism of social cooperation, these Shanxi merchants also established a new social order on the northern frontier that was radically different from the orthodox Confucian order backed by imperial ideology. In the commercial societies of the northern frontier, it was merchants, not gentry and scholar-officials, who sat at the helm of the social order.

With this perspective, I finally began to perceive the desires and cravings behind the palatial mansions of central Shanxi that had attracted me to this research in the first place. These grandiose architectural remains are not only proof of the wealth once amassed by the Shanxi merchants, but more important, they are symbols of their ambitions and testament to their relatively unknown and unacknowledged achievements on the frontier of the Qing Empire.

This dissertation includes six chapters, as follows:

Chapter 1 provides an overview of how the Qing dynasty's war with the Zunghars and resulting conquest of western Mongolia and Xinjiang offered opportunities for the Shanxi merchant to create their business empire on the Inner Asian steppe. It also offers

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particularistic values (values derives from family, lineage and regional networks) from the more universal social trust that was built on institutions. He argued that in places like China, the particularistic values hindered the development of a universal social trust, which makes it difficult to create large business organizations that do not rely on personal trust. See Francis Fukuyama, *Trust: the social virtues and the creation of prosperity* (London: Penguin, 1996). In a recent study comparing foundational social organizations between China and Europe, Avner Greif goes further to suggest that the clan, embodying a limited morality based on familial relations, formed the unit of social cooperation in China for the last millennium and was not conducive to the development of impersonal transactions, which is the defining feature of the modern economy, see Avner Greif and Guido Tabellini, "The clan and the corporation: Sustaining cooperation in China and Europe," *Journal of Comparative Economics* 45, no.1 (2017):1-35.

a case study of the Dashengkui firm to illustrate how Shanxi merchants took advantage of the new opportunities and how they ran their long-distance trade.

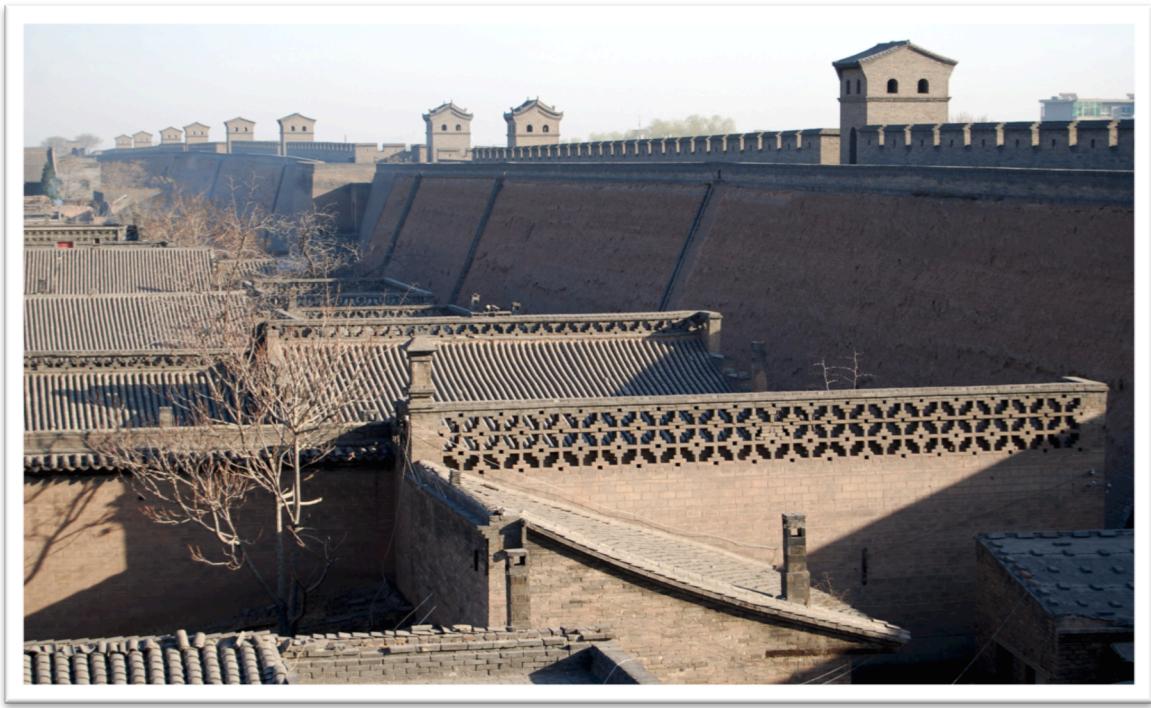
Chapter 2 studies the growth and function of Shanxi merchants' trade network across the empire by analyzing merchant Zhang Luan's business operation as revealed in the famous jade smuggling case of the Qianlong era.

Chapter 3 recounts the rise of Hohhot in the eighteenth century, and uses the experiences of Shanxi merchants in Hohhot as an example to demonstrate how the empire controlled and exploited resources from merchants through the *hang* system.

Chapter 4 traces how Shanxi merchants adapted the *she* organization, a form of self-governance common in rural Shanxi, to the frontier business communities and formed native-place based organizations. It also analyzes the institutional principles behind such organizations.

Chapter 5 traces the formation of dozens of trade guilds in Hohhot in the late eighteenth and early nineteenth century and demonstrates how these trade guilds came to dominate social life in Hohhot. By creating and controlling these trade guilds, Shanxi merchants reshaped the social order in Hohhot.

Chapter 6 studies the new monetary instruments that Shanxi merchants developed on the frontier and the new banking system that governed such monetary innovations. It suggests that within the Shanxi merchant communities on the frontier, bankers and their guild gradually emerged as a new nexus of power, foreshadowing the rise of *piaohao* in the nineteenth century.



*Illustration 1: The City Wall of Pingyao, photo by Zhijian Qiao, 2017*



Illustration 2: The Qiao Family Mansion in Qiaojiaobu Village, Qixian, photo by Zhijian Qiao 2017



*Illustration 2: The Wang Family Mansion at Jingsheng Village, Lingshi*

# ONE

## *Building Business in Imperial Expansion: The Qing-Zunghar War and the Rise of Shanxi Merchant Firms in Early Eighteenth Century Mongolia*

In the early eighteenth century, three poverty-stricken young men, Wang Xiangqing 王相卿, Zhang Jie 張傑, and Shi Daxue 史大學, all hailing from Shanxi Province in North China, traveled thousands of miles across the Great Wall and the Gobi Desert, all the way to the deep interior of the Mongol plateau, in the western part of today's Mongolian Republic, or Outer Mongolia in traditional Chinese parlance.<sup>1</sup> In that remote area, these three men from Shanxi developed a small business partnership that specialized in Sino-Mongol trade, taking Chinese commodities to Mongolia, while bringing steppe produces and animals back to the interior provinces of China proper. The partnership was named “Dashengkui 大盛魁”, meaning “great, flourishing, and outstanding.” And great, flourishing and outstanding Dashengkui later became. It grew

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<sup>1</sup> “Outer Mongolia,” or *Waimenggu* 外蒙古 only became the standard term to denote the Mongolian area to the north of the Gobi Desert in late Qing, which was used to differentiate it from Inner Mongolia to the south of the desert. I am aware that these terms imply a Sino-centric view of geography, but I will keep using them for the purpose of clarity and brevity. In the Qing era, Outer Mongolia was often denoted as Khalkha (ka’erka 喀爾喀), or the land of the Khalkas. Sometimes, the official geography would use Uliastai, the name of the city where the Qing established the military government to rule over Outer Mongolia, to denote this area. For the origins of Khalkha Mongol’s dominance in the Mongolian Plateau to the north of the Gobi Desert, see Junko Miyawaki, “The Khalkha-Oyirad rivalry in the seventeenth century,” *Proceedings of International Conference on China Border Area Studies, 1984*: 605-626. Also see Miyawaki, *Saigo no yūboku teikoku: Jūngarubu no kōbō* (Tōkyō : Kōdansha, 1995).

into something far grander than its founders could have ever imagined. According to Pozdneev, a thorough Russian investigator, Dashengkui's capital size in 1893 was twenty million taels of silver,<sup>2</sup> and this is the most conservative estimate that we can find<sup>3</sup>—in comparison, the total land tax of the Qing Empire of that year was a little over thirty three million taels.<sup>4</sup> Local legends had it that Dashengkui could pave a thousand-mile road from Mongolia to Beijing with its own bars of silver.<sup>5</sup> The extensive geographical reach of the firm also attests to its scale. In the nineteenth century, it owned at least three huge camel pastures, and raised over 10 000 camels,<sup>6</sup> as well as pastures and commercial farms that dotted the Mongolian landscape.<sup>7</sup> Outside of Mongolia, their agents spread around trading centers across the Qing Empire, and their

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<sup>2</sup> Aleksej Matveevich Pozdneev, *Mongolia and the Mongols*, trans. John Richard Krueger (Bloomington: Indiana University, 1977).

<sup>3</sup> Dashengkui's own books did not survive, so all estimate of its capital size are recorded by outsiders as hearsay. In a Hohhot-based businessman's oral history account, Dashengkui's capital size was thirty million taels, an estimate not too distant from Pozdneev's, see Lin Dai & Jing Ma eds., *Dashengkui wenjian lu* (Hohhot: Neimenggu renmin chubanshe, 2011), 27. In the 1910s, Meng Ju, a Republican Chinese official in Uliastai, thought it reached approximately one hundred million taels, see Lü 1999: 300. None of these estimates, including Pozdneev's, are truly reliable. Yet, given the fact that none of Dashengkui's own records survived today, Pozdneev's account was still the most trustworthy. As I mentioned, Pozdneev was a reputable scholar who was doing reconnaissance work for Russia's Ministry of Foreign Affairs, and he was particularly careful in investigating military and commercial affairs in Mongolia. He had not only read many primary and secondary sources, but also conducted interviews and conversations with many people on site, including managers of Dashengkui and other firms. However, Japanese scholar Tayama Shigeru also raised doubt about Pozdneev's number, and suggested that the actual size of Dashengkui's capital should be much smaller. Unfortunately, he did not offer any evidence to support his argument either, see Shigeru Tayama, *Qing dai menggu she hui zhidu* (Beijing: commercial press, 1987), 227-228.

<sup>4</sup> See Liang Fangzhong, *Zhongguo lidai hukou tiandi tianfu tongji* (Shanghai: Shanghai renmin chubanshe, 1980), 417.

<sup>5</sup> Zhang Zhengming, *Shanxi Shangban* (Hefei: Huangshan shushe, 2007), 130.

<sup>6</sup> In addition, there are other indications of Dashengkui's scale. Pozdneev noted that to freight its goods, Dashengkui owned as many as 1500 camels, which were on the road between Hohhot and Uliastai, see Pozdneev, 52-53. Their financial loss during the 1924 Mongolian revolution was said to be over tens of millions of silver taels, see Yiran Lü ed., *Bei yang zhengfu shiqi de Menggu diqu lishi ziliao* (Haerbin: Heilongjiang jiao yu chu ban she, 1999), 300.

<sup>7</sup> See Pozdneev, 13, 139, 170, 208, 222, 226, 233, 240, 242, 269.

supply chain extended from the Southeast Coast to the Altai Mountains, covering a distance of three thousand miles.<sup>8</sup> In other words, Dashengkui's operation was truly on an imperial scale, and it might well be considered the largest private trading firm that imperial China had ever witnessed.

The rise of Dashengkui is a remarkable episode of history but not an isolated one. As one of the most successful firms in pre-modern Chinese history, Dashengkui is first and foremost a Shanxi firm, created and operated exclusively by men of Shanxi over its two hundred years of history. Shanxi, a mostly dry, barren, landlocked province, produced many of the wealthiest merchants and most powerful businesses in late imperial China. Starting from the fifteenth century, men of Shanxi spread across the territories of the Ming and Qing Empires, engaged in long-distance trade, and gradually formed extensive commercial networks consisting of traders, financiers, laborers and journeymen. The majority of these people came from humble backgrounds, who were pushed away from their native places by the poor productivity of the land and lack of opportunities, and who tried to rise above their stations by living an arduous lifestyle far away from home in exchange for possibilities in an increasingly commercialized society. A great many of these travelers ended up toiling on the road without much respite; a small minority, however, emerged more successful. Some made a small fortune, while an even smaller minority created big businesses and long-lasting

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<sup>8</sup> For instance, William Rowe also noticed Dashengkui's operations in the vicinity of Hankow in central China, see William Rowe, *Hankow: Commerce and Society in a Chinese City, 1796-1889* (Stanford: Stanford University Press, 1992), 123-124. Rowe mistook Dashengkui as a Mongolian firm headquartered in Ulan Bator. Dashengkui was a Shanxi firm, and throughout the Qing, the agents Dashengkui sent to Hankow to purchase tea were all Chinese businessmen from Shanxi, not Mongolian merchants.

merchant dynasties, whose rags-to-riches life-stories were turned into legendary tales in the Shanxi folklore. Such legends in turn constituted passionate narratives that inspired ever more young men of modest backgrounds to take the road, in the hope of one day emulating their success — not unlike the current vibe in the Silicon Valley where the extraordinary success of a small portion of startup companies drives thousands of college graduates into high-risk ventures. In other words, it was the millions of grassroots businessmen who roamed and wandered throughout the Empire that created the Shanxi mercantile network, and the network continuously produced great businesses and a significant merchant elite that came to inspire the toiling masses. What sustained the growth of the network was the very success of the business elite and the tales about their success. Dashengkui was precisely such an elite business.

But Dashengkui's ascendance in early eighteenth century Mongolia and the unprecedented scale that it later achieved also hint at something distinctively new in Shanxi merchants' history in the Qing era. Whereas previous scholars have emphasized the continuity between the Ming and the Qing that saw sustained expansion of the Shanxi network,<sup>9</sup> a business in the form of Dashengkui was unimaginable in the Ming, as the Ming had never exerted solid control over the land beyond the Great Wall, let alone Outer Mongolia which lay on the other side of the impenetrable Gobi desert. Both Inner and Outer Mongolia were the territories of various Mongol confederations, which remained the most dangerous threat for the Ming state until the rise of the Manchus to

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<sup>9</sup> The view of an unbroken mercantile tradition of Shanxi, especially between the Ming and the Qing, is embedded in almost all the previously mentioned works written by Shanxi historians, such as Zhang Zhengming, Huang Jianhui, and Liu Jiansheng. All these scholars committed to the narrative that in the late imperial period, the rise of Shanxi merchants was a Ming phenomenon and their Qing era prosperity was a natural progression from the Ming era.

the east in the seventeenth century. Therefore, during the Ming, Chinese businesses, including Shanxi merchants, did not have the opportunity to venture far into the steppe. In fact, throughout most of history, the Gobi desert that divided Outer and Inner Mongolia remained impenetrable for the Chinese state and merchants alike, and thus constituted the absolute northern boundary of the Chinese civilization. Even during the cosmopolitan dynasties of the Tang and the Yuan that extended the empires' political influences far beyond the Gobi desert, economic connections between China proper and the steppe remained in the hands of Central Asian traders, not Chinese businessmen. It was not until the Qing that a China-centered imperial system came to incorporate the great Mongolian steppe both politically and economically, allowing Chinese businesses to penetrate the nomadic societies. And it was Shanxi merchants who pioneered such penetration.

The wealth that Shanxi merchants accumulated under the Qing rule originated from their participation in the imperial expansion on the Mongolian steppe. Despite the fact that merchants of Shanxi spread across commercial centers in the Qing empire and engaged in many lines of business, such as salt, pawnshops, money lending, and grain trade, the most successful ones made their fortune by exploiting the markets on the northern frontier, conducting long-distance trade between China proper and the vast steppe that spans Mongolia, Manchuria, and Xinjiang. These frontier regions were inaccessible in the previous dynasty but now emerged as some of the most lucrative markets, constituting the greatest sources of wealth. Dashengkui was a prime example of the Shanxi merchants that took advantage of the opportunities in the steppe, and it was not the only one. In addition to the families of Dashengkui's founders, the most

distinguished merchant dynasties in Qing Shanxi almost all rose to prominence on the frontier. The Cao family of Taigu County, who were considered the wealthiest family in the late nineteenth century, started in Western Manchuria (on the eastern edge of the Mongolian steppe) in late Ming and maintained strong business influences in eastern Mongolia and Manchuria until the end of the Qing. The Chang 常 family of Yuci 榆次 county started in Kalgan (also known as Zhangjiakou 張家口, a major center of commerce on the Great Wall between Zhili Province and Inner Mongolia) and Dolon Nor (also *duolun* 多倫, in eastern part of Inner Mongolia) at the turn of the eighteenth century and later built a great fortune in the Sino-Mongol trade and the Sino-Russian trade that passed through Mongolia. The Qu 渠 family and the Qiao 喬 family, both of Qixian 祁縣 County, who emerged as leading merchants in the nineteenth century, began their accumulation of wealth by establishing a trading base in Baotou 包頭 in the western part of Inner Mongolia. In sharp contrast to all this, during the Ming era, the most powerful businessmen of Shanxi were the salt merchants, who acquired access to the state-monopolized essential commodity through contributing to national defense along the Great Wall and built their fortunes by selling the salt in interior provinces. In other words, the Shanxi salt merchants of the Ming often looked southward, many migrating to the south and acculturating themselves into the high cultures of Yangzhou (a metropolis on the Yangtze River) and the Yangtze Delta, whereas the adventurous frontier merchants of the Qing looked to the steppe for riches, spending large chunks of time in the newly formed frontier market towns, such as Hohhot, Kalgan, and Kyakhta, as well as in tents and Mongol yurts across the grassland. In short, the rise of new

markets on the steppe did not only expand the extent of the existing Shanxi merchant network, but also altered its direction and center of gravity.

With the network gravitating towards the north, these frontier merchants also originated in different regions of Shanxi compared with their alleged Ming predecessors. As we know, Shanxi is not a small province (with an area that is twenty-percent larger than England), which was conventionally divided into five areas, namely, north Shanxi, central Shanxi, western Shanxi, southwestern Shanxi, and southeastern Shanxi, each with its distinctive geographic features and cultural traditions (See Map 2).<sup>10</sup> The elite merchants of Ming Shanxi almost exclusively hailed from the two culturally sophisticated southern parts of the province. The agriculturally well-developed southwestern part in particular was endowed with the largest salt reserves in the Chinese territory, which constituted a strong stimulus for locals to engage in mercantile activities elsewhere—southwestern Shanxi is one of the regions with the deepest commercial traditions in Chinese history, churning out successful traders that had thrived in the salt business since the Warring States era. During the Qing era, while southern Shanxi continued to produce itinerant traders, the most audacious businessmen that ventured beyond the Great Wall mostly originated in central and northern Shanxi, especially the areas along the Fen River valley and the counties along the thoroughfare leading towards the Shahukou 殺虎口 Pass. In these two regions, the weather was dry and harsh and the land had become increasingly unproductive by the late Ming. When peace was made between the Mongols and the Ming state at the end of the sixteenth

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<sup>10</sup> For a succinct analysis of regional differences in Shanxi, see Ying Liu, *Huang quan pang de Shanxi : ji quan zheng zhi yu di yu wen hua* (Beijing: Xinxing chubanshe, 2007).

century, these poor regions began to push its impoverished population toward the other side of the Great Wall, where the Tumed Mongols welcomed Chinese migrants. This trend of population movement was halted for a few decades during the destructive Ming-Qing transition, but northward migration again gathered momentum at the end of the seventeenth century, as more and more of the impoverished men of central and northern Shanxi took to the road, opting for hopeful adventures and unfamiliar hardships over the unending toil and dreadful hopelessness at home. If the Ming era salt merchants of Shanxi migrated southward to better engage in long-distance trade, the rise of frontier traders of central and northern Shanxi in the Qing was part and parcel of a larger trend of population movement—trade and migration went hand in hand.

As a result, despite the fact that these impoverished areas boasted few produces that were marketable elsewhere, they became the cradle of a mercantile class. And by the latter half of the Qing era, it was Taigu 太谷, Qixian 祁縣, Pingyao 平遙, Fengyang 汾陽, Xiaoyi 孝義, Jiexiu 介休, Wenshui 文水, Jiaocheng 交城, all counties in the narrow Fen River valley in central Shanxi, not southern Shanxi, that had become widely known as the preeminent merchant country of the empire. The three founders of Dashengkui, for instance, grew up in Taigu and Qixian, the two neighboring counties that later came to be considered the most affluent in the province. While Taigu was also the home for the famous Cao and Yuan families; Qixian produced the Qiao and Qu families that achieved national reputation in the nineteenth century.

Originating in a poor region and orienting toward the frontier, Shanxi merchants of the Qing era developed a mercantile culture that marked significant departure from the past. While spending one's life toiling on the road was already difficult anywhere in

the early modern world, making a living as a trader on the northern frontier of the Qing empire meant negotiating even more daunting challenges. It is one thing to sleep in sordid inns and sleazy hostels in a market town on the banks of the Yellow River, but quite another to spend nights on end in a tent in the middle of the Gobi desert. In other words, in overcoming the challenges inherent in the natural geography of the frontier, Shanxi merchants had to put up with a lifestyle that was ascetic and austere, enduring extraordinary hardships on the road. Their hardship was not limited to the elements of the steppe and desert; life without women was another curse, as most merchants went to the frontier alone and usually only returned home once every three or four years. As can be imagined, there were almost no Chinese women on the steppe, nor were merchants allowed to marry women from Mongol banners and other nomadic groups. Life on the steppe could become so lonely that an employee of Dashengkui who was put in charge of a firm-owned ranch in western Mongolia would spend many days without seeing another living soul. And what was worse, he could spend three years in that post.<sup>11</sup>

Moreover, the human geography of the multi-cultural northern frontier shaped Shanxi merchants' business culture in significant ways as well. It is one thing to deal with a cunning local broker in Yangzhou, but quite another to transact with a Mongol horseman who did not speak the Chinese language or the language of the money economy. Therefore, unlike their predecessor of the Ming, Shanxi merchants on the frontier played the role of cross-cultural traders, crossing the barriers of language and culture. For instance, Dashengkui's apprentices were required to learn the Mongol

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<sup>11</sup> Pozdneev (1977).

language as well as the etiquette and customs of the nomads.<sup>12</sup> In Urga (today's Ulan Bator), the religious center of Outer Mongolia, we have evidence of Shanxi merchants who were converted to Tibetan Buddhism, devoting themselves to the Buddha.<sup>13</sup> To put it differently, the attraction of the multicultural frontier oriented them toward the Mongol, Russian, Uyghur, and other non-Chinese societies, while diverting them away from the orthodox Confucian education and the literati high culture of the metropolitan provinces. In the frontier market towns, these merchants gradually accumulated so much power and influence that they molded the structure of the newly forming migrant societies, bringing about a social order in which stalwart businessmen sat at the helm. Beyond the frontier, their influence rippled back to their home societies, as the majority of the successful businessmen returned home. Instead of transforming into landed gentry and conforming to the Confucian ideal, they built palatial mansions in their villages to display their affluence and competence, thus redefining the meaning of success in the local society and inspiring more local young men to follow suit. In this way, Shanxi merchants of the Qing gradually obtained a cultural profile that distinguished them from not only their Ming predecessors, but also our conventional image of the pre-modern Chinese merchant whose ultimate cultural aspiration was to gain entry into the scholar-official elite.<sup>14</sup>

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<sup>12</sup> Lin Dai and Jing Ma eds, *Dashengkui wenjian lu* (Hohhot: Neimenggu renmin, 2011), 13.

<sup>13</sup> For instance, historical records also show that some Shanxi merchants even devoted his son and animals to the Buddha in Urga in 1787. Urga Amban Archive, 009-007-0040-0043.

<sup>14</sup> A stereotypical image of the traditional Chinese merchants is that of the salt merchants of Huizhou and Yangzhou, as presented in Ping-ti Ho's classic study, see Ping-ti Ho, "The Salt Merchants of Yang-Chou: A Study of Commercial Capitalism in Eighteenth-Century China," *Harvard Journal of Asiatic Studies* 17, no. 1/2 (1954): 130-68. In recent years, such a stereotypical depiction is being challenged. While Ho argues that these salt merchants invested

In sum, Shanxi merchants of the Qing era, as exemplified by the Dashengkui firm, were different from their Ming predecessors in many important aspects. Whereas the elite merchants of the Ming mostly hailed from southern parts of the province, during the Qing it was the northern and particularly the central part of Shanxi that became known as the preeminent merchant countries, where sumptuous mansions of merchant dynasties gradually sprang up, dominating the landscape of many a village. While the wealth of southern Shanxi was initially generated in the salt trade, the Qing-era merchants of central Shanxi, in contrast, made their fortunes through cross-cultural trade in the vast Inner Asian steppe, which only emerged as a vibrant market after the Manchu conquest. And finally, by doing business on the frontier, these Shanxi merchants in the Qing Empire gradually generated a new sociocultural profile that made them stand out from their Ming predecessors as well as many other Chinese merchants of their time: their combination of an ascetic lifestyle, multicultural sensibilities, and a peripheral vision of social order that by prioritizing commerce and business, defied orthodox Confucian values. Therefore, in this dissertation, I argue that rather than seeing the Qing era Shanxi merchants as the heir to an unbroken genealogy of businessmen and the representative of an imagined Shanxi tradition, it is more useful to view them as a new mercantile network that sprang up amidst the rise of the Qing empire, expanded as the empire extended its territory, and achieved its might and

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heavily in land-ownership, extravagant lifestyle and the pursuit of literati and scholar-official culture at the cost of furthering their entrepreneurial activities, Madeleine Zelin, through the examination of the salt industry in nineteenth and early twentieth century Zigong, casts a new image of traditional Chinese businessmen who were innovative in pursuing technological and institutional advancement in building industries. See Madeleine Zelin, *The Merchants of Zigong: Industrial Entrepreneurship in Early Modern China* (New York: Columbia University Press, 2006).

influence in the political economies of the northern frontier of the empire. Without contextualizing the new Shanxi merchants network in the political economies of the Qing northern frontier, we cannot understand the nature of their business nor can we explain how their network expanded to such great extent in the eighteenth and nineteenth centuries.

The westward expansion of the Qing Empire has received great attention in recent scholarship, and I do not wish to repeat what has already been said. This chapter, therefore, will focus on uncovering how the eighteenth century expansion of the Qing Empire enabled the Shanxi business network to take shape. In the sections below, I will delineate the major historical events and processes that brought the Shanxi merchants to Mongolia at the turn of the eighteenth century and examine how the expansion of the Qing Empire created a frontier market space on the great Mongolian steppe and eventually to Xinjiang that facilitated the growth of the Shanxi merchants' business. At the same time, against this macro narrative, I will use specific examples to illustrate how this expansion of the Qing Empire led to the rise of a major Shanxi firm. While the rise of the Shanxi merchants was a historical process that involved the life stories of tens of thousands, if not millions, of individuals, all except a very few of these stories have been lost in the passage of time—primary sources on the lives of late imperial Chinese businessmen are difficult to come by, while sources on frontier merchants are more fragmented and scattered still. However, there is a rare set of oral history and family history records compiled in the mid-twentieth century on the early history and

business operations of Dashengkui,<sup>15</sup> which I will use as a case study to illustrate how the military activities of the Qing empire in Mongolia and its subsequent rule over the Mongolian steppe and beyond had shaped the fortune of a major Shanxi firm.

### **Dashenggui and the Rise of the Sino-Mongol Trade**

As a representative of Shanxi firms in Mongolia, Dashengkui's history can be traced back to the turn of the eighteenth century, when its founders Wang Xiangqing, Zhang Jie and Shi Daxue left their villages in Taigu and Qixian to seek employment in Shahukou, a market town next to the namesake pass on the Great Wall that separated northwestern Shanxi from Mongolia. Constructed in early Ming and conventionally known as the Western Pass (*xikou* 西口) in Shanxi (in contrast to the Eastern Pass that was the Xuanhua Pass in Kalgan, a trading post in the Zhili Province to the east of

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<sup>15</sup> Until recently, scholars relied upon the volume in the *neimenggu wenshiziliao* to learn about the history of Dashengkui, see Neimenggu zhengxie wenshiziliao weiyuanhui eds., *Lü meng shang dashengkui* (Hohhot: Neimenggu wenshi shudian, 1984). Nevertheless, as we all know, the *wenshiziliao* materials are narratives written on the basis of oral history records, which constitute a problematic genre of primary sources to use as historical evidence. Although it contained a great deal of interesting and detailed information, it was unfortunately very difficult to verify or even to trace the origins of such information. In the case of Dashengkui, the narrative in *wenshiziliao* volume was written in the 1960s by the staff members (who are not trained historians) at the culture and history committee at Inner Mongolia's People's Political Consultative Conference, who conducted oral interviews in 1959 and 1960 with over a hundred past employees and hired labors of Dashengkui, as well as elderly businessmen in Hohhot and Baotou who had knowledge about the firm. Due to the disruption of the Cultural Revolution, the volume did not get published until 1984. In 2010, the original interview transcripts compiled in the 1960s were found in Hohhot, which provided a rare opportunity for us to compare these original records with the *wenshiziliao* narrative. It not only allows us to see how the narrative in the *wenshiziliao* was constructed, but also reveals the fallacies and incongruities contained in that narrative. Therefore, while previous scholarship on the Dashengkui drew evidence from the *wenshiziliao* volume, my narrative here is built on the foundation of the original interview transcripts published in 2011, see Lin Dai and Jing Ma eds., *Dashengkui wenjian lu* (Hohhot: Neimenggu ren min chu ban she, 2011).

Shanxi),<sup>16</sup> the Shahukou Pass was one of the most heavily fortified nodes on the Great Wall, yet it also constituted the primary passage way between Shanxi and Mongolia in peaceful times. After the Qing conquest of China in 1644, as the lands on both sides of the Great Wall were unified under the Manchu rule and the steppe became increasingly available for Chinese cultivation and commercial penetration, more and more Shanxi peasants began to seek a living in Mongolia, and the vast majority had to pass through Shahukou. As a result, this trend of population movement was known in the Shanxi local society as “*zou xikou* 走西口”, or “going through the Western Pass,” which emerged as the primary outlet for Shanxi to relieve its population pressure.<sup>17</sup> In a way, when Wang, Zhang, and Shi eventually left Shahukou and moved northward to conduct business in Mongolia, they became part of the first major wave of a sustained population movement from central Shanxi into Mongolia, a trend that continued all the way into the early twentieth century.

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<sup>16</sup> Although scholars have debated the connotation of the colloquial term “*xikou*,” or the “western pass,” this term is often used to refer to either Shahukou or Hohhot depending on the time and context. I suspect a historical change had taken place over the course of the eighteenth to the nineteenth century. Whereas initially, the Shahukou was known as the *xikou*, it appeared that the term is increasingly associated with Hohhot after its rising as an entrepôt of trade and the establishment of the customs house there. For details regarding the use of the term in the late nineteenth century, see Yi Wang see Yi Wang, “Transforming the Frontier: Land, Commerce, and Chinese Colonization in Inner Mongolia, 1700-1911,” Ph.D. diss., University of Chicago, 2013, 151-152. For a detailed analysis of the usage of the term and its different connotations, see Zhonghe Liu, *Zou xikou li shi yan jiu* (Hohhot: Neimenggu da xue chubanshe, 2010), ch.1. For an approach to the issue from the Shanxi perspective, see Jiansheng Liu, Peng Zhang, and Xinlong Zhang, “Qian xi xikou zai bei lu mao yi zhong de li shi di wei,” *zhongguo jingji shi yan jiu*, no. 4 (2007), 23-30.

<sup>17</sup> This population movement has generated great scholarly interests in China in recent years. For a good survey of the movement and its social impact, see Zhonghe Liu, *Zou xikou li shi yan jiu* (Hohhot: Neimenggu da xue chubanshe, 2010).

Although in the Qing era, Shahukou was no longer the defense forte it once was, what first attracted a great number of folks from central Shanxi to Shahukou were not the animal trade that was passing through it,<sup>18</sup> but the employment opportunities brought about by the Qing's great conflict with the Zunghars, an Oirat Mongol confederation that rose in the late seventeenth century to dominate the steppe to the west of the Altai Mountians, or Zungharia in northern Xinjiang as we know today. After defeating the Khalka Mongols who occupied the Outer Mongolian steppe, the Zunghar horsemen marched eastward, posing a direct threat to Beijing and the northern provinces of China. Therefore, starting from 1690, the Qing engaged in a series of full-frontal wars with the Zunghars and identified Hohhot, a small city in the Qiantao plain of Inner Mongolia two hundred *li* (60 miles) north of Shahukou, as the ideal location for a military stronghold from which expeditions could be launched into the steppe. Nevertheless, built by Tumed Mongols in the late sixteenth century, the city was too small to house a significant military force. Even worse, the agricultural and commercial economy of the city was underdeveloped, which significantly limited its ability to provide for a large number of troops. In light of such limitations, the Qing took time to build a new garrison outside of Hohhot and implement policies to develop the regional

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<sup>18</sup> For the role of Shahukou in Sino-Mongol trade in the Qing era, see Deng Yibing, “Qing dai qian qi shahukou zai zhong yuan yu menggu jing ji mao yi guan xi zhong de di wei he zuo yong,” in Shahukou li shi wen hua cong shu bian wei hui eds., *Xikou wen hua lun cong* (Beijing: Zhongguo she hui chu ban she, 2010). For a survey of the local culture, military setup, administrative system, and tax collection at Shahukou during the Qing, see Feng Gaiduo, Zhang Xiqin, Liu Jiansheng and Shitao, *Xikou yan jiu—yi shahukou wei zhong xin* (Taiyuan: Shanxi jing ji chubanshe, 2012). For an archive-based study of the customs house at Shahukou and Zhangjiakou (Kalgan) and their functions in the Qing frontier trade, see Feng Ruofei, *Qing dai que guan yu bei lu mao yi—yi shahukou, zhangjiakou he guihuacheng wei zhong xin* (Ph.D. diss., Shanxi University, 2009).

economy and encourage migration from Shanxi.<sup>19</sup> Before the military buildup of Hohhot was completed in the 1730s, the state took advantage of the defensive solidity of the Shahukou area and established the Youwei Garrison to station a large army of Manchu and Mongol soldiers as early as the late 1690s.<sup>20</sup> The arrival of the army boosted the economy of Shahukou, attracting laborers and craftsmen alike, who arrived in droves to seek employment in service of the military. Most likely, it was such opportunities that attracted Wang, Zhang, and Shi to Shahukou, who started off as auxiliary staff to the military, helping them to purchase and deliver food from the market.<sup>21</sup> In Shahukou the three men got acquainted, built their friendship, and honed their cross-cultural business skills while serving the multi-ethnic military.

Eventually, it was the Qing military expansion that took Wang, Zhang and Shi from Shahukou to Western Mongolia where they would found Dashengkui. In 1710s, when tensions between the Qing and the Zunghars escalated again, in order to annihilate the Zunghar threat once and for all, Kangxi emperor devised a long-term plan and began building military bases on the Qing-Zunghar borders, waiting for opportunities to invade Zungharia.<sup>22</sup> As part of the plan, the Qing started to send large numbers of

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<sup>19</sup> See Chapter Two for details.

<sup>20</sup> The garrison accommodated 3,000 Mongol troops and an additional 2,299 Manchu bannermen and 2,604 cavalrymen under the command of a Manchu military general, see Wang Zemin, *Shahukou yu zhongguo beibu bianjiang* (Hohhot: Nei menggu daxue chubanshe, 2007), 64, 78. Also see Chimadurci, Heilong and Baoshan eds., *Qing chao shengzu chao shi lu menggu shi shi liao chao* (Hohhot: Neimenggu da xue chu ban she, 2003), 589-590.

<sup>21</sup> *Dashengkui wenjian lu*, 124,134, 201.

<sup>22</sup> The emperor's plan was an ambitious two-thong attack, with major garrisons in two distant locations. The western base was Barkul, a strategic location in the Hami region of eastern Xinjiang that was already under the Qing rule, only two hundred miles to the western border of Gansu province. The northern base proved to be much more problematic, as the Qing identified the area on the eastern foothill of the Altai Mountain as the site for its military base, which sat a

troops to the east of the Altai Mountains (the mountain range that divided Zungharia and Outer Mongolia), building a few large garrisons in the remote wilderness. A large portion of these troops departed from Shahukou and they brought along traders and labors, most likely including the founders of Dashengkui among them.<sup>23</sup> It was a Qing military tradition that traders trailed long-distance campaigns to supply additional food, goods and services to the fighters—the court and army commanders saw such traders as an indispensable component in any successful campaign.<sup>24</sup> In fact, Chinese traders were even in the great army that the Kangxi emperor personally marshaled which defeated the ambitious Zunghar leader Galdan at the Kherlen River (in eastern Outer Mongolia) in 1696. A Chinese official witnessed that immediately after the decisive battle, these merchants were selling millet to soldiers at an extortionate price of three silver taels per *sheng*.<sup>25</sup> It is possible that Dashengkui's founders might have accumulated capital by engaging in similarly profitable businesses, offering supplies to the military up in the Altai camps. It was widely believed that Dashengkui's founders established the firm when following the troops to Western Mongolia and set up its headquarter there. It was

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thousand miles northwest of Hohhot, the closest center of agriculture and population that could supply food and materials for the troops.

<sup>23</sup> Previous scholarship has identified the origin of Dashengkui in the 1690s Kangxi wars with Galdan, which is not supported in the original sources. The origin of this firm could only be traced back to the war preparation that the Kangxi emperor started in Western Mongolia in 1715.

<sup>24</sup> The practice of merchants that trailed troops lasted throughout the Qing era, and were known as “gan daying,” or “chase the great camps.” While we know the existence of such troop-tailing merchants from edicts in the veritable records, this system and practice is still yet to be rigorously analyzed in existing scholarship on the Qing.

<sup>25</sup> Song Daye, a Chinese official from Suzhou (Jiangsu) who was tasked with leading a team of conscripted labors to deliver grain to the Kherlen River, noted that because of the transportation difficulties and lack of supply, merchants were selling millet at three taels of silver per *sheng* (approximately two kilograms) at the imperial encampment, see Song Daye, *Bei zheng riji* (Beijing: Xue yuan chu ban she, 2006).

also believed that their contributions to the Qing military cause paved the way for the success of their future businesses.<sup>26</sup>

While we do not know how big a role Dashengkui's grassroots founders played in providing for the Altai camps, it is certain that their experiences proved invaluable for their future undertaking. In this remote corner of Western Mongolia, they spotted unprecedented opportunities for business: on the one hand, the existence of Qing garrisons demanded supplies of groceries, stationeries, and all other daily necessities; on the other hand, the steppe of Outer Mongolia presented a bounty of natural resources unknown to the Chinese and unexplored in the past. In addition to the horses, camels and sheep that the nomads raised in its boundless pastures, Mongolia also produced many kinds of precious furs, leather, mushrooms and medicinal herbs. All these animals and goods were marketable commodities in the Chinese market, whereas the nomads on the steppe also demanded grain and manufactured tools and objects from the interior provinces. Identifying such opportunities, Wang, Zhang, and Shi pooled their resources and built an operation that would turn the military-supply operations into a consistent and regular business of Sino-Mongol trade. To do so, they formed Dashengkui, a firm in the form of a partnership, which stipulated that the three founders enjoyed equal shares of the capital and profits. Despite initial hardships and difficulties, Dashengkui turned out to be successful within a few years.<sup>27</sup> As early as in the second year of the

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<sup>26</sup> Dai Lin, and Ma Jin eds., *Dashengkui wenjian lu* (Neimenggu: Neimenggu renmin chubanshe, 2011), 201, 210, 222-224.

<sup>27</sup> It was claimed that during the early days, Dashengkui's exploration of the Mongolian market was met with considerable difficulties. It was so difficult that two of the co-founders, Zhang Jie and Shi Daxue, quitted the operation. Wang Xiangqing persisted and invited the other two back into the firm. See *Dashengkui wenjian lu*, 201.

Yongzheng reign, the firm had already made a significant donation to Xiletu Joo (“Dharmāsana Monastery,” a main Buddhist monastery on the outskirt of Hohhot) with the firm’s name appearing as the sole donor on a plaque.<sup>28</sup>

The scale that Dashengkui achieved in later years makes it an exceptional case, but in the early days, its founders might constitute only a small sample among the first wave of Shanxi businessmen who got into the Sino-Mongol trade because of their involvement in delivering grain to the Altai garrisons. For the Qing state, to provide for troops occasionally fighting short wars beyond the Gobi desert was difficult enough, and building consistent supplies for military campaigns in the Altai region was a military feat never achieved before by previous Chinese dynasties. The old method of relying conscripted labor through the state apparatus to deliver grain to the frontier was proven to be ineffective and costly in the expedition of 1696, and therefore the Qing court actively sought alternative ways, increasingly resorting to the private sector as the primary force of transportation. In 1721, the Qing court entrusted Fan Yubin 范毓賓, a merchant from central Shanxi who was associated with the imperial household department, to revamp the grain supply to the Altai camps. Originally from Jiexiu County, Yubin’s grandfather Yongdou began to engage in trade with the Manchus and Mongols in Kalgan at the end of the Ming and subsequently came into the service of the imperial household after the Qing takeover, conducting trade on behalf of the court in many occasions. Inheriting his grandfather’s status as well as business skills, Fan Yubin

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<sup>28</sup> *Dashengkui wenjian lu*, 133.

became a trusted agent of the court.<sup>29</sup> After being appointed the imperial commissioner for military supply, Fan privatized grain delivery by using state funds to recruit private contractors at fixed, distance-based prices.<sup>30</sup> The contractors would recruit their own teams to take the grain from Hohhot, cross the desert and the steppe, and deliver it at the garrisons a thousand miles away.<sup>31</sup> It was claimed that Fan's scheme was so efficient that it saved millions of taels for the state, while still offering a price high enough to attract private traders.<sup>32</sup> Perhaps because the grain mostly came from the Hohhot region that was close to Shanxi, or perhaps because of Fan's connections in his home province, the majority of these private contractors were businessmen and laborers of modest backgrounds from central Shanxi, who were willing to take on the hardship and uncertainties on route in exchange for profits. Eventually, such active mobilization of private businesses paid off, as it solved the logistics problems of the Altai camps and paved the way for the Qing's ultimate success in pacifying the Inner Asian steppe. The success of the Qing's expansion into Central Asia could at least be partly attributed to

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<sup>29</sup> Many studies on the Fan family have been published in the past forty years. For detailed accounts of the rise and fall of the family's fortunes, see Wei Qingyuan and Wu Qixian, "Qing dai zhu ming huang shang fan shi de xing shuai," *li shi yan jiu*, no.3(1981): 127-145; also see Shang Hongkui, "Qing dai huang shang jiexiu fan jia," in *Mingqingshi lunzhu heji* (Beijing: Peking University Press, 1988), 261-271; Akira Matsuura, "Shanxi shang ren fan yubin jia zu de pu xi he shi ji," *Pu die xue yan jiu* 2 (1991): 176-199.

<sup>30</sup> For more details regarding this system, see Mi Tian, *Qingdai de lü meng shang yu gui sui she hui* (Ph.D. diss., Sun Yat-sen University, 2008), 25-28.

<sup>31</sup> After three decades of state-promoted land cultivation, the Hohhot region had been transformed into one of the grain surplus areas in the empire.

<sup>32</sup> Some biographies of Fan suggested that Fan's schemes costed the court only a third of what it would have cost using state-conscripted labor forces. Such claims must be an exaggeration, but it is true that such private transportations were much more efficient and reliable compared with the previous operations organized by the state in the 1690s, which was wasteful and unreliable. Obviously, the price that Fan paid to private transporters were quite attractive, as in 1735, some ministers suggested that the price that Fan paid for private transportation of grain was almost fifty percent higher than necessary.

the Manchu's ability to channel the commercial energy of the Chinese population into supporting the military campaigns of the empire. On the other hand, similar to the experiences of Dashengkui's founders, transporting grain for the military to the Altai camps opened the eyes of these Shanxi entrepreneurs to the great prospect of trading in Mongolia—never in the past had so many savvy Chinese businessmen with an eye for profits entered the deep interior of the nomadic regions beyond the Gobi deserts, nor had the resources and market potentials ever been so directly revealed to the Chinese merchants. In this way, in the process of realizing its imperial agenda, the Manchu empire ushered in an unprecedented wave of Chinese commercial penetration into the steppe, spearheaded by Shanxi merchants such as the founders of Dashengkui.

Mobilizing private transporters for military supply was not the only channel through which the Qing imperial agenda contributed to the rise of the Shanxi merchants' business on the Mongolian frontier. In fact, the Manchu rulers gradually came to see Chinese commercial penetration as powerful a means to control the newly incorporated nomadic population as building garrisons on the steppe. While the Qing had already held unassailable authority over the Tumed, Charhar, and various Mongol groups in Inner Mongolia by the mid-seventeenth century, it was not until 1691 that the Manchu court subjugated the Khalkha Mongols, who previously dominated the large stretches of steppe beyond the Gobi desert, the land known to the Chinese as Outer Mongolia. In 1688, heavily defeated by the fast-ascending Zunghars, the three confederations of the Khalkhas with over 100 000 in population fled their home pastures and came to the Great Wall to submit themselves to the Kangxi emperor, who

offered them protection and material supply in exchange for their loyalty.<sup>33</sup> In 1691, the emperor held a historic meeting in Dolon Nor (in the steppe of eastern Inner Mongolia) with nobles from all Mongol confederations under the Qing rule (including the Khalkhas as well as Tumed, Chahar, and other groups in Inner Mongolia), formally reorganizing the Khalkhas into the banner system (already fully implemented among Mongol groups in Inner Mongolia) and confirming the sovereignty of the Manchu emperor over all Mongols.<sup>34</sup> The submission of the Khalkhas was a landmark event. It not only allowed the Qing to put the vast land of Outer Mongolia under imperial rule, but also pitted the Qing directly against the Zunghars, marking the onset of a seven-decade hostility. The Khalkhas, staying close to the Chinese border and in demand of material supplies, were thus brought into direct contact with the Shanxi merchants who were attracted to the borderlands by the opportunities provided by war and cross-cultural trade. These merchants exchanged grain, tea, and manufactured goods for horses, camels, and sheep with the Khalkhas. When the Khalkhas later returned to their original pastures in Outer Mongolia, groups of Shanxi merchants also followed them, bringing grain, tea, and daily goods across the desert.<sup>35</sup> In this way, they continued to bond the Khalkhas with the economy of the Chinese interior. Although the Mongol

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<sup>33</sup> For detailed information regarding material supplies and accommodation support that the Qing state provided to the Khalkhas, see Jiri Gala, “Jian shu qingchao dui mobei ka’erka de zhen ji cuo shi,” *Journal of Chifeng University* (Soc.Sci) 32, no.12 (2011): 15-17.

<sup>34</sup> For a detailed account of the historic meeting at Dolon Nor, see Yuan Senpo, “Shi lun Qing dai qian qi de Duolun hui meng,” in *Zunga’er shi lun wenji* (Urumqi: he hui ke xue yuan min zu yan jiu suo xin jiang wei wu er zi zhi qu she hui ke xue yuan min zu yan jiu suo zhun ga er shi lüe bian xie zu, 1981) 201-211. For details regarding the process of the Qing subjugation of the Khalkhas, see Heilong, “Ka’erka menggu fu qing kao shu,” in *Man meng guan xi shi lun kao* (Beijing: min zu chu ban she, 2013), 38-60.

<sup>35</sup> M. Sanjdorj, *Manchu Chinese Colonial Rule in Northern Mongolia*, trans. Urgunge Onon (New York: St. Martin’s Press, 1980), 26.

nobles and Manchu rulers were concerned that Chinese commercial penetration into the nomadic society might cause destabilizing disputes and racial conflicts, they increasingly realized that such trade had become essential to the livelihood of the Mongols and that the existence of Chinese merchants was critical for imperial control over the steppe. Therefore, throughout the Qing era, while the Manchu court tightened its regulations over the movement of Chinese merchants on a few occasions, it never relinquished its support for the Chinese merchants' role in Mongolia. According to Fang Guancheng, a trusted minister of the Qianlong emperor who was sent to Mongolia to investigate trade issues, limiting trade would not only disrupt the markets for furs and animals in north China, but also lead to hardship among the nomads, destabilizing societies on both sides.<sup>36</sup> Such an imperial attitude set the stage for the Shanxi merchants to conduct their long-distance business as cross-cultural traders, and the demand from the Mongols remained a consistent source of profit for traders like Dashengkui. From a different perspective, the importance of nomadic demand in Dashengkui's uncanny success was also well recognized in local folk stories. For instance, legend had it that the reason Dashenkgui was able to become so successful so quickly was that Wang Xiangqing cured a disease of the daughter of a Khalkha prince with Chinese medicine, and therefore won over the Mongol's trust. It was the Mongols' trust and demand that led to the Dashengkui's rapid growth.<sup>37</sup>

Dashengkui's success in providing Chinese goods to the Mongols also benefitted from a deeper trend in the history of the steppe. The expansion of the Qing

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<sup>36</sup> Qing Palace and Grand Council Archives Database, 009770.

<sup>37</sup> *Dashengkui wenjian lu*, 12.

Empire and its incorporation of the Mongols into its imperial sphere also marked the gradual closing off of the Inner Asian steppe as a liminal space. After subjugating the Khalkhas, the Qing court not only adopted the banners system to organizationally restructure the Mongol society, but also instituted fixed territories for each banner after their return to Outer Mongolia, restricting the movement of these highly mobile Mongols across the steppe.<sup>38</sup> Prior to the eighteenth century, it was the Mongol tribes who would often roam freely across the desert. In the past, they could easily ride to the areas adjacent the Great Wall to trade for Chinese goods, but the Qing deprived them of their mobility, making them dependent upon the Chinese merchants to come to deliver their goods. In other words, mobility changed hands, and along with it, the relative power between the nomads and the sedentary society. Moreover, as Peter Perdue rightly suggests, the gradual closing off of the steppe frontier was a global phenomenon in the eighteenth and nineteenth century, such as the Russian encroachment on Central Asia and Siberia, and the Westward Expansion of America.<sup>39</sup> And the success of the Shanxi merchants' penetration of the steppe was an embodiment and accelerator of such a new global movement.

In short, the early history of Dashengkui suggests that the rise of Shanxi merchants on the Mongolian steppe was a product of a specific historical context and the result of confluences of political events. On the northern frontier of the empire,

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<sup>38</sup> For details of the banner systems that the Qing set up in Mongolia, see Tayama Shigeru, *Qing dai menggu she hui zhidu* (Beijing: commercial press, 1987), 64-220. For a detailed account in English, see Sechin Jagchid and Paul Hyer, *Mongolia's Culture and Society* (Boulder, Colorado: Westview Press, 1979), 245- 296. For a succinct of account, see Wang Yi (2013), 33-38.

<sup>39</sup> Perdue (2005), 9-11.

merchants followed the flag, not the other way around. On the one hand, the onset of the Qing-Zunghar conflict at the end of the seventeenth century shifted the strategic focus of the Manchu empire from stabilizing the rebellious southern provinces toward pacifying the northern frontier and prompted the court to mobilize its military and economic resources to transform the Mongolian steppe: first the Hohhot regions of Inner Mongolia and then Outer Mongolia. In the process of doing so, the Qing turned to Chinese merchants for support, offering them profitable opportunities in exchange. On the other hand, in order to consolidate its control over the nomadic Mongols through economic means, the Qing court fostered the Mongols' dependence on Sino-Mongol trade by encouraging Chinese merchants to penetrate the nomadic territories. As a result, the first half of the eighteenth century not only witnessed the initial success of Dashengkui, but also marked the beginning of the Shanxi merchants' dominance over the nomadic societies on the steppe and the start of the rapid expansion of their network across the imperial territories.

### **Qing Conquest of Xinjiang and the New Commercial Landscape of the Frontier**

If the beginning of the Shanxi merchants' fortune on the Mongolian steppe was an unintended consequence of the Zunghar war, the Qing conquest of the Zunghar empire in the mid-eighteenth century provided further boost to the adventurous businessmen of north China. After almost seventy years of hostility and three emperors' war efforts, the Qing troops finally annihilated the Zunghar threat and occupied the vast central Asian land previously under the Zunghar rule—the land once known to the Chinese as the Western Region now became the most recent additions to

the Qing empire and came to be called Xinjiang or the New Territory. This territory consisted of two geographically distinctive areas divided by the Tianshan Mountain, with the Zunghar basin to the north and the Tarim basin to the south. The Zunghar basin constituted a section in the great Eurasian steppe where Mongol tribes grazed their animals; in contrast, the Tarim basin boasted the great Taklamakan Desert and a string of oasis city-states populated by the Uighurs, a Turkic-speaking Muslim population. While material exchanges (in the forms of trade, loot, and tributaries) between both parts of Xinjiang and China proper continued on and off since the first century BCE, the Qing conquest brought about economic integration on an unprecedented scale.

First of all, just like in Outer Mongolia, it was military campaigns that brought the merchants to Xinjiang. As James Millward has analyzed in great detail, the Qing military and administrative expenditures in Xinjiang constituted an enormous draw for supplies and people from China proper.<sup>40</sup> The Qing troops that entered Zungharia in the 1750s brought with them merchants who supplied grain, daily necessities and indulgences.<sup>41</sup> After the conquest, to deter Russian encroachment and oversee the rebellious muslim regions to the south, in Ili (the capital of the Zunghar empire) alone, the Manchus constructed nine new garrisons and stationed a military force of 12000 strong.<sup>42</sup> Similar to what happened in Hohhot, the construction and maintenance of

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<sup>40</sup> James A. Millward, *Beyond the Pass: Economy, Ethnicity, and Empire in Qing Central Asia, 1759-1864* (Stanford: Stanford University Press, 1998), 44-76, 113-153.

<sup>41</sup> In an imperial edict in 1755, the Qianlong emperor specifically instructed that the merchants who were transporting grains and supplies for the troops in the steppe should be allowed to bring their own tea and cloth among other commodities with them. See Yuan Senpo, “Lun qing dai qian qi de bei jiang mao yi,” *zhongguo jing ji shi yan jiu*, no. 2 (1990): 41-70.

<sup>42</sup> Huang Dayuan, “Bian jiang he xin qu jian she zhong de zu qun he guo jia—yi qian jia shi qi yili kai fa wei li,” *xi bei min zu lun cong* (Northwest ethnology series) 11 (2015): 50-63.

these facilities brought Chinese craftsmen and merchants from afar, and the court financed such endeavor by delivering a massive amount of tax silver from interior provinces to Xinjiang, the majority of which went into soldier's stipends and eventually into the marketplace.<sup>43</sup> The permanent stationing of Manchu, Han, and Mongol troops along with their families from the eastern part of the empire meant that demands for housing, groceries, clothes, and other necessities began to skyrocket in Xinjiang, drawing in merchants from interior provinces. To provide food to the stationing troops, the Qing also encouraged the cultivation of agricultural land and attracted tens of thousands of Chinese peasants to migrate to Xinjiang, which greatly increased the production of grain there, turning Xinjiang into a new source of grain export. With the arrival of military personnel, sojourning traders and the increase of agricultural production, boisterous marketplaces sprang up near the sites of Qing garrisons, where Chinese restaurants, inns, and shops lined up one next to another in newly built urban quarters. In this manner, the military once again led the way for Chinese businessmen, who followed the flag to new markets.

Secondly, the Qing court continued to use trade as a means toward maintaining political stability in the newly pacified regions. Compared with Mongolia, Xinjiang offered more diverse trading opportunities, where different population groups demanded different goods from China. For one thing, in Zungharia, the newly subjugated Oirat Mongol tribes shared the same economic structure and lifestyle with the Khalkhas, who raise an abundance of animals but demanded supplies of grain, brick tea, and other daily necessities from agricultural areas. Following the precedents set in

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<sup>43</sup> For the flow of silver into Xinjiang through the Qing subsidies, see Millward (1998), 58-61.

Mongolia, the Qing court used Chinese merchants to bring goods into Zungharia to trade, fostering economic dependence to consolidate its rule.<sup>44</sup> Furthermore, in order to appease the nomadic Muslims of central Asia, such as the Kazakhs and Kyrgyz, who remained beyond the borders but maintained close ties with them, the Qing allowed them to come to Ili and Tarbagatai in Zungharia to trade for Chinese goods—not dissimilar to the way in which the Qing permitted the Zunghars to come and trade in Suzhou (Gansu) before the conquest.<sup>45</sup> In southern Xinjiang, particularly in the oasis city-states rimming the Taklamakan Desert that constituted key nodes on the ancient east-west Silk Road trade route, the local Uyghur population, which often acted as the conduits of exchanges between China and Central Asia, were much more savvy commercially compared with the nomads on the steppe, and welcomed high-value luxury goods from China proper, such as silk and tea.<sup>46</sup> The Qing thus allowed Chinese merchants to conduct trade in various muslim cities, leading to increased economic interactions between the Chinese and the Uighurs.

In this way, shortly after the Qing conquest, Chinese businessmen, along with commercial farmers and laborers, flocked into the hitherto unfamiliar markets across Xinjiang, which, during most periods in history, had remained out of reach for them. Prior to the Qing conquest, the trade route between China proper and the Western

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<sup>44</sup> Millward (1998), 113-116.

<sup>45</sup> For a detailed account of the Qing-Kazakh trade, see Lin Yongkuang & Wang Xi, “Qianlong shi qi neidi yu xinjiang hasake de mao yi,” *li shi dang an*, no. 4 (1985), 83-88; also see Wang Xi, “Lun qianlong shi qi yili hasake mao yi de ji ge wen ti,” *Xinjiang da xue xue bao* 20, no.1 (1992): 45-51. For a succinct account the Qing trade with Kazakhs, see Millward (1998), 45-50. The Qing-Kyrgyz trade received far less attention; so far I have yet to see systematic research.

<sup>46</sup> See Lin Yongkuang and Wang Xi, “Qian jia shi qi nei di yu xinjiang de si chou mao yi,” *Xinjiang da xue xue bao*, no.4 (1985): 45-51.

Region had been dominated not by merchants from the interior provinces of China, but by Central Asian traders, which dated back to the early medieval period.<sup>47</sup> During the late seventeenth and early eighteenth centuries, the Zunghars reaped the benefits of such trades when they controlled the muslim city-states. Combining the mobility of their horsemen and the commercial acumen of Central Asian muslims, the Zunghars repeatedly sent tributary missions to the Qing to trade animals for various Chinese goods. The Qing state carefully managed such tributary trades as political events and limited their activities to the markets of Suzhou, Gansu Province. Such exchanges were lucrative for the Zunghars but rarely benefitted Chinese merchants, who were forbidden by the Qing to go beyond the Jiayu Pass, thus unable to venture into Zunghar territories even in rare peaceful times, let alone during long periods of war and hostility. But it all changed after the Qing conquest.<sup>48</sup> As we have analyzed earlier, following the Qing military and serving imperial purposes, Chinese merchants came into Xinjiang under the encouragement of the Qing conqueror. With the support of established networks in China proper and significant capital, it was the Chinese businessmen, not Central Asians, who came to dominate the commercial exchanges between Xinjiang and the eastern provinces.

The arrival of Chinese people, goods, and businesses quickly transformed cities in Xinjiang into prosperous centers of commerce. Major centers of Qing administration, such as Urumqi, Ili, Tarbagatai, Qitai, Barkol, Kashghar, and Aksu, were all turned into

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<sup>47</sup> For example, Sogdian merchants constituted the primary caravan merchants in the Silk Road during the Tang era, while in the Yuan dynasty, the trade were dominated by various groups of central Asian businessmen known as the *semu* (colored eyes).

<sup>48</sup> For a concise overview of the Qing-Zunghar trade, see Perdue (2005), 257-270.

thriving market towns. For instance, Urumqi, a newly built Qing military stronghold that occupied a strategic location between Zungharia and the Tarim basin, emerged as a pivot of trade, where Chinese commodities were piled up before being shipped to Ili or Uqturpan.<sup>49</sup> In 1770, mere ten years after the conclusion of war in Xinjiang, Ji Yun, a famous Chinese scholar-official of the Qianlong court who was briefly exiled to Urumqi, observed that a great many sojourners from China proper stayed in the city for a long time without ever wanting to leave because of its prosperity.<sup>50</sup> Similarly, the Ili nine-city area also constituted a new urban center where “crowds of merchants gathered, and even wines of Shaoxing (Zhejiang Province) and operas of Suzhou (Jiangsu Province) vied for attention.”<sup>51</sup>

Among adventurous businessmen that were attracted to Xinjiang from Gansu, Shaanxi, Shanxi, and various other provinces after the Qing conquest, Shanxi merchants soon emerged as the most powerful force, even eclipsing Chinese muslims to become the primary intermediaries between China proper and Xinjiang. Shortly after the end of war and the opening of Xinjiang to Chinese businesses, Hohhot-based traders from Shanxi, including Dashengkui, who by then had dominated the nomadic market on the Mongolian steppe, began to push further west to enter Zungharia. Thanks to the large size of their accumulated capital, extensive supply chains in China proper that were developed for sourcing goods for the Mongolian market, as well as their ability to cultivate strong ties with the Qing military, Shanxi merchants became a conspicuous force in the Xinjiang market. In Urumqi, as Ji Yun saw in 1770, “the great merchants

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<sup>49</sup> Shanchang Shi, *Luntai zaji*.

<sup>50</sup> Yun Ji, *Wulumuqi zashi* (Beijing: zhonghua shu ju, 1985), 8-9.

<sup>51</sup> Zhao Yi, *Huangchao wugong jisheng* (Beijing: Zhonghua shu ju, 1985), vol. 2, 29.

here almost all came from Hohhot, who the locals called the sojourners from the northern loop.”<sup>52</sup> As early as 1779, these merchants completed the construction of a Shanxi *huiguan* in Urumqi, a meeting place for all the Shanxi’ers doing business in the city, demonstrating their power and influences.<sup>53</sup> Their influence in Xinjiang went beyond the volume of trade. The items and business forms that they brought to Xinjiang’s urban centers even changed the material and economic life there. For instance, Ji Yun also noted that the arrival of the Shanxi merchants’ caravans caused a great stir in Urumqi every time, as they brought dried seafood from the coast of China, which were difficult to come by in the past and therefore wildly popular among the upper-echelons of the Uighur society.<sup>54</sup> After all, the cities in Xinjiang were among the places on the Eurasian continent that were most distant from the ocean. Thanks to the Shanxi merchants’ importation, it was also noted that in the 1760s and 1770s, the affluent Muslim rulers of Yarkand, a market town on the westernmost border of the Qing Empire, enjoyed many kinds of seafood in their daily diet.<sup>55</sup>

Seafood, of course, was not the primary content of Shanxi merchants’ trade; they brought to Xinjiang tea, cloth, silk, and a plethora of daily necessities in large bulks. The reason that Shanxi merchants were able to transport bulk goods into Xinjiang at a relatively fast speed was the result of the opening of a new trade route through Mongolia. Traditionally, the East-West thoroughfare connecting China proper and

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<sup>52</sup> *Wulumuqi zashi*, 12.

<sup>53</sup> Xing Long, “Qingdai Xinjiangdiqude Jinshang”,Zheng Qidong and Shi Jianyun eds, *Wanqing yijiangde jingjiyu shehui* (Beijing:Sheke wenxian chubanshe,2008), 329-345.

<sup>54</sup> *Wulumuqi zashi*, 13.

<sup>55</sup> In the 1770s, when Gao Pu was stationed in Yarkand as the imperial superintendent, he was surprised to find out that the muslim bergs of the city lived an extravagant lifestyle and enjoyed many seafood in their meals. For Gao Pu’s experiences in Yarkand, see Chapter Two.

Central Asia went through the Shaanxi Province and the Gansu Corridor. After the Qing conquest, however, Hohhot-based Shanxi merchants were able to get to Xinjiang via routes across the Mongolian steppe to the north, thanks to the peace and order that the Qing had maintained in Mongolia as well as the close ties formed between the merchants and the Mongol banners along the way. According to Ji Yun, Shanxi merchants opened the cross-steppe route by bribing the Mongol princes—a conjecture that hinted at the importance of the Mongol endorsement for the maintenance of the road.<sup>56</sup> Going through the grassland and traversing the desert, it took the traders only two months from Hohhot to Urumqi, and the openness of the grasslands allowed for larger transportation teams to operate.<sup>57</sup> Although the merchants had to set up tents and fire in the open space, and were exposed to harsh conditions on the journey, the steppe route offered two critical advantages for Shanxi merchants. First, since they were already organizing caravans to trade in Mongolia, going to Xinjiang was no more than an extension of their mode of transportation. Second, the route through the grassland was free of cumbersome checkpoints and customs houses, which meant lower costs and fewer troubles. The combination of these two factors allowed the Shanxiers to quickly

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<sup>56</sup> *Wulumuqi zashi*, 12.

<sup>57</sup> According to Colonel Mark S. Bell, the comparative time on the road between the two routes from Beijing to Kashgaria in the late nineteenth century is as follows. “From Peking (Beijing), Kashgaria is reached: 1) by the Great Central Asian trade route, a cart road, passing through the province of Shansi to the Wei Valley at Si-nga-n-fu, and thence through Shensi, Kansu, and the New or Sin-Kiang Province of Kashgaria; and 2) by the Ala-shan route, i.e. that usually taken by camel caravans via Kwei-hwa-cheng (Guifuacheng, i.e., Hohhot) to Barkul. By the former it is reckoned to be 75 days to Hami, 95 days to Urumtsi, now the Chinese Hung Miotsa, and 113 days to Ili (Kuldja). By the latter it is reckoned to be 12 days to Kwei-hwa-cheng (Hohhot), 67 days to Barkul, and 104 to Ili.” See Mark S. Bell, “The Great Central Asian Trade Route from Peking to Kashgaria,” *Proceedings of the Royal Geographical Society and Monthly Record of Geography* 12, No. 2 (Feb., 1890), 57-93.

enter Xinjiang via the route of the Mongolian steppe. While in the appendix to this chapter, we will examine a smuggling case to illustrate how the Shanxi merchants penetrated Xinjiang markets from their position in Mongolia, it suffices to say here that after the Qing conquest of Xinjiang, the vast steppe of Mongolia took on a new significance. It was no longer the most distant frontier for Chinese business expansion, but an intermediate zone that sat between the newly pacified areas and the rest of the empire. By dominating this pivotal zone, Shanxi merchants were able to create new transportation networks that spanned the entire northern frontier zone of the Qing Empire, with Manchuria to its east and Xinjiang to its west.

Whereas the Shanxi merchants' advantage in Xinjiang was predicated upon their commercial penetration of Mongolia, the trade links they established between Xinjiang and Mongolia also helped to consolidate the Qing rule over the Khalkhas, further benefitting the Shanxi merchants' commercial interests on the steppe. In the late Yongzheng and early Qianlong period, two garrisons in western Mongolia, Uliastai and Kobdo, gradually emerged as the primary locations of Qing military administration on the Mongolian frontier. Uliastai, known among Shanxiers as the "front camp," became the administrative capital of Outer Mongolia, where the Uliastai General, the highest ranking official in Mongolia, was stationed.<sup>58</sup> Kobdo, the so-called "rear camp," served an administrative outpost in the far west, connecting the Khalkha land with Zungharia

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<sup>58</sup> For a history of the post of Uliasutai General and the Qing administration of Outer Mongolia, please refer to Yushu Li's exceptional study, see Yushu Li, "dingbian zuo fu jiang jun zhi du kao," in *Waimeng zheng jiao zhi du kao* (Taipei: Modern History Institute, Academia Sinica, 1978), 1-104.

and the realms of Tannu Uriankhai.<sup>59</sup> Mongol troops convened at these places annually to engage in military exercise, while Manchu and Khalkha officials also resided there. After the wars were over, these administrative centers took on new roles in commerce. In addition to doing business with the military and administrative personnel there, Shanxi traders also used Kobdo and Uliastai as bases to launch subsidiary trade into the dispersed nomadic banners in Western Mongolia or as stopping places on their way to northern Xinjiang. In the 1760s, to accommodate the increasing number of Chinese traders, the Qing even constructed a new city outside the original garrison at Kobdo, where Shanxi traders could reside, set up shops, and store goods.<sup>60</sup> A commercial quarter also gradually took shape immediately adjacent to the garrison at Uliastai. The proximity between these two garrisons and cities of northern Xinjiang gave rise to new trade connections between them, especially when Xinjiang emerged as a grain surplus region as a result of encouraging Qing policies. Shanxi merchants in Uliastai would take their tea and cloth to Gucheng, a prosperous market town in Qitai County of northeastern Xinjiang, where they would sell them to purchase grain which they would then bring back to Uliastai. As a result, this military headquarter of Mongolia could acquire its food supply cheaply from the nearby Gucheng rather than from the distant Hohhot, which significantly lowered its cost. In this way, the movement of the Shanxi merchants connected China Proper, Outer Mongolia and Xinjiang together by

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<sup>59</sup> For the Shanxi colloquial use of terms such as the “front camp” and “rear camp”, see *Dashengkui wenjian lu*, 204, 207.

<sup>60</sup> Huimin Lai, “Qing dai kebuduo de guan shang,” *zhongguo bianjiang xue*, no. 2(2016): 23-51.

circulating goods among them, and by doing so, strengthened Qing control over the frontier regions.

After the Qing conquest of Zungharia and the consolidation of Qing rule over Outer Mongolia, the perilous steppe entered an unprecedented period of peace and order, which would last for almost a century. And such peace and order also provided conditions for the advent of a new route of international trade between China and Russia, further boosting the fortunes of the Shanxi merchants. After incorporating the Khalkha land in the 1690s, the Qing Empire established a long continuous border with Romanov Russia, whose empire had recently groped eastward into conflict with the Qing on the Amur River in Manchuria. To keep the Russians away from interfering in the Zunghar war, the Qing court decided to pacify the Russians' desire for trade with the Chinese in exchange for Russian neutrality. But instead of allowing the Russians to send caravans to Beijing, the Qing hoped to limit the trade to the border—a time-honored strategy in imperial China in handling foreign trade. In 1727, the Qing signed a treaty with the Russians to demarcate the border between the two empires. Both sides agreed to establish a trading post at Kyakhta (*qiaketu* 怡克圖) on the Mongol-Russian border (to the south of Lake Baikal and Irkutsk, a Russian stronghold nearby), which would function as the only conduit of Sino-Russian trade.<sup>61</sup> The Qing court would allow Chinese merchants to travel across the steppe to Kyakhta to barter directly with Russian traders, where the trade fair would open for six months every year. After the signing of

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<sup>61</sup> Prior to 1727, Russia sent official caravans directly to Beijing after the conclusion of the Nerchinsk Treaty in 1689, while private traders often went to Outer Mongolia to trade with Mongols at Urga. The situation was permanently changed after 1727. Whereas private trade between China and Russia were concentrated at Kyakhta, bypassing the Mongols, the official caravan trade declined and was abolished after 1762.

the treaty, bilateral trade quickly began in 1729 but grew slowly afterwards. It was not until the 1760s, when the Qing solved the Zunghar problem and established order on the Mongolian steppe that the Kyakhta trade entered a period of explosive growth.<sup>62</sup>

The opening of Sino-Russian trade at Kyakhta provided a new and massive market for Shanxi merchants. Despite the fact that the Khalkhas used to trade with Russian merchants in northern Mongolia, which usually took place at the site of the mobile monastery of Jebtsundamba Khutuktu (哲布尊丹巴呼圖克圖 the preeminent living Buddha of Mongolia), in order to prevent the Khalkhas from colluding with the Russians, the Qing court strictly prohibited the Mongols from engaging in such transactions, excluding them from the Kyakhta trade altogether. Sino-Russian trade therefore fell completely into the hands of the Shanxi merchants, who were already spreading across the steppe doing business with the nomads. Some merchants, like the Changs of Yuci County, who had established themselves in Kalgan when the Kyakhta trade opened, soon organized caravans of camels and oxen-carts to go all the way to Kyakhta.<sup>63</sup> Whereas the Russian nobles had insatiable demand for fine Chinese tea, the Manchu, Mongol, and Chinese elite in Beijing valued the furs of fox, beaver and, most notably, sable that the Russians brought to the table. As a result of strong demand for

<sup>62</sup> For a detailed contemporaneous account of the Kyakhta trade in the nineteenth century, see Harry Parkes, “Report on the Russian Caravan Trade with China,” *Journal of the Royal Geographical Society of London*, Vol. 24, (1854), 306-312. For a well-researched history of the Qing-Russian trade at Kyakhta, see Mi Zhenbo, *Qing dai Zhong E Qiaketu bian jing mao yi* (Tianjin: Nankai University Press, 2003).

<sup>63</sup> For the history of tea trade of the Chang family, see Cheng Guang, *Jinshang shi da jia zu* (Taiyuan: Shanxi jing ji chu ban she, 2008), 211-256. Also see Tian Shumao, “Chang jia de sheng shuai yu cha ye mao yi,” in Zengde Gao ed., *Jinshang ju bo: jinshang chang shi wen hua xue shu yan tao hui lun wen ji* (Taiyuan: Shanxi jing ji chu ban she 2005), 329-337. For a most thorough archive-based account of their tea trade at Kyakhta, see Huimin Lai, “Shanxi chang shi zai qiaketu de cha ye mao yi,” *shi xue ji kan*, no.6 (2012): 33-47.

each other's products on both sides, from the 1760s onward, the Kyakhta trade kept growing at an extraordinary speed.<sup>64</sup> For the next hundred years, Kyakhta remained the only officially endorsed overland channel for foreign trade in the Qing Empire, which echoed the Canton system in the far south through which maritime traders from Europe and America convened to trade with the Chinese.<sup>65</sup>

For Shanxi merchants, the development of Sino-Russian trade also helped them to further penetrate the Mongolian steppe. Due to the long distance of the trade route that passed through Mongolia, Kyakhta-bound merchants found it necessary to exchange goods with the Mongols along the way to secure additional supplies, which increased the interdependence between the Chinese merchants and the nomads. In this way, some merchants also frequently diverted away from the main road and venture into the various Khalkha banners to conduct business. In the 1750s, when certain Mongol officials proposed to ban the Chinese merchants from entering the Mongolian banners altogether, Fang Guancheng, the governor-general of Zhili province who was entrusted by the emperor to look into the matter, refuted the proposal on the grounds that the ban would sabotage the Sino-Russian trade at Kyakhta.<sup>66</sup>

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<sup>64</sup> Of course, the development of the trade had not been plain sailing. There were a few occasions the trading post was shut down by the Qing due to diplomatic disputes with the Russians. For example, in 1763, the Qing withdrew all the Chinese merchants from Kyakhta. For details, see Wulan Bagen, “Qianlong er shi ba nian qiaketu che hui shang min shi jian,” *zhongguo bian jiang xue* 2 (2014), 161-168.

<sup>65</sup> For the history of tea trade between China and Russia, see Cai Hongsheng, *eluosi guan ji shi* (Beijing: zhonghua shu ju, 2006), 137-165. Also see Martha Avery, *The Tea Road: China and Russia Meet Across the Steppe* (Beijing: China Intercontinental Press, 2003).

<sup>66</sup> Qing Palace and Grand Council Archives Database, 009770. Fan Guancheng was also the protagonist in Pierre-Etienne Will's wonderful monograph. See Pierre-Etienne Will, *Bureaucracy and Famine in Eighteenth Century China*, Elborg Forster trans.(Stanford: Stanford University Press, 1990).

The thriving Kyakhta trade not only propelled Shanxi merchants to ply the south-north thoroughfare across the steppe, it also altered the commercial geography of Mongolia, which was exemplified by the rise of Urga (Also known as Khuriye, or *Kulun* 庫倫 during the Qing, or Ulan Bator as it is known today). Two hundred miles to the south of Kyakhta, the city was the site of the Jebtsundamba Khutuktu's monasteries. The gathering of tens of thousands of lamas there led to the rise of Urga as a monastic city and the concentration of people and wealth around the Buddha's court also turned the city into an attractive marketplace, where Shanxi merchants found eager customers for silk, tea, cloth, and Chinese stationeries. In 1761, the Qing set up an *amban* post (辦事大臣, imperial agent) in Urga to oversee the Mongol clergy, Khalkha banners, and Chinese merchants, as well as handle affairs related to the Kyakhta trade.<sup>67</sup> As early as the summer of 1770, still the early days in Urga's development, a rare document indicated that in addition to the 324 Chinese sojourners conducting business in and around the city who obtained permits to trade there, there were 193 who had no permit.<sup>68</sup> While we do not have records about the 324 lawful dwellers, merchant leaders of Urga assisted the *amban yamen* (the *amban*'s office) to compile a list of these unlicensed sojourners, detailing their names, places of origin, where they plied their

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<sup>67</sup> For history of the post of the imperial agent at Urga, see Yushu Li (1978), 105-184.

<sup>68</sup> Recently, scholars have begun to reveal the permit/license system that the Qing imposed on the frontier trade through archival research. For details, see a concise treatment of the historical changes of this system in English, see Yi Wang (2013), 168-170. For a most thorough archive-based analysis, see Tian Mi (2008) 28-35.

trade, and their current whereabouts.<sup>69</sup> This document indicated that the early Chinese community in Urga consisted almost exclusively of Shanxiers: among the 193 listed, only ten were not from Shanxi. And if we consider Kalgan and Xuanhua of Zhili Province, where Shanxi dialects were spoken and Shanxi merchants concentrated, as part of Shanxi, only four people were not part of the Shanxi network. If we analyze their places of origins within Shanxi, most conspicuously, the vast majority of these wanderers hailed from Central Shanxi, and in particular from Fenyang County, which boasted 149 souls.<sup>70</sup> What also merits attention was that all but 46 sojourners, that is three out of four, had Mongol names,<sup>71</sup> indicating these Shanxiers' cultural sensitivity as well as their role as cross-cultural intermediaries.

Place of Origin	Chinese	Prefecture/Department	Region	Province	Number
Fenyang	汾陽	Fenzhou	Central Shanxi	Shanxi	149
Xiaoyi	孝義	Fenzhou	Central Shanxi	Shanxi	10
Pingyao	平遙	Fenzhou	Central Shanxi	Shanxi	1
Wenshui	文水	Taiyuan	Central Shanxi	Shanxi	4
Jiaocheng	交城	Taiyuan	Central Shanxi	Shanxi	1
Taigu	太谷	Taiyuan	Central Shanxi	Shanxi	2

<sup>69</sup> Urga amban archives (The Mongolian and Tibetan Affairs Committee collection), 01-011-0174~0225.

<sup>70</sup> I still do not have an explanation why merchants from Fenyang formed an overwhelming majority in Urga. Few scholars have delved into the study of Fenyang's mercantile tradition.

<sup>71</sup> Even the ones without a Mongol name were often known by their nicknames, which were normally simple and easy to pronounce for Mongols.

Place of Origin	Chinese	Prefecture/Department	Region	Province	Number
Qixian	祁縣	Taiyuan	Central Shanxi	Shanxi	9
Xinzhou	忻州	Xinzhou	Central Shanxi	Shanxi	3
Wutai	五臺	Xinzhou	Central Shanxi	Shanxi	1
Datong	大同	Daizhou	Northern Shanxi	Shanxi	1
Lu'an	潞安	Lu'an	Southeastern Shanxi	Shanxi	1
Kalgan	張家口	Xuanhua	Xuanhua	Zhili	1
Wanquan	萬全	Xuanhua	Xuanhua	Zhili	4
Xuanhua	宣化	Xuanhua	Xuanhua	Zhili	1
Niulanshan	牛蘭山	Shuntian	Beijing	Zhili	1
Daxing	大興	Shuntian	Beijing	Zhili	2
Laizhou	萊州	Laizhou	Northern Shandong	Shandong	1

Table 1: Breakdown of Unlicensed Sojourners in Urga by Places of Origins, 1770.

This document also illustrated the occupational composition of these unlicensed sojourners. While there were nine occupations listed here, including herder, peasant, woodcutter, charcoal burner and beggars, 85% of these sojourners made a living in trade, including 54 traders, 13 staff members in trade firms, and 81 independent laborers hired by merchants. In addition, there were 16 people whose occupation were described as debt collectors, who most likely made a living by helping traders collect unpaid debt from Mongol banners. Admittedly, this list consisted of people without travel permit from the state, which might suggest they were of less means compared with the ones

who had successfully obtained the permit. Nevertheless, there is no reason to doubt the most essential information that this document reveals, namely, that the Chinese community of Urga, and possibly of the entire Outer Mongolia, was a community of Shanxi traders.

Occupation	Returned to China	Military Garrison (Uliastai)	Kyakta	Urga	Deceased	Total
trader	22	1	22	7	2	54
hired labor	31	5	30	10	5	81
employed staff	7	0	5	1	0	13
debt collector	9	2	3	2	0	16
herder	7	0	0	0	0	7
peasant	4	1	3	2	1	11
woodcutter	0	0	1	0	0	1
charcoal burner	0	0	8	0	0	8
beggar	0	1	1	0	0	2
<b>total</b>	<b>80</b>	<b>10</b>	<b>73</b>	<b>22</b>	<b>8</b>	<b>193</b>

*Table 2: Breakdown of the Number of Sojourners by Occupation and Current Whereabouts*

Thanks to its pivotal location, Urga became a main emporium on the steppe, where businesses gathered in commercial quarters not far from the monastery

compounds.<sup>72</sup> Merchants not only conducted business in the region, but also used Urga as a way-station where they could store large amounts of commodities before heading to Kyakhta, as well as a place of retreat where they could return to when the Kyakhta fair was not in session. For instance, in the previous table, we can see that among the 193 Urga-based unlicensed Chinese sojourners, while 22 remained in the city, 80 had returned to China at the time of survey and 73 had gone to Kyakhta, probably to take part in the trade fair during the warm season. In addition, ten had gone to Uliastai, suggesting that a business link also existed between Urga and Uliastai, albeit not a strong one.

Urga also constituted a pivotal hub from which Shanxi merchants depart to penetrate distant localities in Mongolia. An incomplete piece of official record from the *amban yamen*, written in Chinese language, showed that in the year 1766, four Chinese merchants obtained travel permits from the office to trade in the Mongol banners in the northwestern direction from Urga, each bringing dozens of boxes of Chinese goods. For instance, a businessman by the name of Chengwen Ren, acquired the permission to go to the area around the Bulake postal station to collect debt from a Mongol banner. He brought a cabinet of miscellaneous goods, thirty-two bolts of cloth, a cabinet of assorted cookies, seven boxes of brick tea, three buckets of sesame oil, a basket of flour, nine pairs of leather boots, twenty pounds of cotton, forty bags of yellow tobacco, and seven basket of red tobacco. To carry all the goods, he hired four laborers to form a caravan of

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<sup>72</sup> For a history of Urga's business quarters, see Huimin Lai, "Qing dai kulun de maimaicheng," *Neimenggu shi fan da xue xue bao* 44, no.1 (2015), 18-32.

twenty-one oxen and seventeen carts.<sup>73</sup> Judging from the size of his operation, Ren was no more than a middling merchant, but his operation showcased how Shanxi merchants embarked on trade expeditions from Urga and also hinted at how they combined trade with the extension of credit, which we will discuss in details in the next section.

In sum, the expansion of the Qing Empire in mid-eighteenth century created new markets for Shanxi merchants and reshaped the commercial landscape on the northern frontier. Thanks to the efforts of three emperors over seven decades, through military expansion as well as diplomatic maneuvering, the Qing consolidated its rule on the northern frontier by defeating the Zunghars and incorporating Xinjiang into the imperial realm, thus unifying the large swath of forest, steppe, and desert from the Manchurian coast to the Pamir Plateau under the same empire. The expansion of the Qing altered the strategic position of Outer Mongolia, turning it from a military frontier into a peaceful transit zone through which imperial agents, messengers, and increasing numbers of Chinese merchants traveled to go to the new markets that were opened up in Xinjiang and the Mongol-Russian border. Shanxi merchants, who took advantage of their early penetration of the critically positioned Mongolia, quickly grabbed the new opportunities in Xinjiang and Kyakhta, thus dominating the Sino-Xinjiang and Sino-Russian trade. The rise of these new trading frontiers not only attracted more Shanxiers to come to the frontier, furthering their penetration of Mongolia, it also reconfigured the commercial landscape in the nomadic region, contributing to the formation of two primary trade routes. Merchants who took the westward route, following the footsteps of the Qing military, started from Hohhot, passed through Uliasutai and Kobdo, and

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<sup>73</sup> Urga amban archives (The Mongolian and Tibetan Affairs Collection), 01-005-0110~0114.

eventually arriving at Zungharia and the Tarim Basin. They were known as the “west-bound merchants” (*xishang*, 西商). The “north-bound merchants (*beishang*, 北商) , in contrast, launched their expedition from Kalgan, passed through Urga, and finally reaching Kyakhta on the Mongolia-Russia border. Both of these routes were dominated by Shanxi merchants and became essential to their lasting success. If the Shanxi mercantile network of the Qing era originated in the military campaigns against the Zunghars at the turn of the eighteenth century and developed in Mongolia shortly thereafter, it was on the Sino-Xinjiang and Sino-Russia trade routes that they created the greatest commercial fortunes in the Qing empire.

### **Dashenggui and the Sino-Mongol Trade in the Golden Age**

Led by Shanxi merchants, long-distance trade across Mongolia thrived between the mid-eighteenth and the mid-nineteenth centuries, which turned out to be the golden age of commerce on the northern frontier. If grassroots entrepreneurs and middling merchants, such as Dashenggui’s founders and the middling sorts that we mentioned in the previous sections, constituted the primary historical actors in the early stages of such development, after decades of peaceful progress and market competition, the prosperous frontier business came to be dominated by well-organized trading firms, despite the continued operation of many individual proprietors. As one of such firms, Dashenggui had grown into a big business by the late eighteenth century. Whereas businesses in the Sino-Russian trade at Kyakhta and the Kalgan-Urga trade route has been studied more extensively, Shanxi firms in Mongolia and Xinjiang received far less attention from

scholars. Therefore, in this section, I will bring our focus back to Dashengkui and by examining its business model, I want to show how the leading merchants conducted Sino-Mongol trade in its golden age, and analyze the historical conditions and forces that shaped their businesses.

First of all, Dashengkui belonged firmly in the category of the West-bound merchants, whose core business was to exploit the nomad's demands for Chinese goods, conducting business in Mongolia and Xinjiang, rather than trading with the Russians at Kyakhta. Just like in the Sino-Russian trade, among all the Chinese goods that Dashengkui brought to the steppe, tea was no doubt the most important. But there is also a key difference. While the Russians imported many kinds of fine Chinese tea, mostly loose leaf green tea, as illustrated in the trade registration records in the Urga Amban archives,<sup>74</sup> the Mongols and other nomads of Inner Asia consumed the less expensive kinds of fully fermented tea, compressed in the form of a brick or a disk.<sup>75</sup> One of such tea bricks from the Qianlong era is still preserved today in the Shanxi Merchant Museum of Beijing.<sup>76</sup> For the nomads, tea was not only a daily nutritional necessity, tea bricks were also used as a standard measure of value and medium of exchange, playing the function of a major currency in Mongol society for much of the early-modern era. Therefore, Dashengkui brought tea to the Altai garrisons as well as to Mongol banners across the steppe. Dashengkui was not alone in this business. In fact, every year Shanxi merchants poured large quantities of Chinese tea into Mongolia and

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<sup>74</sup> Urga amban archives (The Mongolian and Tibetan Affairs Committee Collection), 027-001-001~042.

<sup>75</sup> Samuel Ball, *An Account of the Cultivation and Manufacture of Tea in China* (London: Longman, Brown, Green, and Longmans, 1848), 192.

<sup>76</sup> See Illustration 5.

Xinjiang, a portion of which were then sold by Bukharian merchants further west. Through Mongolia, the tea-driven trade connected China with Central Asia and Russia, forming a “Tea Road,” which became a replacement of the “Silk Road” of earlier centuries as the artery of East-West trade. Tea was not the only Chinese merchandise that Dashengkui sold. Tobacco, alcohol, and sugar were also popular among the nomads. In addition, Dashengkui served as a conduit for Chinese manufacturing products to take over the steppe market. Cotton cloth and silk bolts of various kinds showed up in Dashengkui’s ledgers. The firm also brought tools, wearables, and housewares specially designed and made for the nomadic lifestyle and Mongolian culture, such as iron tools, fire lighter, leather boots, wood bowls, as well as copper statues of Buddha. In fact, as the firm often proudly claimed, they sold everything from silk to onions and garlic.

Dashengkui also claimed that their goods included specialities from all twenty-two provinces, and were sourced from all across China. For instance, tea originally came from the coastal province of Fujian, and later from Hunan, and Hubei provinces in Central China. Silk bolts were from the Yangtze Delta, Henan, Shandong, and southeastern Shanxi, tobacco from southern Shanxi, while sugar came from the far south, especially from Fujian and Guangdong provinces. As for the goods manufactured especially for the nomadic markets, they were mostly produced in cities in Shanxi or Inner Mongolia on either side of the Great Wall, such as Datong, Hohhot, and Dolon Nor. For instance, the monastic city of Dolon Nor (in Inner Mongolia) developed a

sophisticated industry specializing in the production of bronze statues in the Tibetan Buddhist tradition, many of which were sold to the monasteries of Urga and Hohhot.<sup>77</sup>

Dashengkui of course did not deliver any of these goods directly from their source to the Mongol banners, but instead relied on the Inner Mongolian entrepôt Hohhot as the nexus in its supply chain. Despite the fact that Dashengkui originated in the Qing garrisons in Outer Mongolia and set up its first headquarter in Uliastai, the firm eventually moved its center of operation to Hohhot, because the latter occupied the ideal location to command the firm's entire operation. By the mid-eighteenth century, Hohhot had already boasted a large market where Shanxi traders gathered and brought goods from all over China proper.<sup>78</sup> All kinds of commodities were first concentrated in Hohhot, and were then sold in the market to Mongolia/Xinjiang bound merchants, including Dashengkui and its competitors. After acquiring all the goods for a shipment, Dashengkui would organize trade expeditions to cross the Gobi Desert, and then barter with the Mongols at their banners. Whereas middling merchants often relied upon ox-carts to transport commodities to Outer Mongolia, the resourceful Dashengkui, in contrast, almost exclusively used camels, organizing large-scale camel caravans to fulfill the task. Although we have no information regarding the specific details of Dashengkui's caravan operations in the early days, oral history records did reveal how its caravans were organized in the late nineteenth and early twentieth century. Usually, the firm would link fourteen camels into a train, and fourteen trains into one large team.

<sup>77</sup> Oyungerel, “Qingdai bian cheng duolunnuo’er de di wei ji qi xing shuai,” Zhang Jianhua and Bo Yinhu eds., *Neimenggu wen shi yan jiu tong lan—li shi di li juan* (Hohhot: Neimenggu da xue chu ban she, 2015), 558-566.

<sup>78</sup> For a brief history of Hohhot, see Chapter Three.

While each camel train had a driver, each team was placed under the command of a manager and all the trains moved and rested in unison. In one shipping operation from Hohhot, Dashengkui would normally send out ten to twenty teams, which acted in unison and cooperated with each other during the trip across the desert and steppe. Upon reaching Uliastai, these traders would reorganize the operation into smaller groups by camel trains. Each camel train, or sometimes two or three trains together, could become an independent unit, traveling on their own to designated Mongol banners.<sup>79</sup> In this way, Dashengkui maintained flexibility in its caravan operations, and ensured safe passage through the desert by traveling as a large group and also allowing for nimble movements into dispersed markets.

When Dashengkui's camels reached the banners spread out on the steppe, merchants bartered Chinese goods with the Mongols in exchange for live-stocks, primarily horses and sheep. While numbers from the eighteenth century is nowhere to be found, we can get a sense of Dashengkui's scale of operation by looking at the numbers from the late nineteenth century: every year Dashengkui took between 100 000 and 200 000 sheep and between 5 000 to 20 000 horses from Western Mongolia back to Hohhot. In 1892, Pozdneev, the Russian explorers that we mentioned in the beginning of this chapter, recorded his encounter with one of Dashengkui's herds of sheep in a river gorge in a far north corner of Mongolia: "These herds had literally taken over the entire gorge. Their shepherds, who hailed from Shanxi and wore very broad straw hats, dark blue dabunu jackets of cotton quilting, breeches of the same quilted material, and

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<sup>79</sup> *Lü meng shang Dashengkui*, 95-98.

long cloaks, looked to me like Biblical shepherds out of the Old Testament.” These Dashengkui shepherds would travel over one thousand miles of difficult terrain, taking tens of thousands of sheep and keeping them alive, fat and healthy. It was an undertaking no less significant than the cattle drive of the American cowboys of the same century.

Dashengkui’s profit, to a great extent, derived from its ability to solve logistics problems in acquiring, shipping and selling massive quantities of goods across great distances and over difficult terrains. But in the beginning, Dashengkui only specialized in the camel caravan trade between Hohhot and Mongolia, because they acquired most Chinese goods in the market of Hohhot, and sold off their animals in Hohhot on their return trip. From a broad perspective, in the early days, the long supply chain of the Sino-Mongol trade was divided into different sections, each controlled by different merchants. Taking the tea trade as an example, many Shanxi firms and traders specialized in sourcing tea. They traveled to the tea producing regions, acquired tea from the local markets, and then go through complicated processes of packaging delivering the tea from the southeast coast to Hohhot, where they sold the tea to Mongolia-bound traders such as Dashengkui. The same applies to other commodities. As Braudel suggested, “the most profitable commodity trades operated over enormous distances. Distance is a constant indicator of wealth and success.”<sup>80</sup> Controlling only a section of the supply means that Dashengkui only reaped partial benefits. With the growth of its business, its ability, and its appetite, Dashengkui came to adopt an

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<sup>80</sup> Fernand Braudel, *Wheels of Commerce* (Berkeley and Los Angeles: University of California Press, 1992), 190-191.

aggressive strategy of vertical integration to maximize its profits in the nineteenth century. But acquiring the varieties of goods in large quantities from different locations is difficult for a single firm to manage, even in the modern days, let alone the late imperial period. To deal with this logistics problem, Dashengkui employed a combined approach: On the one hand, for some core commodities, and *especially* tea, Dashengkui sent its own personnel to tea producing areas to control the entire process from purchasing to shipping. At the same time, it would invest in ventures that functioned as its supplier, procuring various goods from the Chinese interior, and then selling them to Dashengkui.<sup>81</sup> They also invested in wholesale firms in Beijing to sell their sheep, and firms in Hankow to sell horses brought back from Mongolia. These ventures were set up as independent businesses, but Dashengkui maintained strong control. By relentlessly pursuing this strategy, Dashengkui controlled entire supply and distribution chains for a number of key commodities, connecting the producers in China proper with consumers in Mongolia and vice versa through its sole mediation. This was unprecedented in Chinese history; even the great salt merchants of Ming or the Hong merchants of Canton in the contemporaneous era were never able to operate on such a geographic scale. And Dashengkui's ability to pursue such strategy reveals the growth of the power of the firm as an organizational structure, as well as the development in the institutional framework for investing in and controlling subsidiaries in late imperial China.

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<sup>81</sup> These ventures were also allowed to sell to other firms after satisfying Dashengkui's demand. Dashengkui controlled these firms through majority-share holding. For details, see *Lümenghang Dashengkui*, 38-48.

In Mongolia, Dashengkui integrated the use of credit with barter trade, and its manipulation of credit was the key to its success: they were financiers as much as traders. Dashengkui's use of credit supplemented its barter trade. By advancing goods to the Mongols first, and collecting sheep and horses in the following year, Dashengkui developed a fixed annual schedule of goods distribution and live-stock collection, which greatly simplifies its logistics. This practice was not Dashengkui's creation, however. From the very beginning, it became an established practice in Sino-Mongol trade that Shanxi traders advanced goods to the Mongols first, and received payments back in livestocks. In many cases, the commercially savvy merchants often took advantage of the Mongols, who were unaccustomed to such calculations, by charging high interests for the delayed payment. Since many Mongols did not have the wherewithal to pay back their debt at once and thus kept accumulating new debts, the Shanxi merchants' credit advances in effect bonded these Mongol herdsman with the trader, making them devoted customers as well as dependable suppliers of live-stocks. During the periods between receiving Chinese goods and repaying debts, the Mongols often ended up raising their animals for the Shanxi firms. Many Mongol herdsmen grew resentful of their plight. As early as the mid-eighteenth century, a number of top Khalkha rulers were so concerned about the indebtedness of the Mongol commoners that they complained to the court and requested the scaling back of Chinese trade in Mongolia.<sup>82</sup> The request was denied, and the credit-based barter trade continued as the normal practice in Sino-Mongol trade until the modern times. In fact, during the Mongolia independence movement in the early twentieth century, one of the accusations against

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<sup>82</sup> Grand Council Archives Database, 009770.

Qing rule was precisely the Chinese merchants' economic exploitations of Mongols through the use of credit.<sup>83</sup>

Different from the middling merchants or peddlers, Dashengkui not only issued credits to Mongol herdsman, but more importantly, they gradually became lenders to the Mongol nobles across the steppe. For one thing, with the integration of the Khalkha Mongols into the Qing imperial system, the Manchu court required the Mongol nobles of every banner to pay tribute to the emperor, participating in imperial audiences at Beijing and Chengde—a system that can be compared with the *Sankin kotai* 參勤交代 system installed by the Tokugawa shogun for his *daimyos*.<sup>84</sup> In a way similar to the *Sankin kotai* system that contributed to the rise of merchants and financiers at the expense of the *daimyos* in Tokugawa Japan,<sup>85</sup> the capital attendance system of the Qing also led to the indebtedness of the Mongol banners, while helping Dashengkui to accumulate enormous wealth and influence in Mongolia. The trip to Beijing and living expenses in the capital were costly, and cash was difficult to come by for the Mongol nobles in a cash-short economy. They had no other way but to turn to powerful Chinese

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<sup>83</sup> Sanjdorj (1980).

<sup>84</sup> These are the so-called “*nianban*” (年班 annual attendance) and “*weiban*” (圍班 hunting attendance) system. For details on the regulations of this system, see Zhao Yuntian ed., *Qianlong chao neifu chaoben Lifanyuan Zeli* (Beijing: Zhongguo zang xue chu ban she, 2006), 66-92. For a succinct description of this system, see Hai Jin etc, *Qingdai Menggu zhi* (Hohhot: Neimenggu ren min chu ban she, 2009), 250-251. Also see Lu Minghui, *Qingdai beibu bianjiang minzu jingji fazhan shi* (Harbin: Heilongjiang jiaoyu chubanshe, 1994), 388-389. For Mongol nobles' activities in Beijing, see Huimin Lai, “Cong zongjiao changsuo dao miaohui zhongxin---Qingdai Beijing zang chuan fo si de yan bian ji qi yu Ka'erka Menggu wanggong chaojin maoyi de hudong,” *jin dai shi yan jiu suo ji kan* 72 (2012), 1-54.

<sup>85</sup> Constantine N. Vaporis, *Tour of Duty: Samurai, Military Service in Edo, and the Culture of Early Modern Japan* (Honolulu: University of Hawaii Press, 2008). For a succinct comparison between the *nianban/weiban* system and the *Sankin kodai* system, see Yi Wang (2013), 37.

firms in Mongolia for help. Big firms like Dashengkui that had extensive networks took the opportunities to issue loans to them. Together with the loans, Dashengkui offered many services to make their life in China easier: They advanced cash to the Mongols in Beijing, saving them the trouble of taking silver on road; they helped them arrange hotels on the way, groomed them for court rituals and social customs, and even helped them to prepare bribery. The Chinese firm even “helped” to indulge the Mongol nobles in extravagant lifestyles in China, increasing their demand for cash, and making them much more dependent on the firm.<sup>86</sup> Secondly, not all the debts taken by the Mongol nobles were personal. Although the Mongols were not taxed by the Qing, the banners still shouldered heavy responsibilities toward the Qing Empire: they had to maintain the thousand-mile-long official postal road that sprawled the steppe, man all the military stations along the way, providing horses, food, and accommodations for officials and messengers.<sup>87</sup> (In fact, the commercial routes through Mongolia closely paralleled the official postal ones, as another evidence of the merchants following the imperial expansion into the steppe.) They were also required to maintain the numerous check posts on the long Mongol-Russian border, keeping out Russian spies and smugglers alike.<sup>88</sup> Sometimes, banners had to send their men to check posts thousands of miles

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<sup>86</sup> *Dashengkui wen jian lu*, C. R. Bawden, *The Modern History of Mongolia* (New York and Washington: Frederick A Praeger Publisher, 1968), 102-103.

<sup>87</sup> For an excellent and detailed analysis of the official postal road system and the composition of military stations along the way (known as the “Altai juntai”), see Tingting Lu, “A’ertai jun tai de bang tai kang chai yan jiu,” *Qing shi yan jiu*, no. 2 (2017): 73-83.

<sup>88</sup> For details regarding the border checkpoints system (known as “kalun”), see Baoyinchaoketu, *Qing dai bei bu bian jiang kalun yan jiu* (Beijing: Zhongguo ren min da xue chu ban she, 2005).

away. Mongol's obligations in national defense were not limited to dispersed posts.<sup>89</sup> Every autumn, all the banners in Outer Mongolia had to send their horsemen to Uliastai to conduct military exercises, gathering a force of three thousand. All the expenses incurred during performing these tasks fell onto the banner collectives and the league of banners. In the nineteenth century, when the Mongolian economy became increasingly monetized, the Mongol nobles had to take collective loans from Shanxi firms to prepare the necessary equipment and materials to fulfill their responsibilities.

In the end, all the debts taken by the Mongol nobles would be paid collectively by all the herdsmen in their banners. Dashengkui would send employees to the banners to collect payments in live-stocks. Since the debt kept accumulating, collecting payment became a routine business. Interestingly, in the dozens of small Chinese settlements that were spread across Outer Mongolia in the nineteenth century, a large portion of the Chinese residents there who showed up in our records were registered as debt-collectors working for firms like Dashengkui. The routinized debt repayment was thus turned into a de facto tax imposed on the Mongol commoners, while Dashengkui became their tax collector. The Mongol rulers depended on Dashengkui for cash advances to fulfill their duties in the Qing imperial system, while Mongol commoners paid Dashengkui in live-stocks to perform their obligations to their rulers and to the banner community. In this

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<sup>89</sup> For a detailed analysis of the burdens of state-building on the Mongol population, see Minghui Lu, *Qing dai Menggu shi* (Tianjin: Tianjin gu ji chu ban she, 1990), 257-373.

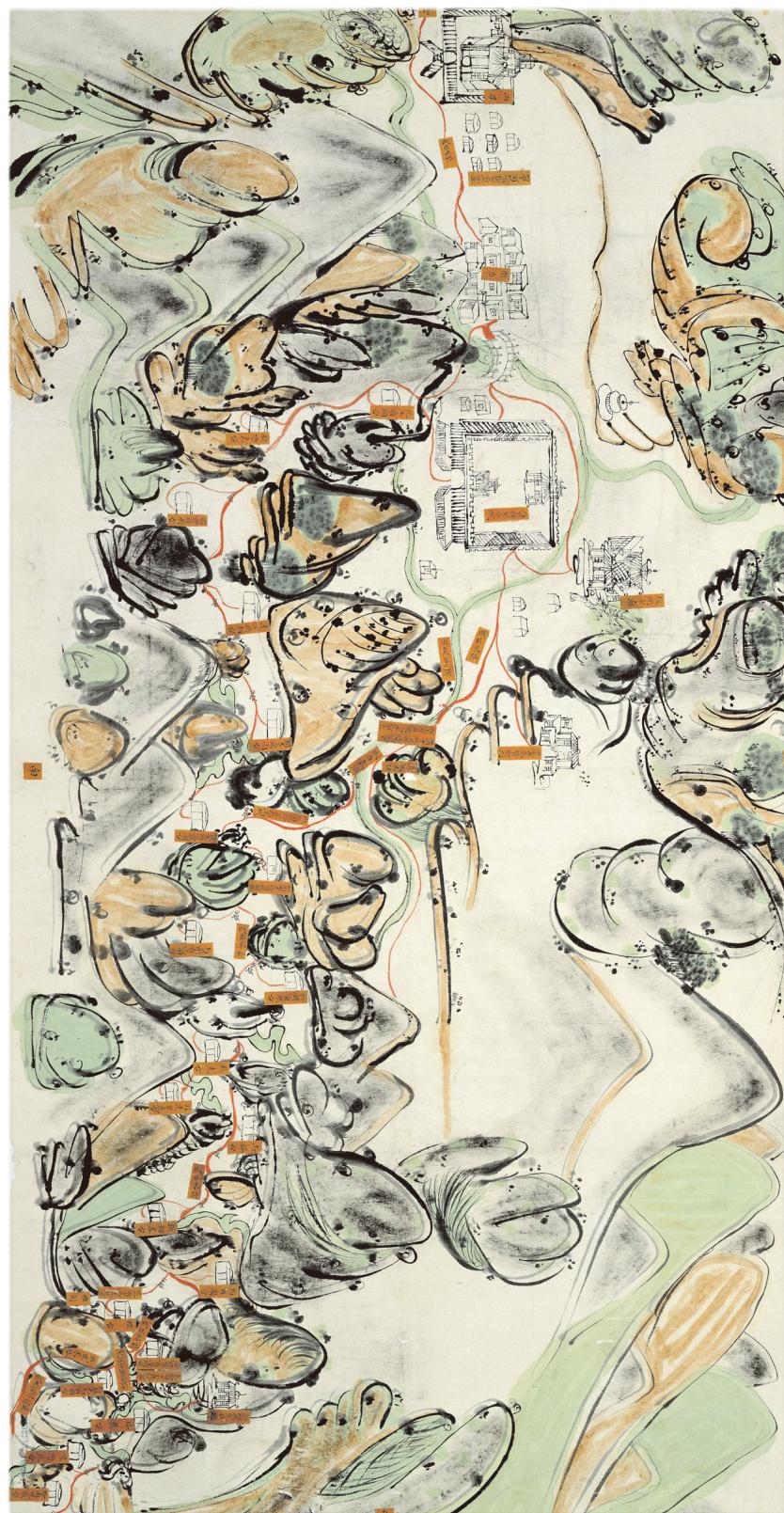
fashion, Dashengkui made itself an indispensable and integral part of the political economy of Qing Mongolia.<sup>90</sup>

Over the course of the eighteenth and nineteenth century, while the Manchu court attempted to exert tight control over the Mongols, the Mongols fell into the economic grip of Chinese merchants, which was against the Manchu ruler's intention. While the firm's activities facilitated the functioning of the empire, integrating the Mongolian frontier into the grasp of the imperial court, Dashengkui's pursuit of its own interests also undermined imperial prerogatives. By the early twentieth century, as a Japanese report claimed, out of 140 banners of Outer Mongolia, only ten percent were not indebted to Dashengkui.<sup>91</sup> In other words, as Dashengkui grew into the largest private firm in imperial China, it facilitated the transformation of Outer Mongolia into a market of Chinese goods, and turned the Mongols, once the most feared military opponent of Chinese empires, into a "debtor nation."

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<sup>90</sup> For the Mongol banner's collective debt repayment, see Yi Wang (2013), 162-165. For details, see Sanjdorj (1980), 40-65.

<sup>91</sup> Cited from *Lumengshang Dashengkui*, 69. Unfortunately, I cannot locate the original Japanese text.



*Illustration 4: Qing Era Map of Uliastai and Nearby Official Postal Road, 1862.*

the Grand Secretariat  
and the Qing Palace  
Memorials Database,  
106320.

*The National Palace  
Museum, Taipei.*



*Illustration 5: A Tea Brick from the Qianlong Era, in the collection of Shanxi Merchant Museum, Beijing.*

## TWO

### *Doing Business across the Empire: The Shanxi Merchant Network in the Gao Pu Jade Smuggling Case*

In the previous chapter, we have shown that the Qing-Zunghar war and the resulting Qing conquest of Mongolia and Xinjiang in eighteenth century opened the steppe markets for the Shanxi merchants to explore, which led to the rise of Sino-Mongol trade and powerful Shanxi trading firms as exemplified by the extraordinary history of Dashengkui. While the Sino-Mongol trade was very much built on the material exchanges between the sedentary and nomadic societies, the Shanxi merchants' trade in the Muslim cities of southern Xinjiang involved radically different contents of trade. In this chapter, we will illustrate how the network of the Shanxi merchants expanded into southern Xinjiang and how these merchants established new trade links between the far western region of the empire and China proper. In order to do so, I will analyze the long-distance smuggling operation of a merchant from northern Shanxi by the name of Zhang Luan 張鑾, who smuggled jade for Gao Pu 高樸, a high-ranking Manchu official in Xinjiang during the late eighteenth century. Through an analysis of the detailed records of this high-profile corruption case, this chapter also aims to examine the institutions within the Shanxi merchant network that enabled Zhang Luan's rapid rise to prominence and accounted for the initial success of his smuggling venture.

In 1778, Gao Pu, a descendent of an illustrious *baoyi* family that had strong ties to the imperial household, colluded with traveling Chinese merchants and local muslim power holders to smuggle thousands of catties of jade from western Xinjiang to the

Yangtze delta during his tenure as the imperial superintendent of Yarkand (ye'erqiang 葉爾羌) a Muslim city in Western Xinjiang. Gao's smuggling of jade, along with his other illicit activities angered the local residents and also incurred the wrath of the Qianlong Emperor. When the report of Gao's profiteering transgression reached the court, the emperor ordered his decapitation and confiscation of all his properties. The emperor was so furious that he even launched an empire-wide search and arrested all the officials and merchants involved, which resulted in hundreds of communications between the court and provincial officials across the country, containing investigative records, confessions, testimonies and confiscation lists, making it one of the best documented corruption scandals of the Qing era.<sup>1</sup>

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<sup>1</sup> Thanks to the detailed information in these sources, historians have reconstructed the contour of the case in great detail and from many perspectives. For instance, some scholars used the information from these documents to analyze the organization of business partnerships during this period, while others looked into the working of the imperial household department. As early as in the 1920s, the Palace Museum compiled and published a collection of memorials regarding the Gao Pu case from the Archives of the Grand Secretariat, which have been well utilized by historians of different generations. For the first detailed account of the case utilizing this body of materials appeared in English language scholarship, see Preston Torbert, *The Ch'ing Imperial Household Department: A Study of Its Organization and Principal Functions, 1662-1796* (Harvard University Asia Center: 1977), 136-181. An analysis of this case from the perspective of frontier commerce, see Andrea McElderry, "Frontier Commerce: An Incident of Smuggling," *The American Asian Review* 2 (Summer 1987): 47-62. For a thorough study of the events in Chinese, see Lezhi Fu, "Qing Gao Pu daomai guan yu an kao shi," *Gugong xueshu ji kan* 13, no. 3 (1979): 67-87; 14, no. 4 (1979): 85-102. For a most comprehensive and readable narrative of this case, see Qi Meiqin, *Kuang sha man, fan mai yushi an* (Taiyuan: Shanxi Renmin Press, 1997). In addition, Lai Huimin used this case to illuminate the intricate relationship between the imperial household and private merchants in the Qing, see Lai Huimin, "Cong gao pu an kan qianlong chao de neiwufu yu shangren," *Xin shi xue*, vol. 13, no. 1 (2002): 71-133. Li Hua, on the other hand, studied this case to shed light on the history of the jade trade in the Qing, See Li Hua, "Qingdai xinjiang yushi jiaoyi zhong de shangren yu shanglu," in Beijing daxue zhongguo gudaishi yanjiu zhongxin eds., *Yu di kao gu yu shi xue xin shuo—li xiaocong jiao shou rong xiu ji nian lun wen ji* (Beijing: zhonghua shu ju, 2012): 236-258. For analysis of the commercial development in Xinjiang using this case, see James Millward (1998): 160-166. This chapter primarily uses the documents compiled and published in the *Qianlong chao chengban tanwu dangan xuanbian* (A selection compilation of archival documents on corruption during the Qianlong era).

While many facets of this scandal have been reconstructed in previous scholarship, it is worth revisiting as the rich textual evidence from the inquest also reveal how quickly the Shanxi merchants extended their commercial network into Xinjiang as well as the institutional mechanisms through which they achieved it. The location and timing of the scandal merit particular attention. Yarkand, a bustling trading center at the western end of the Tarim Basin close to the present day border between China and Afghanistan and Kashmir, sat at almost 2500 miles to the west of Beijing and was by no means an easy market to access for Chinese businessmen from interior provinces. Nevertheless, the Qing conquest and subsequent rule of the region brought it into the attention of Chinese merchants who were roaming across the new territory for profit opportunities, expanding westward from Hami, to Barkol, to Urumuqi, to Akosu, and finally to the remote Yarkand, a place with a unique attraction: its nearby mountains and rivers boasted the greatest deposit of the finest jade stones, a highly regarded and sought-after luxury merchandise in the upper-echelons of Chinese society. In the 1760s, when the Qing court began to allow limited amount of this precious stone to be sold in the market of Yarkand to supplement the incomes of the stationing military, Chinese traders and jade craftsmen rushed in, some coming directly from interior provinces,<sup>2</sup> while others were already doing business in other parts of Xinjiang by then.<sup>3</sup> They would purchase jade on spot and deliver them to Akosu, Hami, Suzhou 蘇州 (Gansu), where they would sell to dealers to deliver to the interior cities.

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<sup>2</sup> For example, a jade craftsman and merchant by the name of Zhou Xingruo from Suzhou came to Yarkand in the 1760s and stayed for over ten years. See Zhou Xingruo's confession, *Qianlong chao chengban tanwu dangan xuanbian*, vol.1, 843.

<sup>3</sup> In the documents from the inquest, we can see businessmen from Shanxi, Shaanxi, Gansu, Huizhou, and even Suzhou (Jiangnan) popping up in Yarkand. For a list of these merchants, see Hua Li (2012), 244-246.

Ultimately, the majority of these stones ended up in Suzhou 蘇州 and Yangzhou 揚州 in the Yangtze delta, a region that boasted a prosperous commercial economy and a sophisticated elite culture, where jade craftsmen were hungry for high-grade materials to carve art pieces for their discerning clients. (In fact, some of the finest pieces of jade objects were purchased by high-ranking officials and ended up as gifts to Qianlong Emperor himself.<sup>4</sup>) From Yarkand to the Yangtze Delta, among the many businessmen who were involved in the jade trade, it was the Shanxi merchants who played a leading role.

When Gao Pu came to Yarkand as the superintendent of the region in 1776 and began to accumulate jade through bribery and embezzlement, he very quickly identified none other than Zhang Luan, a Shanxi businessman sojourning in Yarkand, to be his dealer to smuggle jade to Suzhou, the commercial capital of Jiangnan and the wealthiest city of the empire. Gao's choice of Zhang was a curious one, especially considering that more than a few traders were equally interested, including a powerful Chinese muslim merchant from Shaanxi by the name of Zhao Junrui 趙鈞瑞, who had accumulated significant assets in the city and had tried hard to bribe his way to win Gao's trust. In comparison, Zhang was neither the merchant with the deepest pocket, nor the one with the most entrenched interests in Yarkand—he only first reached Yarkand in 1768. He was not the most experienced trader either. Aged merely thirty at the time, Zhang seemed very young to be entrusted with precious merchandise worth a hundred thousand taels of silver.

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<sup>4</sup> Even the emperor himself acknowledged that many of the finest pieces of jade objects were purchased by high-officials and provincial governors as gifts to him. See *Qianlong chao chengban tanwu dangan xuanbian*, vol.1, 637.

Nevertheless, Zhang soon proved that Gao's trust was not misplaced, as their initial smuggling operation was, from a business point of view, massively successful. On a single trip in 1777, Zhang Luan, accompanied by one of Gao Pu's servants, was able to transport four thousand catties of jade (three quarters of which belonged to Gao, while Zhang acquired the rest from the uslim bergs of Yarkand) from Yarkand to Suzhou, crossing three thousand miles, passing through various parts of Xinjiang and six Chinese provinces, including Gansu, Shaanxi, Shanxi, Henan, Anhui and Jiangsu. To go such a long distance required not only good geographical knowledge and information about the road, but also entailed overcoming challenges of different terrains using different methods of transportation. After leading dozens of horse carts to march eastwards across the desert of Xinjiang, he switched to packed mules upon entering the Jiayu Pass. After using mules and walking along side them through five provinces, Zhang then changed from mules to boats once they reached the Yangtze River to take advantage of the convenience of water transportation. In the final section of the trip, moreover, with the assistance of a Suzhou jade dealer, Zhang switched to smaller boats to take a de tour before finally entering Suzhou, in order to evade the Xushuguan 漢墅關 Customs House. ushuguan was not the only institutional obstacle that Zhang had to deal with. On the road, he expertly acquired three permits to travel through Xinjiang's check points and evaded customs houses without unnecessary hassle. While in Suzhou, Zhang was able to quickly sell the jade to dealers and craftsmen for a total of one hundred and twenty thousand taels of silver, and remitted Gao Pu's share to Beijing, which Gao's family would use to pay off debts and invest in real estate. Even Gao's servant who had accompanied Zhang pocketed over ten thousand taels after the sale.

## The Rise of a Merchant Career

Ultimately, it was Zhang's being an active member of the Shanxi merchant community that afforded him the skills along with experiences, knowledge and information, as well as a vast network of potential collaborators that he dexterously utilized in his jade trade. Undoubtedly, the success of this operation demonstrated Zhang Luan's exceptional ability as a long distance trader, which was manifest in his organizational skills, knowledge of the geography, and information about markets. Nevertheless, not every experienced businessman could match Zhang Luan's dexterity. For instance, half a year after Zhang's trip, when the aforementioned Chinese muslim magnate Zhao Junrui finally began to win Gao Pu's trust to take his jade east, he could not go all the way to Jiangnan, despite being instructed to do so. Instead he tried to sell the jade in Gansu. But even in Gansu, Zhao's men still encountered problems. For instance, they were extorted a thousand taels of silver at a checkpoint when their contraband jade was discovered. Only Zhang Luan was able to quickly turn a fancifully profitable idea into a perfectly executed business operation.

In fact, Zhang's career was very much a rags-to-riches story that only just became possible with the expansion of the Shanxi merchant network in the preceding decades. Moreover, his rapid accumulation of capital and resources prior to the jade smuggling adventure provided an indication of how the conquest of Xinjiang had given new impetus to the growth of the Shanxi business empire. Born in 1748, Zhang grew up outside the bustling commercial town of Shahukou 殺虎口 adjacent to the Shahukou Pass (in Youyu County) at the Great Wall between Shanxi and Inner Mongolia, where thousands of Shanxi traders passed through everyday and stopped to receive inspections

and pay taxes. Breathing the air of business from childhood, Zhang was no stranger to the hopes, lures, and travails of steppe trade. In 1766, at the tender age of eighteen, following the steps of thousands of Shanxi traders before him, Zhang went to Hohhot, the nearby Mongol city that had become the epicenter of the Mongol trade.<sup>5</sup> Zhang began his merchant career as an apprentice at Sanyihao 三義號,<sup>6</sup> a twenty-year-old firm founded in 1747 that specialized in acquiring silk, cloth, and sundry goods from the interior provinces of China and selling them in the market of Hohhot to other merchants.<sup>7</sup> The firm was founded by three natives of Youyu County, suggesting that Zhang probably got in through the Youyu native-place network.

If the founders of Dashengkui represented an earlier generation of entrepreneurs who had to create new institutions to overcome the challenges of long distance business, Zhang rose to prominence by climbing up a corporate ladder of success that had already been in place among many Shanxi trading firms, Sanyihao being one of them. By the mid-eighteenth century, Shanxi firms had developed an institutional framework that not only met the firms' human resource demand, but also created opportunities and incentives for their employees to accumulate wealth themselves. Normally, these Shanxi firms recruited teenage boys as apprentices, only accepting the ones with education and more importantly, with the introduction of a guarantor who was trusted by both the apprentice and the people at the firm. Upon entering the firm, these boys

<sup>5</sup> While Zhang claimed to join the firm in 1766, Jia Youku said it was 1768. It is most likely that Jia either mis-remembered the dates, or intentionally misrepresented it. In such matters, Zhang's confession is probably more trustworthy.

<sup>6</sup> The name Sanyihao means the firm of the three righteous men, invoking the sworn brotherhood of Liu Bei, Lord Guan, and Zhang Fei, the historical figures from the Three Kingdoms period. We will get into details on the symbolism of these figures in Chapter 3.

<sup>7</sup> For detailed information regarding the structure of the market in Hohhot and the specialization of different sorts of firms there, see Chapter Five.

were first trained in manners of behavior and then taught business skills, accounting methods, and even foreign languages, such as Mongol and Russian—a number of such commercial language text books they used are still preserved today.<sup>8</sup> After the completion of initial training, they were sent on trade expeditions to learn details and gain experience on the job. Among these apprentices, only the capable ones were retained and promoted to become formal employees (夥計 *huoji*), who were not only entrusted to represent the firm and lead long distance operations, but also given a small number of shares in the firm, which entitled them to dividends of the firm's profits every three or four years—the dividends were substantial if the firm were successful, and were much more significant than their salaries. Such shares would grow as the employee advanced in position and seniority, thus encouraging him to stay loyal to the firm; and when he became a manager, he could have a sizable share of the firm's profits. Moreover, it was also common that employees would deposit their salaries and dividends with the firm for interests, which they would not take out until they left the firm for good. In this way, the firm not only aligned the interests of the employees with its own, but also retained maximum financial resources to grow its capital. Such institutional arrangements gradually became standard practice among Shanxi business firms, which created a new avenue of upward mobility that was not commonplace in the late imperial Chinese society: instead of being educated in Confucian classics and trying their luck in the civil service examination, boys could receive business training to become professional managers; and instead of risking everything to start as grassroots

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<sup>8</sup> Two of these are held in the Shanxi Merchant Museum in Beijing.

entrepreneurs, ordinary young men with moderate background could now accumulate wealth and gain prestige by climbing up a corporate ladder.

This is precisely what Zhang did, and at a remarkable pace. By the time he was prosecuted for jade smuggling in 1778, he was only thirty-one *sui*, which was only twelve years after he had joined Sanyihao. In other words, within about a decade, Zhang had risen from obscurity to become the leading jade merchant of the Qing Empire. If Zhang Jie, Wang Xiangqing and Shi Daxue caught the Qing imperial wagon during the Zunghar wars, Zhang's meteoric ascent benefitted directly from the Qing conquest of Xinjiang. As it turned out, he joined Sanyihao at a fortuitous time. The firm, under the management of Jia Youku 賈有庫, one of its three founders, was actively undergoing a rapid westward expansion to take advantage of the newly opened markets in Xinjiang. Merely ten years after Xinjiang's pacification, Jia already set up three strategically located branches in the new territory: two in Urumuqi (wulumuqi 烏魯木齊, a Qing military stronghold located at the geographic center of Xinjiang, which was emerging as a new center of commerce) and one in Akosu (a major trading city in Western Xinjiang). In addition, they also established a merchandise-distribution station in Ili (*yili* 伊犁, the major city in northern Xinjiang, capital of Zungharia and headquarter of Qing rule in Xinjiang). All these branches were over two thousand miles away from Hohhot, and the firm now operated a supply chain matching the scale of the expanded Qing Empire: acquiring silk and cloth from Jiangnan, bringing them back to Hohhot, and selling them all the way across the steppe and desert to the most remote cities of Western Xinjiang.

Like every firm in history that was going through explosive growth, Sanyihao's expanding Xinjiang ventures meant that capable managers were in short supply and promotions were accelerated. Upon joining the firm, Zhang was quickly sent to learn the business by following camel caravans to Xinjiang, traveling in the steppe and desert for months on end.<sup>9</sup> On his first long distance trips, he already went further than the founders of Dashengkui by taking Chinese goods from Hohhot to Barkol (a Qing military stronghold and trading city in Eastern Xinjiang) and Akosu. In those trips, Zhang quickly made his talents known so that within four years he was promoted to head Sanyihao's branch in Akosu, from which Sanyihao penetrated the markets of Western Xinjiang.

Becoming the branch manager of Akosu not only elevated Zhang's status, but also offered him a platform to exercise his business skills with considerable resources and great freedom. Due to the vast distances and slow communication between the branches and the headquarter, Shanxi trading firms developed an institutional arrangement in which their branch managers were given significant autonomy to respond to local market conditions and invest the financial resources of the branch in business ventures as they saw fit. Albeit relying upon the resources of the firm, the managers acted like independent entrepreneurs. By doing so, their decision could not

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<sup>9</sup> Jia Youku's account of Zhang's early role in the firm differed from Zhang's own account and that of Zhang's elder brother. According to the Zhang brothers, Zhang Luan joined the firm as an apprentice (*xue shengyi* 學生意), while Jia Youku dismissed him as merely being a camel driver. If Zhang was merely a camel driver, it is even more remarkable that he would be promoted to become a branch manager and entrusted with large sums of capital. It is most likely that Jia intentionally misrepresented the facts because he did not want to be implicated into Zhang's jade smuggling case. He tried to distance himself from Zhang as much as possible in his confessions. Admitting that he had trained Zhang from apprenticeship and molded his career would imply that he shouldered a greater responsibility toward Zhang's crimes.

only make or break their own careers, but also determine the success or failure of their firms' expansion, sometimes even dictating the life and death of these businesses. In many ways, the role of the manager in Shanxi firms resembled the sort of man-on-the-spotism of the early modern British Empire in which individuals on the edge of the empire (in most cases military men and colonial officials) often instigated and dictated imperial expansion by responding to situations without pre-conceived policies and unconstrained by wishes of the metropole.<sup>10</sup> Similarly, it was such managers-on-the-spot that helped the Shanxi firms to operate nimbly, compete flexibly, and eventually penetrate the early modern Chinese marketplaces and in particular, the markets of the frontier of the empire. The development of such man-on-the-spotism among the Shanxi trading firms also reveals something far deeper still—merchants of Shanxi were able to entrust their agents, who were usually unrelated to them, with so much capital that the very fate of their businesses depended upon them. It is a trust mechanism unhinged from the family or the clan, but built on careful design of business institutions that incentivized loyalty and collaboration. This is a point that we will come back to in future chapters.

Zhang's experiences as a branch manager showcased how he expanded the business of Sanyihao in Western Xinjiang by taking full advantage of his autonomy and aggressively looking for new business opportunities. Based in Akosu, he made multiple

<sup>10</sup> The term “man-on-the-spotism” was initially developed in the studies of the British Empire. For more detailed discussion of the historical processes in which that frontier individuals instigated the British imperial project, see G. Martin, ‘Was there a British Empire?’, *The Historical Journal* (1972); L. E. Davies, Mammon and the pursuit of Empire: the political economy of British Imperialism, 1860–1912 (Cambridge University Press, 1986); R. D. Long (ed.), *The Man on the Spot: Essays on the British Empire* (Westport Press, 1995); Sue Onslow, “The Man on the Spot: Christopher Soames and Decolonisation of Zimbabwe/Rhodesia,” *Britain and the World* 6.1 (2013): 68–100.

trips to places further west to sell Chinese commodities. During a trip to Yarkand in 1769, he participated in the officially sanctioned jade sale, purchased 120 catties of these precious stone, and sold them for double the price back in Akosu, where more Chinese merchants were present and ready to speculate. Such profits were too good to ignore. In 1773, after completing a trading venture in Kashgar (the westernmost city and commercial center in Xinjiang, 120 miles northwest of Yarkand), Zhang took a small de tour and returned to Yarkand to sell camels and used the opportunity to purchase more jade. This time, he did not limit himself to the official jade sale, but acquired contraband jade by cultivating connections with the local muslim power holders. He then took 190 catties of jade eastward across the new territory to Suzhou, the trading city on the western tip of Gansu Province, where he sold for close to three times the original price. He was hooked. In Suzhou, where jade dealers from interior provinces congregated, Zhang began to plan for a more ambitious move.

Zhang decided to take the Yarkand jade all the way to the Yangtze delta, a journey that not many before him had completed in one single trip. Back in Akosu, he immediately began to gather all the financial resources under his control. In 1774, he went to Yarkand again and purchased ten thousand taels worth of contraband jade from his muslim host. Then he left his post in Western Xinjiang, and took the jade from the westernmost tip of the Qing Empire all the way to to Suzhou (Jiangsu) at the heart of the Yangtze Delta on the east coast. Without much problem, he sold the jade in Suzhou and bought a luxurious house for 4200 taels and a concubine, setting up a second home

in this most prosperous of all cities.<sup>11</sup> While we do not know precisely how much money he made on the trip, Zhang did eventually send fourteen thousand taels of silver back to Hohhot as returns on investment. We also do not know whether Zhang's brave trip was initially approved by the headquarter of Sanyihao, but Zhang and Jia Youku fell out afterwards, as Jia Youku claimed Zhang was dishonest in his dealings, which led to his breakaway from the firm. In 1776, Zhang returned to Hohhot to negotiate the terms of his departure from Sanyihao.<sup>12</sup> He took six thousand taels of silver out of Sanyihao, which was his accumulated earnings at the firm during the ten years he was there—a huge sum for a twenty-nine-year-old who started from scratch. From then on, Zhang became his own boss. With his start-up capital and personal experiences with markets on both ends of the trade, Zhang looked to make further inroads into the silk-jade trade between Suzhou and Yarkand.

We do not know whether this was what Zhang had in mind when he first started out in Sanyihao as a teenager apprentice, but his rising from apprenticeship through the ranks of the firm and eventually breaking off from it illustrated a way in which Shanxi business firms proliferated. Zhang's ten years at Sanyihao offered him training, invaluable experiences as a man-on-the-spot manager, as well as significant start-up

<sup>11</sup> Here is where the accounts of events between Zhang and Jia Youku's confessions contradicted significantly again. While Zhang brusquely described the intention of his trip to Suzhou (Jiangsu) as purchasing satins and silk, failing to mention the jade that he brought there to sell. On the other hand, Jia Youku described the jade sale and the rift between them afterwards. Obviously, Zhang intentionally neglected to mention that fact, because it could potentially add to his crimes as a repeated offender in jade smuggling. For Jia's confession, *Qianlong chao chengban tanwu dangan xuanbian*, 863.

<sup>12</sup> Jia claimed that Zhang had used over ten thousand taels of silver in Sanyihao's capital to acquire the jade, but only sending back nine thousand taels after the sale. Believing that Zhang had pocketed tens of thousands of taels from this trip without reporting back, Jia even went to Suzhou to confront Zhang. During their face-to-face meeting, Zhang indicated that the sale of jade only brought in twenty-three thousand taels, and agreed to send back another five thousand. Jia claimed that he became suspicious of Zhang's character and fired him from the firm.

capital. In other words, Sanyihao inadvertently groomed Zhang, preparing him for an independent career. Shanxi firms, such as Sanyihao, thus became incubators of entrepreneurship and training grounds for new generations of traders to emerge. Although previous scholars claimed that a collective punishment mechanism existed among the Shanxi firms that would make life difficult for employees like Zhang who were deemed unscrupulous by their bosses, Zhang's experiences afterwards suggested that it was not always the case. In fact, contrary to scholars' assertions, it was quite common for the managers of successful firms to leave their original organizations and start new businesses, sometimes due to disagreements with the existing management hierarchy, sometimes in order to exploit new market niches, and sometimes due to a combination of both factors.<sup>13</sup> After all, becoming a manager at a successful firm like Sanyihao provided these individuals with the platform on which they could spot new market opportunities and cultivate the reputation and connections that would help them launch new businesses in the future.

## A Merchant and the Network

Zhang's confidence in starting his own business derived not only from the skills and experiences he accumulated at Sanyihao, but also from his engagement with the wider Shanxi merchant network outside his firm. In Suzhou (Jiangsu), Zhang's smooth

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<sup>13</sup> While we do not have many cases from the eighteenth century to compare with, there are a number of examples from the nineteenth century that resonate with Zhang's case. The most famous case took place in the 1820s. When Mao Honghui, a second-ranked senior manager in Rishengchang, the first known Shanxi *piaohao* (remittance bank), could no longer hold his personal grievances against the top manager Lei Lvtai, he broke off from the firm. Persuading the Hou family from the neighboring county to invest, he started a new series of *piaohao* firms to compete with Rishengchang, which turned out to be even more successful than the latter.

sale of jade depended upon the support of Wei Quanyi 衛全義, a forty-one-year-old broker residing in the city with deep knowledge of the local market.<sup>14</sup> Hailing from Quwo County in southern Shanxi and another beneficiary of the Xinjiang conquest, Wei started his merchant career as a seller of silk in the northwestern province of Gansu and ventured as far as Hami (Eastern Xinjiang) in 1758, three years after the war ended. He first arrived in Suzhou (Jiangnan) in 1769, probably for sourcing silk. Falling in love with the metropolitan lifestyle in this beautiful city, Wei bought a concubine, rented a large house, and reinvented his career as a broker, who took advantage of his Shanxi identity to win the trust of fellow Shanxi traders and specialized in helping them to find matches in the local market. When the traveling merchants arrived in Suzhou, Wei would offer them accommodation, storage and warehousing and then match them with buyers for their goods as well as sellers of their desired merchandizes. While it is unclear whether Wei had ever secured an official broker's license, he made money by charging fees for his services or acted as a surrogate for absentee traders. It was with the assistance of Wei, who was introduced to Zhang by a common friend in Suzhou (Gansu), that Zhang could sell his jade in the large city with such ease and efficiency. Whether it was out of shared interests or mutual admiration, these two ambitious and skillful businessmen established a good rapport. It was probably Wei who taught Zhang insider knowledge about jade and jade craftsmanship, which he demonstrated masterfully in Yarkand later. Most likely, Zhang's purchase of a house and a concubine in Suzhou was a result of Wei's recommendation and assistance.

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<sup>14</sup> For Wei Quanyi's confession, *Qianlong chao chengban tanwu dang'an xuanbian*, vol. 1, 768, 770.

Wei was not the only sojourning Shanxi broker active in Suzhou, as the growing presence of Shanxi traders created new demand for broker services. Sensing such rising demands, in 1777, a merchant by the name of Zhang Shangui 張善貴 from Quwo county (the same county as Wei) invested in a warehouse in Suzhou that also provided matchmaking services for Shanxi jade traders. While Zhang Shangui plied the route between Gansu and Suzhou himself, he hired Li Shangxian 李向賢, an employee of another Shanxi firm who was stationed in Suzhou, to manage the warehouse.<sup>15</sup> Although it was natural for newly arriving Shanxi traders to place their trust in their fellow Shanxi'ers, the more experienced ones used native brokers. For instance, Bao Wanshun 包萬順, a local Suzhou sundry goods broker, became an instrumental figure in the city's jade market and was often sought out by Shanxi merchants with jade to offload. Even Zhang Luan met with him during his last trip to Suzhou.<sup>16</sup> In Yangzhou, the salt capital of the Yangtze delta and a metropolis that rivaled Suzhou for prosperity, incoming Shanxi merchants all went to a mule inn outside the south gate operated by a local broker by the name of Zhang Hushan, who helped them to link up with potential buyers and sellers.<sup>17</sup> In this way, these brokers provided pivotal services in the operation of the Shanxi merchants' long distance trade, extending the outreach of the Shanxi business network.

While finding a reliable and capable broker was essential to any traveling merchant's operation, it was not the only requirement; if a merchant was to achieve

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<sup>15</sup> Li Shangxian's confession, *Qianlongchao chengban tanwu dang'an*, 805, 906-907.

<sup>16</sup> Confessions by Bao Wanshun, Li Shangxian and Zhang Shangui, *Qianlongchao chengban tanwu dang'an*, 861-862.

<sup>17</sup> Zhang Hushan's confession, *Qianlongchao chengban tanwu dang'an*, 828.

great success, he could not just rely on his own money. Upon leaving Sanyihao, Zhang Luan eagerly sought the injection of new capital by first turning to Wei Quanyi, his Suzhou broker. Wei was as much an opportunistic investor as a broker, as he actively engaged in commodities trade and speculation himself. On the one hand, he purchased jade stones and worked with craftsmen to turn them into art pieces for sale. On the other hand, he occasionally travelled by himself back and forth between Gansu and Suzhou to trade silk for jade when opportunities arose. Zhang's knowledge and connections in Yarkand interested Wei, and Wei agreed to partner up, with each investing six thousand taels in the new venture.<sup>18</sup> Zhang then tried to persuade Ren Xiaoceng 任效曾, a forty-four-year-old clerk in the Shahukou Customs House and a native from his village, to invest one thousand taels into the joint venture. Ren was another Shanxi'er who actively sought to profit from the commercial opportunities in the newly conquered Xinjiang. Learning about the great profits of the Xinjiang trade, he left his lucrative job and invested in silk and tea, which he brought all the way to Yarkand to sell in 1776—most likely as a result of Zhang Luan's recommendation. In Western Xinjiang, he purchased sheep skin for the return trip, and tried to sell them back in Gansu, Beijing, and eventually in Suzhou, where he made leather jackets from the skin and sold the final products for a significant profit.<sup>19</sup>

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<sup>18</sup> Confession of Zhang Jun, Zhang Luan's brother, *Qianlongchao chengban tanwu dang'an*, 520.

<sup>19</sup> In his confession, Ren Xiaoceng denied the fact that he was a partner of Zhang Luan and insisted that he carried out his own operation without being involved in the latter's jade smuggling. But similar to Jia Youku and Wei Quanyi, Ren might be intentionally disguising the facts in order not to be seen as an accomplice. *Qianlong chao chengban tanwu dang'an xu bian*, vol.1, 549.

In addition to capital injection, Zhang's new venture also required capable agents to conduct businesses in far-flung locations. Zhang first secured the service of Feng Zhi'an 潘致安, a native of Fenyang County (central Shanxi) who had been employed at Sanyihao with considerable experiences trading in Yarkand. Although Feng had no capital to invest, Zhang lured him away from Sanyihao by promising him a partner position with a sizable share in the new venture, in addition to a modest monthly salary of two taels. Feng followed Zhang to Yarkand and traveled together with Zhang carrying Gao Pu's jade back to Suzhou. Later, Feng was asked to independently take thousands of taels worth of silk to sell in Yarkand as Zhang's surrogate. Whereas Feng worked exclusively for Zhang's venture, Zhang also used independent traders as free agents. For instance, Zhang and Wei entrusted a few jade *ruyi* 如意 scepters (each worth a few thousand taels of silver) to Qiao Huanyun,<sup>20</sup> an experienced shop-hand and an acquaintance of Wei. In short, Zhang was able to draw skilled manpower from his old connections in and beyond Sanyihao as well as Wei's large network of acquaintances and business associates. Even Ren Xiaoceng, who contributed a thousand taels to the partnership, acted as an agent for Zhang and Wei. He too once took some high-priced jade *ruyi* scepters for them to Beijing for sale.

If Zhang's experiences with Sanyihao demonstrate to the modern reader how the existence of Shanxi trading firms and their institutional arrangements led to the expansion and proliferation of Shanxi businesses, Zhang's subsequent efforts showcase how a fledgling business venture was built from scratches using informal institutional

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<sup>20</sup> Qianlong Emperor noted himself that he was shocked by the fact that a high-quality jade *ruyi* scepter could sell for 3500 taels of silver.

practices. Since Zhang had a clear business plan, his own startup capital and the right connections to pool resources together, his task was simple and straightforward; without establishing a formal organizational structure in the form of a firm, Zhang created a business operation using a set of informal practices.

First of all, when Zhang partnered up with Wei and Feng, they did not resort to written contracts but only relied on verbal agreements. Nevertheless, it seemed that this partnership agreement was honored by all parties. For instance, after the successful conclusion of the smuggling trip to Suzhou in 1778, in which Feng Zhi'an played an important role, Zhang awarded Feng three hundred taels of silver (that is twelve times Feng's annual salary) in cash and a share of three thousand taels of the capital in his name, fulfilling Zhang's promise of treating him as a partner. While historians have established the centrality of written contracts in the formalization of joint business relationships in the logic of indigenous Chinese business organizations,<sup>21</sup> Zhang's employment of verbal agreements to form a business venture that involved tens of thousands of taels at risk suggested that as long as strong trust existed, the Shanxi merchants could dispense with written contracts and formal organizations altogether and opt for informal business agreements. Informality made establishing cooperations among merchants easy and quick; more importantly, without leaving evidence on paper, such partnerships were particularly suited for businesses on the frontier of the empire, where the boundaries between legality and illegality were often vaguely defined and frequently changing. In fact, when Wei and Feng were interrogated by authorities after Zhang's smuggling was exposed, they denied that they ever entered into a partnership

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<sup>21</sup> See Introduction and Part II in Madeline Zelin, Jonanthan Ocko, and Robert Gardella eds., *Contract and Property in Early Modern China* (Stanford: Stanford University Press, 2004).

with Zhang on the grounds that they never signed a written contract.<sup>22</sup> In other words, Zhang Luan's jade smuggling partnerships indicated that the expansion of frontier business, first in Mongolia and now in Xinjiang, not only propelled Shanxi merchants to create new firm organizations and formal partnership structures, but also spurred them to explore informal methods of cooperation.

Second, Zhang's use of different agents further demonstrates the flexibility and informality of the institutional arrangements through which the Shanxi merchants expanded the reach of their businesses. Whereas Zhang recruited Feng Zhi'an as a partner to exclusively look after his core silk-jade trade, Zhang and Wei's relationship with other agents were forged on an ad hoc basis. When they had items to sell at a particular location where they did not have business presence (such as Jiangxi, Guangdong and Beijing), they often entrusted their goods to traveling traders, who would act as surrogates for them in exchange for a commission fee. A case in point was the aforementioned Qiao Huanyun 喬煥云, who came from Taigu County in central Shanxi where many of the wealthiest traders originated (such as Dashengkui's Wang Xiangqin). Zhang and Wei probably identified Taigu as an important market for their

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<sup>22</sup> Wei claimed that written contracts were required when a partnership is formed. Because he never signed a contract with Zhang, only discussing things orally with him, he was not in a partnership with Zhang for jade smuggling. Nevertheless, there was no other place where such a requirement had ever been mentioned in our historical records of the period. Most likely, while the verbally agreed partnership was considered informal among the merchants, it does not mean that it was not executed. What is crucial here is whether Wei had actually put his investment in the venture and cooperated with Zhang in his activities. Wei managed to avoid mentioning these facts. But based on Zhang Jun's confession, we learned that Wei had in fact contributed six thousand taels in Zhang Luan's venture. And Wei's involvement in Zhang's venture was also demonstrated in his activities. When Zhang Luan was back with Gao Pu's jade, Wei provided key support in the sales and also shared with Zhang his network of agents. Therefore, there is plenty reason to believe that the partnership was real. This is what the Qing officials believed too; both Zhang and Feng received due punishment for partnering up with Zhang in the smuggling.

expensive jade pieces, so they tried to take advantage of Qiao's connections there by employing him as their agent. Qiao was given limited authority as an agent, and had to sell the items at pre-ordained prices with invoices pre-stamped by Wei himself—such an limitation might be explained by Qiao's moderate success in the past, which made Wei wary of his skills in business negotiations. In addition to the sale of goods, Zhang and Wei also commissioned agents to purchase commodities at the source of production. For instance, Zhang commissioned two Shanxi traders, Chai Anguo 柴安國 and Li Yiting 李以挺, to go to Jingdezhen 景德鎮 (Jiangxi Province) with fifteen hundred taels to acquire porcelain for the Xinjiang market and then ship the merchandize to the northwest.<sup>23</sup> While our sources do not reveal how their responsibilities and authorities were specified, it was as likely as not an informal arrangement built on pre-existing personal relations. Since Chai and Li both came from Quwo County, the same as Wei, in all probability they had known Wei for a long time and shared many connections through their native-place-tie. By employing these acquainted traders on an ad hoc basis, Wei and Zhang could effectively extend the reach of their business into unfamiliar territories while at the same time retaining flexibility and a small nimble operation.

In sum, as an ambitious entrepreneur whose fortune was shaped entirely by the risks and rewards of the new Xinjiang trade, Zhang's career trajectory from Sanyihao to his smuggling adventure with Gao Pu altogether reveal how an individual Shanxi merchant was able to mobilize a large repertoire of institutional devices available in their network to respond to the new opportunities arising on the frontier. As we

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<sup>23</sup> *Qianlong chao chengban tanwu dang'an xuanbian*, vol. 1, 768, 770, 884.

analyzed earlier, at Sanyihao Zhang benefitted greatly from certain structured institutions of the Shanxi firm, such as the partnership and profit-share schemes as well as the high-level autonomy that the firm afforded its branch manager; after leaving Sanyihao, in contrast, Zhang's new outfit was built on informal methods of cooperation such as forging partnership by verbal agreements and employing free agents on commissions for specific tasks. If Zhang's career exemplified the rise of new merchants and the expansion of the Shanxi network, every one of these institutional devices played an important role in enabling the Shanxi businesses to operate and grow. In other words, the Shanxi merchants' business network was not built on a neatly defined set of formal structures, but a mixed repertoire of formalized institutions and interpersonal cooperations that were suited to different stages of business and various demands of long-distance trade. To put it differently, in the Shanxi business network, formally organized firms with clearly structured hierarchies coexisted and often worked in tandem with operations that were constituted on an ad hoc basis.

The particular demands and challenges of the frontier trade made the co-existence of both kinds of cooperative institutions necessary. On the one hand, as I have suggested earlier, in the case of Dashengkui, the ascendance of powerful Shanxi trading firms was a result of the rising trade and the political economy in the Mongolian steppe; the emergent of the new Xinjiang market, on the other hand, created new demands and spurred the expansion and reconfiguration of the Shanxi business network, inducing merchants to explore new connections through an expanded repertoire of institutional methods, in particular the informal methods of cooperation.

## **Trust and the Expansion of the Shanxi Business Network**

The existence of these informal arrangements along with formal institutions showcases an important facet about Shanxi merchants' business network, namely their reliance on strong personal trust to forge business relationships. For students of business and economics, it is difficult not to be alerted by the dangers inherent in Zhang's use of informal arrangements in his business ventures, since building a partnership to engage in a high-risk business without written contracts and commissioning free agents on an ad hoc basis to sell high-value commodities in far-flung places are sure recipes for trouble. In these arrangements, the investors and owners of commodities have little recourse if the acting agents committed foul play—the potential problem of moral hazards was unaddressed. Unfortunately, the emperors' investigation put an abrupt end to Zhang's profitable new venture, and therefore we cannot know whether disputes would inevitably occur and whether these informally structured business relationships would have collapsed, as economic theories dictate. But the very fact that savvy businessmen like Zhang, Wei, and their fellow collaborators would opt to establish cooperations without a formal set of institutions to guarantee contract enforcement reveals that a strong trust that they placed in their partners and agents, trusting their promises to be fulfilled rather than betrayed. Such trust was not endogenously generated through the checks and balances inherent in their business institutions, but constructed exogenously on the basis of pre-existing social bonds. In other words, the Shanxi merchants' strong-trust-based business transactions cannot be impersonal; it was the very personal nature of these relationships that made such transactions possible. Admittedly, the realization of any business cooperation and

major transaction, past or present, Chinese or western, requires a certain element of trust between individuals that are personal in nature. As conventional wisdom has it, ultimately business is all about relationships. In many ways, doing business is about positively constructing trust through social means as much as building formal institutional mechanisms of checks and balances. But the real question is to whom such trust is placed in and how it is constructed.

The composition of Zhang's group of partners and agents further confirms that in the Shanxi merchants' network, strong interpersonal trust was not dependent on family and kinship—none of these people were related by kinship, nor did they share surnames, which was also the case among the founders and managers of Dashengkui and Sanyihao. In other words, whether in formalized firms or informal business undertakings, Shanxi merchants did not find it difficult to place trust in people who are not their kin. While Dashengkui and Sanyihao developed systematic institutions to incentivize loyalty, Zhang Luan's experience with his group of partners and agents showed the key social mechanisms through which trust was established among the merchants. First of all, while Confucianism prioritized loyalty within the family above other relationships, the trust between merchants often sprang up on the foundation of friendship formed through time spent together, shared experiences, good rapport, and even repeated transactions, which could result in collaborations and future transactions. In Shanxi, people even developed a special term *xiangyu* for merchants with strong trust and long-term business relationships between them. In our case, probably because Zhang Luan and Feng Zhi'an had been acquainted with each other as fellow employees

in Sanyihao, and were both sent on the long trips from Hohhot to Yarkand, Zhang would turn to Feng when he needed a trustworthy partner to be his surrogate.

Second, and even more importantly, the trust between two merchants could be extended to other people, one connecting another, forming a chain of trust. In our case, Zhang Luan did not know Wei Quanyi initially, yet it was through the introduction of a common friend in Gansu (whom Wei had partnered with in the past) that Zhang established the connections with Wei Quanyi and entrusted him to be his broker in Suzhou. Then the development of friendship and camaraderie between Zhang and Wei not only led to the creation of their partnership, but it also meant that Zhang could tap into Wei's large network of *xiangyu*, vastly expanding his web of trustworthy agents. As a result, Zhang was able to entrust funds to Wei's associates to purchase commodities at locations alien to him. In this way, new trust relationships were established and new business opportunities created. The expansion of the Shanxi commercial network was by and large realized through the extension of interpersonal trust into long chains of business connections.

Finally, a native-place network is a dense web of interlocking chains of trust formed through entangled kinship, friendship, shared neighborhood and occupational ties, all within a small geographic area. People from the same native place could identify shared acquaintances and thus find it more comfortable to place trust in each other. For merchants traveling outside of their hometown, their native-place-identity was a rare social capital they could tap into that let them go beyond their finite social circles in order to establish new chains of trust, i.e., new opportunities of business. While all merchants across China, in one way or another, utilized their native-place

network for business purposes, Shanxi merchants were particularly adroit at creating institutions and organizations to solidify the bonds among those from the same native places, which we will delve into greater details in Chapter Three and Four. It suffices to mention here that our cases showed the importance of native-place-ties in the Shanxi merchants' businesses. For example, the founders of Sanyihao all hailed from the same counties or neighboring counties, and so did the founders of Dashengkui. As mentioned earlier, Zhang Luan's employment at Sanyihao was a product of the native-place network of Youyu County, while Wei's association with Chai Anguo and Li Yiting derived from their shared origin from the Quwo County. In other words, native-place ties played a significant role in each of these cases, facilitating the trust between business partners, between the firm and its apprentice, and between the principal and agents.

Furthermore, the merchants' web of trust could potentially expand beyond a small native-place community and reach into the realm of imagined communities. The very idea of the native place is an elastic one, which expands and shrinks in concentric circles. Whereas the dense web of trust-shaping relationships normally existed within a limited small geographic area, such as a cluster of villages, townships, and counties, Shanxi merchants sojourning in far-flung places also constructed identities around larger geographic/administrative units, such as the prefectures and the province, forming imagined communities that were far more incorporative but less densely connected. Such imagined communities constituted the basis for the merchants to expand their native-place-network, providing them with a platform to socialize, a sense of belonging and communal affinity. If a merchant from Taigu County came to a place

where fellow businessman from the same county were few and far in between, he could take advantage of his Shanxi identity, socialize with merchants from other parts of the province, and eventually establish the new business connections he needed. Admittedly, the strong trust between Zhang and Wei were initially established through the introduction of a mutual friend, their shared Shanxi identity likely added to their trusting relationship. In fact, Wei's success as a broker in Suzhou also directly benefitted from his Shanxi identity, as traveling merchants tended to place more trust in him as a fellow from the same province. In a place like Suzhou that is far away from the northern province, all the merchants from Shanxi tended to coalesce around their provincial identity, forming a community that not only demonstrated their collective power, but also allowed more relationships to be cultivated that went beyond the narrow confines of native-county networks. In a way, the existence of a Shanxi merchant network across the Qing Empire—the focus of this study—is precisely a product of the merchants' efforts to expand their web of trust by constructing an imagined community across space that was anchored in an ever-strengthening Shanxi provincial identity.

## THREE

### *Managing Merchants in the Frontier Marketplace: The Hang of Hohhot and the Imperial System of Control and Exploitation*

In the first two chapters, we have examined how the Zunghar wars spurred Qing expansion in the western Mongolian steppe and opened the steppe market for Chinese traders to penetrate for the first time in history. Over the first half of the eighteenth century, the Manchu rule and the arrival of Shanxi merchants transformed the Mongol steppe from a precarious frontier into an emerging market for Chinese goods, turning the Gobi desert into a great passageway for caravans and commodities. Seismic changes also took place on the southern edge of the steppe: war preparations, the expansion of Sino-Mongol trade, and the influx of Chinese migrants altered the outlook of the Inner Mongolian grassland and led to the rise of a string of new frontier cities. Among them, the development of Hohhot (or the “Blue City” as the word meant in the Mongolian language) was of particular importance.<sup>1</sup> Thanks to its close proximity to Shanxi

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<sup>1</sup> Hohhot is the capital of today’s Inner Mongolian Autonomous Region in China. The word “Hohhot” is a Mongolian word that means the “Blue City”, and was spelled as “Koke-Khota” in earlier English literature. During the Qing, the city was better known by its Chinese name of Guihua-cheng 歸化城. Similar to the composite municipality of Wuhan in Hubei Province, today’s Hohhot is formed on the basis of two separate but closely connected cities in the Qing era: the old city, Guihua-cheng, a vibrant commercial hub constructed in late Ming by the Mongols, and the new city, Suiyuan-cheng 綏遠城, the Manchu military garrison ten *li* away from Guihua-cheng that was built in the Yongzheng era. Gradually the two cities were put under the same local administration of Guisui County, which in the Republican era became Guisui City. It was not until the Japanese rule during the 1930s that the Mongol word Hohhot began to be used in the official context. While the Japanese used the characters Houhe 厚和 to

Province, this Mongol city emerged as the capital of Shanxi merchants' frontier business and a great northern emporium. To negotiate the challenges of frontier life and cross-cultural trade, merchants organized themselves in new ways and created a set of new institutions in the city. At the same time, given the Mongol city's political and military importance, the Manchu court also attempted to devise institutional mechanisms to maintain order and control in the increasingly crowded marketplace of Hohhot. In other words, imperial systems and merchant institutions intertwined in the merchant communities of Hohhot. To study the institutional infrastructure that shaped the commercial activities of Shanxi merchants on the frontier, there is no better place to investigate than Hohhot.

This and the following two chapters trace the development of three inter-related forms of merchant organizations in Hohhot: the *hang* 行, the *she* 社, and the trade guild. and by doing so, address a fundamental bias in the existing scholarship on Chinese urban history and commercial history of the late imperial era. Existing works in both fields are primarily concerned with cities and market towns in the prosperous regions of China proper (such as those along the Yangtze and the coast), while important frontier cities in the north such as Hohhot and Kalgan received scant scholarly attention. Behind such imbalance is a deeper bias: historians often see the northern frontier as peripheral and inconsequential to the major trends of urban and commercial developments in China, which, in their view, would only occur in the core regions. In short, in the hidden

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transcribe the pronunciation of Hohhot, it was the Communists who first adopted the current name of Huhehaote 呼和浩特 as the transliteration of the Mongol pronunciation.

assumptions of the historiography on pre-modern Chinese business and cities, the northern frontier remained a backwater. However, the study of the rise of Shanxi merchants through frontier trade in the eighteenth century has shown us the abundance of economic opportunities on the edges of the empire; and by examining the Shanxi merchants' organizations in Hohhot, I suggest that the northern frontier was not only a commercially vibrant area, but also a region with a rich and distinctive history of dynamic institutional changes. Such changes were not merely ripple effects of transformations that were taking place elsewhere; rather they followed their own logic and trajectories— they were shaped by dynamic interactions between the imperial state and the merchants, between the market-oriented economy and the socio-cultural traditions of North China, and among the different classes within the merchant community. Examining such changes not only enriches our perceptions of the changing trajectories of state-society relations in the borderlands at the edge of the empire, but also deepens our understanding of the history of commercial institutions and urban life in late imperial China.

### **The Rise of Hohhot during the Qing Era**

The fate of Hohhot city was shaped by its unique geographic position. Before the city, there was the land. And the land was no ordinary place. Hohhot sits on the Qiantao Plain, a middle ground sandwiched between the sedentary society of the Han Chinese and the nomadic populations from the Mongolian steppe. While the Great Wall separates it from North China to its south, the Yinshan Mountain 陰山 shields it from

the Gobi desert and steppe to the north. The plain has rich grass as well as alluvial soil, thanks to the meandering tributaries of the Yellow River that mark its southwestern edge, making the area suitable not only for grazing animals, but also for agriculture. Ever since the Warring States pushed their influence into this area in the late fourth century B.C., Han Chinese regimes and nomadic powers constantly vied for control over this land. Over the centuries, the plain alternately became the northern frontier for successive Chinese states, or the launching place for various nomadic groups to invade the Chinese heartland. On the other hand, when both sides of the political divide could maintain peace, the Qiantao plain also served as an important site of cross-cultural communication and cross-ecological exchanges where the Chinese and nomads would mingle and interact with each other.

Towns and garrisons rose and fell in the Qiantao plain (*qiantao pingyuan* 前套平原), and it was not until the 1570s that today's Hohhot began to take shape.<sup>2</sup> After the Ming Empire rebuilt the Great Wall and gave up control of the plain in the early fifteenth century, the area came to be occupied by the Tumed, a major Mongol subgroup. When the Great Altan Khan (*andahan* 倘答汗), a charismatic Tumed leader, signed a peace treaty with the Ming, he constructed this small city not only as a seat of political power, but also a center of Buddhist teaching for the Mongols. Hohhot thus

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<sup>2</sup> For a most thorough study of the origin of the Hohhot city in the Ming, see Shuzhen Niu, "Ming mo guihuacheng xing qi yan jiu," *li shi di li* 28 (2013): 103-110. Also see Lisheng Huang, *You jun shi zheng lue dao cheng shi mao yi: Neimenggu Guisui di qu de she hui jingji bian qian* (Taibei: Guo li Taiwan shi fan da xue li shi yan jiu suo, 1995).

became the first city to be built by a Mongol regime since the fall of the Yuan Dynasty. It also marked the beginning of the rapid spread of Tibetan Buddhism in Mongolian society and the ascent of a sedentary lifestyle and urban settlements on the edge of the steppe, a trend that persists to the present day.

While the late Ming peace settlement with the Mongols led to the creation of Hohhot, it was the imperatives of war in the early Qing that transformed the city into a metropolis. After the Qing conquest in the 1630s, Hohhot remained the capital of the Tumed Mongols, who submitted to Manchu rule but continued to reside in and around the city. Despite a gradual increase in trading activities, Hohhot was still a rather small town (half a mile on each side) at the end of the seventeenth century, with a limited agricultural base in its surrounding areas. Yet a sudden change took place in the 1690s. Amid rising hostility between the Qing and the Zunghars, the Qing court identified the strategically located Hohhot as an ideal place to build a military stronghold and to project power into the Mongolian steppe. Therefore, in the subsequent three decades, the Qing court spent enormous resources to encourage commercial development in Hohhot and land cultivation in the surrounding Qiantao plain, turning the region into a magnet for poor farmers and enterprising businessmen, who mostly came from the poor regions of central and northern Shanxi. In the 1730s, the Qing also completed the construction of a new garrison city Suiyuan (literally meaning Pacifying the Distant) at a site two miles northeast of the old Mongol city to serve as the command center for the Qing military on the steppe. The resulting concentration of Manchu troops, Chinese migrants, and the local Mongol population created a huge demand for army supply and a market for cross-cultural exchanges.

When the army marched across the Gobi desert to fight the Zunghars in Western Mongolia in the early eighteenth century, the Qing used Hohhot as the center for military supply, from which they recruited private merchants to transport grain to the war zone. As a result, starting from Hohhot, Shanxi merchants eventually controlled the trade with nomadic banners across the entire Mongolian steppe. After the conquest of the Zunghars in the 1750s, however, while Hohhot remained the nexus of military and administrative supply for the Qing rule in Outer Mongolia and Xinjiang, its role as a military command center receded. Instead, its pivotal role in trade became ever more prominent as the Xinjiang market was opened to Chinese penetration—as I have noted in the first chapter, the most powerful merchants in Xinjiang were the ones arriving from Hohhot. Acknowledging Hohhot’s rising significance in trade, in 1761, the Qing set up a customs house in the city to tax its sharply increasing trade volume in commodities.<sup>3</sup>

As the entrepôt of wholesale commodity trade between China proper and the steppe, Hohhot’s economy prospered and its urban space kept expanding. Along with the growth of trade and influx of people, Hohhot’s urban area expanded far beyond the confines of the original Mongol city. “The ramparts of the old town still exist in all their integrity,” wrote the French missionary Evariste Regis Huc in 1844, “but the increase of the population has compelled the people by degrees to pass this barrier. Houses have risen outside the walls one after another until large suburbs have been formed, and now

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<sup>3</sup> Tan Xu, “Qing dai Shanxi Guihuacheng de shang ye,” *wen shi zhe*, no. 4 (2009): 83-92.

the extra-mural city is larger than the intra-mural one.”<sup>4</sup> Well-recognized as the commercial capital of the northwest, Hohhot reached the peak of prosperity in the early nineteenth century. In 1859, as a famous gazetteer boasted: “In the city of Hohhot, powerful officials cluster like thick clouds, and markets spread like stars. It represents ultimate affluence. Geography and society have been gradually and silently transformed. Other big cities in the north cannot compete with it.”<sup>5</sup>

Hohhot’s rise to prominence as a commercial city during the eighteenth century resulted from the intersection of two concurrent waves of urban development in the Qing Empire. On the one hand, it was among the dozens of urban settlements formed as Qing rule spread across the Mongolian steppe, where sedentary life had never taken root in the past. Cities such as Urga (Ulan Bator), Uliastai, and Kobdo in Outer Mongolia; Baotou, Chifeng and Dolun Nor in Inner Mongolia; Xining in Qinghai; Urumqi, Barkol, Guchengzi and Yili in Xinjiang; and Jilin City in Manchuria were all developed from scratch, constructed as either military strongholds or administrative centers in the process of the Qing expansion. As the first major city that was built on the steppe after the Yuan Dynasty, Hohhot not only pioneered this wave, but also became the most salient manifestation of how the expansion of the Qing reshaped the physical and socioeconomic landscape of the Mongolian plateau – a phenomenon that historians have yet to research systematically.<sup>6</sup>

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<sup>4</sup> M. Huc, *Travels in Tartary, Tibet, and China, During the Years 1844-5-6*, W. Hazlitt trans.(Chicago: The Public Court Publishing, 1900), 116.

<sup>5</sup> Zhang Ceng, *Gufeng Shilue* 古豐識略, vol. 2, 24.

<sup>6</sup> The history of urban formation on the frontier of China has been examined by scholars in disciplines of geography and urban studies, for example, see Piper Rae Gaubatz’s work *Beyond the Great Wall: Urban Form and Transformation on the Chinese Frontiers* (Stanford: Stanford

On the other hand, Hohhot's rise also coincided with the formation of new urban trading centers in China proper, most notably Hankow, but also Kalgan, Chongqing, Yichang, Changsha, Foshan, and Zhuxianzhen.<sup>7</sup> Each of these centers played a key role in the rapidly expanding long distance trading networks. While traditional commercial cities like Suzhou, Hangzhou, Yangzhou, and Canton revived their rigor in the early Qing, it was the rise of new metropolises such as Hankow and Hohhot, which only emerged as emporia of national significance in the late eighteenth century, that most clearly embodied the remarkable expansion of market forces and growth of long-distance trade under Qing rule.<sup>8</sup> If market integration along the Yangtze River can find its vivid demonstrations in the hustle-bustle of Hankow's streets and the hurly-burly of

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University Press, 1996). For the rise of trade centers in the Mongolian steppe, see Muping Bao, "Trade Centres (Maimaicheng) in Mongolia and Their Function in Sino-Russian Trade Networks," *International Journal of Asian Studies* 3, no. 2 (2006): 211-237. But research on urban and commercial history on the northern frontier is still just beginning. For an excellent monograph on the history of Urga, see Noriyuki Satō, *Shindai Haruha Mongoru no toshi ni kansuru kenkyū: jūhasseikimatsu kara jūkyūseiki nakaba no furē o rei ni* (Tōkyō: Gakujutsu shuppankai, 2009).

<sup>7</sup> For exemplary studies on the development of these market towns in Qing China, see William Rowe, *Hankow: Commerce and Society in a Chinese City 1796-1889* (Stanford: Stanford University Press, 1984); William Rowe, *Hankow: Conflict and Community in a Chinese City, 1796-1895* (Stanford: Stanford University Press, 1989); Tan Xu, "Qing dai qian qi bei fang shang cheng Zhangjiakou (Kalgan) de jue qi," *Bei fang lun cong*, no. 5 (1998): 98-102; Yu Zhang, *Qing dai zhong qi Chongqing de shang ye gui ze yu zhi xu* (Beijing: Zhongguo zheng fa da xue chubanshe, 2010), 23-32; Chao Duan, "shi lun qing dai Yichang cheng shi de fa zhan," *Huadong shi fan da xue xue bao*, no.1 (1989): 73-146. Keesoo Park, "Qing dai Foshanzhen de cheng shi fa zhan he shougongye shangye hang hui," *zhongguo she hui li shi ping lun*, no. 0 (2005): 119-144; Yibing Deng, "Qing dai de Zhuxianzhen he zhoujiakou," *Zhongzhou xue kan*, no. 2 (1988):121-123.

<sup>8</sup> Since the 1950s, Chinese scholars have hotly debated whether there was an integrated national market taking shape before the Opium War in the Qing era. I have no intention of getting into this debate, but the emergence of entrepôt cities like Hankow and Hohhot does indicate the existence and significance of large scale long-distance trade across different regions of the Qing empire.

Chongqing's waterfront,<sup>9</sup> Hohhot and Kalgan's prosperity as entrepôts suggests a hitherto unacknowledged vibrancy in the long distance cross-cultural trade between China proper and the Mongolian steppe.

As a commercial center of national significance during the Qing, Hohhot thrived on the foundation of two major businesses: the wholesale grain trade and long-distance Sino-Mongol exchange. Both enterprises were the results of Chinese commercial expansion in the Mongolian steppe. As mentioned earlier, agricultural development in the Qiantao Plain gathered pace in the early eighteenth century, and the area quickly emerged as one of the major grain surplus regions in the empire. The grain from the plain not only fed the troops in Hohhot and those further afield in the Altai camps, but also found its way into the markets of food-short North China provinces.<sup>10</sup> It was in the hands of Hohhot's brokers and wholesalers that this grain was first collected and then transported elsewhere.

At the same time, Hohhot functioned as a key node in the new spatial economy of the Qing Empire that enabled material exchanges between the agricultural zones of China proper and the pastoral societies on the steppe. Shanxi merchants, in particular those based in Hohhot, mastered such trade. While wholesale vendors brought to

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<sup>9</sup> Wu Chengming, the preeminent historian of market economy and development of capitalism in China, argues that a key market development in the Qing compared to the Ming was the rise of the East—West trade corridor along the Yangtze River. This argument has been convincingly supported by Fan Yijun's analysis of the domestic customs tax data in his dissertation. See I-chun Fan, *Long-distance trade and market integration in the ming-ch'ing period, 1400-1850* (Ph.D. diss., Stanford University, 1993).

<sup>10</sup> For instance, Pierre-Etienne Will studies how the grain from Inner Mongolia played an important role in the famine relief in Zhili Province during the 1740s. Pierre-Etienne Will, *Bureaucracy and famine in eighteenth-century China* (Stanford: Stanford University Press, 1990).

Hohhot abundant tea, cloth, silk, tobacco, and manufactured goods from interior provinces—which were sold by adventurous traders across the Gobi desert to nomads—livestock such as horses, camels, and sheep as well as furs, mushrooms, and medicinal herbs went the other direction. They were brought back to Hohhot by adventurous traders, and sold to distributors who in turn would take them to the interior provinces in China proper. In short, Hohhot’s role as a gateway to the steppe made the fortune of its urban community and created the prosperity in the city for the century after the Qing conquest of Xinjiang.<sup>11</sup>

Hohhot’s fortune only began to take a serious downturn after the mid-nineteenth century. Just as its rise was a result of the fortuitous convergence of multiple historical trends, a number of developments contributed to its decline. First of all, while the Taiping rebellion wrecked havoc in central China and disrupted the main south-north trade routes, the Muslim rebellion and subsequent wars devastated the markets in Xinjiang and impeded trade and communication in western Mongolia, which dealt the merchants of Hohhot a heavy blow. In Xinjiang and Mongolia, which were previously their trade colonies, Shanxi merchants lost a significant share of the market to newcomers. Businessmen from Beijing began to enter Outer Mongolia in the 1860s,<sup>12</sup> while Zuo Zongtang’s pacification of Xinjiang also brought Tianjin merchants into the subsequently revived Xinjiang trade.<sup>13</sup> Second, Hohhot’s business circle also suffered

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<sup>11</sup> See Chapter One for details.

<sup>12</sup> Huimin Lai, “Qingdai kulun de maimaicheng,” *Neimenggu shifan daxue xuebao* 44, no. 1 (2015): 18-32

<sup>13</sup> For the Tianjin merchants’ activities in Xinjiang, see Fan Rusen, “Gandaying—jin dai tianjin shang ren yu xibei jing ji kai fa,” in Jiesheng An and Zhonglin Qiu eds, *you wei er zhi—qian xian dai zhi bian shi jian yu zhongguo bianchui she hui bian qian yan jiu* (Taiyuan: San jin chu

from the grave consequences of the mega-drought that ravaged the entire Shanxi province in the 1870s, as well as from the ecological deterioration in its own vicinity due to the over-cultivation of steppe land. Natural disasters, especially drought, became ever more frequent in the later decades of the nineteenth century. As the Russian investigator Pozdneev witnessed in 1893, wandering refugees from the drought and starving beggars caused social problems and provoked instabilities, epitomizing the great trading city's fall from grace.<sup>14</sup>

Yet above all, it was the radical reconfiguration of the spatial economy of trade and restructuring of commodity markets in the late Qing that sealed Hohhot's fate. The opening of treaty ports after the Opium War ushered into China the age of full-fledged maritime globalization . The opening of Tianjin as a treaty port in 1860, in particular, altered the geographic patterns of long-distance trade in the north, cannibalizing Hohhot's market share. On the one hand, the original North-South trade thoroughfare along the axis of Hankow and Hohhot has been partly replaced by the waterways of the Yangtze and the littoral. In this new age, southern commodities such as tea were first shipped by steamboats via Hankow, Shanghai, and Tianjin before taking a new eastern route into Mongolia, which passed through Kalgan instead of Hohhot.<sup>15</sup> In other words, Hohhot's commercial significance decreased due to the shift of trade networks from land to sea. On the other hand, as Imahori Seiji has suggested, the opening of Tianjin

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ban she, 2014): 495-506. Also see Xingang Wang, Xizhai Guo and Moxiang Li, "Tianjin bang jing ying xidaying mao yi gai shu," *Tianjin wen shi zi liao xuan ji* 24 (1983), 171-188.

<sup>14</sup> Pozdneev, vol.2.

<sup>15</sup> Similar globalizing forces also transformed other parts of inland North China into hinterlands, as Kenneth Pomeranz pointed out in his first book. Kenneth Pomeranz, *The Making of a Hinterland: State, Society, and Economy in Inland North China, 1853-1937* (Berkeley: University of California Press, 1993).

also provided a conduit for the export of the produce of the steppe, especially wool and leather, which had great appeal in the global market of the late nineteenth century.<sup>16</sup> The greater demand for wool and leather changed the market structure in Inner Mongolia, contributing to the rise of new market centers outside of Hohhot. Most noticeably, Baotou, a township founded in 1809 on the Yellow River Bend a hundred miles west of Hohhot, benefitted most from the increased demand for leather and wool, replacing Hohhot as the center for such trades in Mongolia. Although the rise of Baotou did not completely dethrone Hohhot as the capital of Mongol trade, it certainly diverted power away from the latter's once dominant business community.

To summarize, over the course of the Qing era, Hohhot had metamorphosed from a small Mongol city into a sprawling urban space, home to a multiethnic and multicultural population, including Manchus, Mongols, Han Chinese, and Muslims. In particular, Chinese sojourners from Shanxi Province, mostly merchants and craftsmen, constituted the majority of the population in Hohhot. The concentration of these Shanxi businessmen transformed Hohhot from a center of Buddhist teaching into an entrepôt of Sino-Mongol trade, leading to the formation of a new commercial society on the northern frontier of the Qing Empire. This new commercial society had its own distinct organizational structure, centered around the *hang* system, which continued to exist and function in the Republican era when Imahori conducted his investigations. In the following sections of this chapter, in order to illustrate the unique institutional developments on the frontier and the dynamic relationship between the merchant

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<sup>16</sup> Imahori.

community and the Qing state, I will first trace the origins and analyze the operation of the famous *hang* system of Hohhot.

### The Origin of the *Hang* System in Hohhot

A system of twelve or thirteen *hang*—a form of merchant associations based on shared trade and occupations—were known to be the leading organizations in Hohhot’s business communities.<sup>17</sup> There were two theories about its origins. The first theory, proposed in an early nineteenth century stele inscription, traced the origins of the *hang* to the 1690s at the beginning of Hohhot’s military buildup, when Kangxi Emperor’s trusted general Feiyanggu brought a great army, many merchants and craftsmen from the neighboring Shanxi province to Hohhot and organized merchants into the so called “twelve *hang*.<sup>18</sup> The second theory, advanced in a famous mid-nineteenth century gazetteer of Hohhot, dated the origin of the *hang* to the early eighteenth century. According to this theory, the “twelve *hang*” was introduced from Beijing by Danjin, the Beijing-educated Tumed prince who returned to Hohhot as the Superintendent of the Tumed Mongols.<sup>19</sup>

Whereas both theories reflected the perceptions of nineteenth century local elites rather than reliable historical accounts, they were not pure fantasies either. They both identified the Kangxi reign (1661-1722) as the period when the *hang* system was created and hinted at the existence of a close relationship between the rise of the *hang*

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<sup>17</sup> *Suiyuan tong zhi gao*.

<sup>18</sup> Imahori, G20.

<sup>19</sup> *Gufeng shi lue*.

and the buildup of Hohhot as a military stronghold during the Qing-Zunghar War. As we have already mentioned earlier, it was the beginning of the Qing-Zunghar war at the end of the seventeenth century that saw an upturn of fortune for Hohhot. Since its construction in the late sixteenth century, Hohhot remained a Mongol settlement for its first hundred years, and there is little evidence to suggest the existence of Chinese social and business organizations at that time. Without the outbreak of the Qing-Zunghar war, it was difficult to imagine that Hohhot would enter a period of explosive growth.

General Feiyanggu's arrival thus marked a new dawn in the history of Hohhot. In the 1690s, when the Kangxi emperor was preparing to launch his first major military expedition into the steppe, he sent his trusted Manchu general Feiyanggu to Hohhot, who would use the city as the launching place for his troops on the western route. Feiyanggu encouraged merchants and craftsmen from the nearby Shanxi province to come into the city, to provide additional material support for the troops. This small city suddenly became crowded with newly arriving troops and businessmen. To protect merchants from the bullying Mongol and Manchu soldiers, Feiyanggu established strict rules and maintained peace and order in Hohhot, which in turn encouraged more businessmen to arrive. As a result, the Manchu general became particularly popular among merchants, achieving a god-like status. Many merchant organizations in Hohhot that flourished in later years traced their origins to the Feiyanggu era, claiming to be the beneficiaries of Feiyanggu's protective policies.<sup>20</sup> It was also claimed that Shanxi merchants admired the general so much that they built a shrine in the center of the city

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<sup>20</sup> For instance, a few oral history interviewees claimed that Dashenkgui originated in the Feiyanggu campaigns. Merchants from Jiaocheng County also claimed that they began business in Hohhot during the Feiyanggu era, see Imahori, G20.

to worship him when he was still alive (This shrine became one of the most significant religious sites of the city in the following two centuries).<sup>21</sup> In short, the era of Feiyanggu laid the foundation for commercial development in Qing Hohhot, which may explain why the locals claimed that Feiyanggu was responsible for the creation of the *hang* system.

Despite Feiyanggu's reputation as the first benefactor of Hohhot in the Qing, his stay in the city was rather short, and his influence limited. In contrast, Danjin played a much more impactful role in the rise of Hohhot's economy. In 1703, shortly after Feiyanggu's return to Beijing, Danjin assumed the post of Vice Superintendent of the Tumed, a post at that time representing the highest ranking governor of the Tumed Banner, under which Hohhot was administered.<sup>22</sup> From 1703 on wards, until his death in 1737, Danjin held this important post for over thirty years. His tenure proved a decisive period in Hohhot's development, as it was during this period that the Qing court devoted significant resources to building Hohhot as the military base to project power onto the steppe. Danjin executed the policies of the court efficiently. He not only actively encouraged land reclamation and agricultural production in the Tumed territory, turning the Qiantao plain into a grain producing center, but also devised policies to attract merchants and craftsmen to Hohhot, laying the foundation for a booming market town. By the early 1730s, the city of Hohhot already boasted a

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<sup>21</sup> If we adopt a more cynical perspective, the building of the shrine could be interpreted as the merchants' shameless bid to curry favor with the reigning general. But it also suggested how much merchants depended upon the Qing state for protection and support.

<sup>22</sup> Because Hohhot was too small to accommodate the military, the military headquarter of the Manchu troops were temporarily moved to Youwei City on the inside of the Great Wall, a hundred kilometers to the south. Therefore, the highest post in Hohhot was the Vice Superintendent of the Tumed, who served as the de factor governor of the city in early Qing.

significantly large business quarter with thousands of Shanxi businessmen. It was from the Shanxi merchant communities of Hohhot that Fan Yubin was able to recruit the hundreds of private contractors to deliver grain to the Altai camps during the Yongzheng emperor's war with the Zunghars.<sup>23</sup> As a result of his success in developing the local economy, he was also enshrined by the merchants of Hohhot in General Feiyanggu's temple as a city benefactor.<sup>24</sup> Danjin's role in developing the local economy may also explain why he was considered the creator of the *hang* system.

Whether Feiyanggu or Danjin should be acknowledged as the founder of Hohhot's *hang* system is not particularly important. What matters here is that both theories suggest, at least in the cultural memories of the nineteenth century local elite, that the creation of the *hang* in Hohhot was not the spontaneous work of businessmen, but the result of state initiatives. According to these theories, even the rise of Hohhot's market was not perceived to be the natural consequence of Smithian growth, but the consequence of strategically implemented state policies. They believed that agents of the empire, such as Feiyanggu and Danjin, created the *hang* system to encourage trade and stimulate economic activities, which ultimately served the military and political purposes of the court. Such a perspective was not mistaken. Because the Qing court had identified Hohhot as the strategic linchpin in the grand imperial scheme on the Inner Asian steppe, many policies that were implemented in Hohhot in the early years—such as encouraging migration, stimulating commerce, and developing agriculture—laid the ground work for the realization of the imperial project. In other words, it was very

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<sup>23</sup> See Chapter One.

<sup>24</sup> *Gufeng shi lue*.

likely that the *hang* system constituted a key component in the Qing imperial project on the northern frontier.

### The Functions of the *Hang*

Nineteenth century theories aside, the first mention of the *hang* of Hohhot appeared in a 1723 stele in the term “*dahang* 大行,” or the “Grand Guild.”<sup>25</sup> The members of the *dahang* included merchants and craftsmen of all trades. At this point, the major businesses of Hohhot consisted of grain brokerages, grain processing mills, and retailers of miscellaneous goods. The grain brokers linked the grain producers in the newly developed farms and villages on the outskirts of Hohhot with the market in the city. The grain was not only sold for military consumption, but also found its way into the interior provinces of North China through an expanding network of wholesalers. Due to the critical importance of the grain trade in the early decades, grain millers also hold significant power within the business community, profiting from grain sales. Moreover, the most widespread businesses in the city were the so-called *langui* 欄櫃 (literally, the stand). They were retailing stores that sold miscellaneous goods such as cloth, paper, and other daily necessities to city dwellers, and books and stationery to the Buddhist Monasteries. As these retailers gradually secured direct supply chains from the interior provinces of China, some of them developed into wholesalers who provided the

<sup>25</sup> The stele inscription also supported an oral history record: a businessman who engaged in Hohhot’s guild management at the end of the Qing mentioned in his short memoir that the “*dahang*” took shape no later than the end of the Kangxi reign, and was formed before any independent trade guild. For the oral history record, see Yingyuan Liu, “Chunhou-she yu Sanyuancheng,” *Huhehaote wen shi zi liao* 10 (1995): 52-61.

merchandise for long-distance merchants who would bring them across the Gobi Desert to sell in farflung Mongol banners. Jia Youku's Sanyihao, which we analyzed in Chapter Two, probably began as a retailer of Chinese goods in Hohhot.<sup>26</sup> In the early stages, such retailers constituted the majority of the members in the *dahang*.<sup>27</sup>

Thereafter, during the Yongzheng and early Qianlong reigns, the *dahang* evolved into a coalition of thirteen independent *hang*, each representing a major trade. In this way, the *hang* became a form of trade association. In addition to grain brokers, mills, and retailers, mule brokers, horse brokers, leather traders, felt makers, pawn shops, Mongolia-going long distance traders all began to form *hang* associations in their businesses. Yet the thirteen “*hang*” that formed the Grand Guild did not include all the trades of Hohhot. In the dozens of steles of the 1850s, we can find that almost every trade in Hohhot was organized under the *hang* structure, such as the trades of barbers, restaurants, tea houses, as well as money merchants.<sup>28</sup>

The *hang* has a simple organizational structure. Under the initiation of the state, the merchants and craftsmen within the same trade were grouped together under the leadership of a head merchant, a position filled by either an individual or a firm. The head merchant served as the leader of the *hang* and a liaison between the merchant group and the government. He was responsible for coordinating activities within the group, ensuring the proper functioning of the trade as well as meeting demands from the state. When things went wrong, the head merchant would be summoned to the local

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<sup>26</sup> See Chapter Two.

<sup>27</sup> Yingyuan Liu, “Chunhou-she yu Sanyuancheng,” *Huhehaote wen shi zi liao* 10 (1995): 52-61.

<sup>28</sup> Imahori.

governement, while all the members of the trade would be held accountable. The lack of textual sources from the early eighteenth century prevents us from getting into the concrete details of the everyday activities of the *hang* during its fledgling stage, but based on available sources, I believe that this simple system served multiple purposes for the Qing state.

First, it reflected the Qing state's tried strategy of “divide and rule” in its management of Chinese merchants on the northern frontier. By dividing the merchants into collectively responsible units, the *hang* echoed the time-honor Chinese imperial tradition in social control, namely the principle of the “*baojia* 保甲”, a system that divided the rural population into neighborhood security units through artificial demarcations. At the core of the system was the idea of “*bao*”, which, as Yang Lien-sheng suggests, implies both security and guaranty.<sup>29</sup> In Kalgan (or Zhangjiakou, the eastern pass), a major base for Sino-Russian trade on the Great Wall, the Qing state established the *hang* system among its merchants under the name “*baozheng hang* 保正行.” This name explicitly invoked the “*baojia*” system, as “*baozheng*” meant exactly the head person in a “*baojia*” unit.

In the market circles of Outer Mongolia, such as Kyakta and Urga, Chinese merchants were organized directly under the “*paijia* 牌甲” system. For instance, in the Qing-Russia border market at Kyakta, the Qing administration divided the merchants

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<sup>29</sup> Liensheng Yang, “Government Control of Urban Merchants in Traditional China,” *Tsinghua Journal of Chinese Studies* 8, no.1 (1978): 186-210.

into twelve “*jia*” (a *baojia* unit), while in the markets of Urga (the monastic center of Outer Mongolia), there were eight “*jia*” of merchants. A head merchant was established in each “*jia*”, while all the head merchants together would form a committee that was responsible for the management of market activities and for overseeing the actions of all merchants. For instance, the committee in Kyakta had to submit pledges to the state periodically, claiming that all the merchants were behaving responsibly without the illicit activities of bribery or smuggling.<sup>30</sup> The head person in the *jia* of Outer Mongolia played a role similar to that of the head merchant in the *hang* of Hohhot, both serving as the leader of the unit and a liaison between the merchants and the government. Nevertheless, it is worth noting that *paijia* and *hang* were still different systems: while the *hang* were trade associations, the *paijia* were set up according to neighborhood proximity. Also, whereas the *paijia* system was designed to emphasize control and order above all other concerns, the *hang* performed many other socioeconomic functions, which we will analyze in depth later.

In fact, the Qing court’s choice of either the *hang* or *paijia* as the main system for organizing merchants at a particular location was not a random one. The more distant the market place was from the imperial center and the closer to the border, the Qing state was more concened about order and control. And therefore, in the marketplaces along the Great Wall, such as Kalgan and Hohhot, the less restrictive *hang* system was put in place; in contrast, in Urga and Kyakta, which were far away from China proper and much closer to the Qing-Russian border, the Qing state installed the

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<sup>30</sup> Many examples could be seen from the archives of the Urga amban archives, for details, see Introduction and Chapter One.

*paijia* system to tightly control the activities of Chinese merchants. The implementation of these systems in different localities on the frontier showed the consistency in the Qing court's thinking on statecraft, as well as the state's ability in making subtle adaptations to time-honored institutions to suit the conditions of particular locales.

Second, the *hang* system performed another crucial function for the state—resource extraction. All the *hang* in Hohhot were collectively responsible for providing goods and services to the state according to the expertise of their trade. For instance, one of the primary obligations of the Grain Brokers' Guild was to hire and arrange transportation carts for governmental and military use, because it was the grain brokers who performed such services for farmers to deliver their grain to the city.<sup>31</sup> A stele from 1776 vividly reveals the operation of the *hang* as a resource extraction system for the state.<sup>32</sup> This stele records the conclusion of a legal battle between the Flour *Hang* and the Steam Vessel *Hang* at the prefectural court. The Flour *Hang*, who originally shouldered the responsibility of providing steam vessels to the government agencies, disputed this assignment. They claimed that the provision of steaming vessels should be handled by the Steam Vessel *Hang*, who at the time had no specifically designated obligations. We do not know exactly why the initial assignment was given to the former instead of to the latter. The most likely scenario was that when such assignments were first decided, the Steam Vessel *Hang* had not come into existence, and the Flour *Hang* was forced to handle that task. After hearing the complaints, the prefectural governor

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<sup>31</sup> Imahori, E30.

<sup>32</sup> Imahori.

sided with the powerful Flour *Hang*. The governor concluded, “Each *hang* has its specific obligations (*zhuanze* 專責). Since the steam vessel trade created their own *hang*, why should the Flour *Hang* act as their surrogate to fulfill their responsibilities?” As a result of this ruling, the Steam Vessel *Hang* was ordered to provide the vessels to governmental agencies, and also to shoulder the responsibility for fixing broken vessels for the state.<sup>33</sup> After the conclusion of this case, the Flour *Hang* erected this stele, and inscribed the resolution as precedents for future dealings.

This stele inscription also articulated the principle guiding the *hang* duties with a succinct yet emphatic statement: “As for the merchants and craftsmen of Hohhot, each should perform their *hang* duties, which is a permanent law that should never change.” In other words, the rhetoric here suggests that *hang* duties as a principle of the organization has been long established. It also claims that such a principle was upheld as a permanent and unchallengeable rule. At the same time, the inscription also reveals another key component in the constitution of *hang* duties, namely “specific obligations.” The problem with the early arrangements, in the eyes of the flour merchants and the prefectoral governor, is that while there were many craftsmen in the steam vessel trade, their *hang* did not have “specific obligations” befitting the expertise of their trade.<sup>34</sup> The burdens were unfairly placed on the flour merchants. The resolution

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<sup>33</sup> Nevertheless, taking into consideration of the limited ability of the steam vessel craftsmen, which was in a small trade, the governor also commanded the Flour Guild to share the burden in the case of a major increase in demand, namely, during military activities.

<sup>34</sup> In Maura Dykstra’s recent dissertation that studies the commercial institutions of Qing era Chongqing, she considers the use of the term “*zhuanze*,” or “Specific Obligations,” in the official discourse on the *hang* system as a new concept that emerged in the late eighteenth and early nineteenth centuries. As we will show in the following discussions, the idea has a long

of the case was, in the words of the governor, to uphold the principle that one guild should handle the obligations specific to their trade: otherwise the principles of *hang* duties would be broken. Even if such a resolution reflected the power and political influence of the Flour *Hang*, the stele's invocation of "specific obligations", "invariable and permanent principles", and the "laws of the *hang*" demonstrates the legitimating power of such rhetorics.

Under the *hang* structure, because merchants had to perform services and provide goods to the state, they also enjoyed certain degrees of protection from the government in return. Since the *hang* obligations they shouldered significantly increased the cost of their business, the merchants were very conscious about their privileges. When their interests were compromised, businessmen wasted no time to complain to the local government through the head merchant. A mid-nineteenth century stele documenting a complaint submitted by members of the Grain Miller's *hang* to the city governor vividly demonstrates how the *hang* merchants depended upon the state to protect their privileges.<sup>35</sup> Engaging in the business of processing grains and retailing them through *langui* in the market of Hohhot, the grain millers' interests were threatened when many traveling traders from nearby places bringing rice and flour to sell in Hohhot utilized the grain brokers' wholesale agencies for retail and even peddled door to door to circumvent the *hang* merchants' retail network. Because these non-

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history prior to the Qing dynasty. The idea was part and parcel of the long institutional tradition of *hang*. See Maura Dykstra, *Complicated Matters: Commercial Dispute Resolution in Qing Chongqing from 1750-1911* (Ph.D. Diss, UCLA, 2014).

<sup>35</sup> The office of "Guihuacheng ting," or sub-prefectural administration of civil affairs in the Hohhot city, was established in 1723, which became the office in charge of the merchant communities and other social affairs.

locals were not organized in the *hang* and thus not paying obligatory duties, their cost was much lower and they could therefore sell at a lower price, thus canabalizing the market of Hohhot's grain millers. Therefore, the Grain Millers' *hang* submitted a complaint to the city governor, requesting the traveling peddlers' unfair business practices to be stopped at once. They were to be strictly forbidden from peddling door to door, and when they sold their grain through the agency of the wholesale grain brokers, fees equivalent to the cost of the *hang* duties were to be levied. Despite strong opposition from grain brokers, the governor eventually agreed with the millers. The governor reckoned that the millers were correct in their argument; if the original situation were to continue, the livelihood of the *hang* merchants would be at stake. Without the resources they provided, the local government would not be able to function.<sup>36</sup>

This case also tells us that the obligation that the *hang* merchants shouldered toward the state was considerable. The cost of such obligation was so high that the locally based grain merchants would lose their competitive advantage against traveling peddlers from afar, who did not have to pay such dues. In other words, even after factoring in their transportation cost, the non-locals could still sell at a lower price than the local *hang* merchants. From a different perspective, the existence of the *hang* obligations caused conflicts of interests between the local merchants and "foreign"

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<sup>36</sup> Imahori, G6.

intruders. Although the local merchants enjoyed home advantages on many fronts, the freedom from *hang* obligations alone could tip the balance toward the non-locals.<sup>37</sup>

More importantly, the grain millers' rhetoric in this dispute suggests how critical the resources levied through the *hang* was for the fiscal wellbeing of the local state in Hohhot, a fact that these merchants understood all too well. Given the strategic significance of Hohhot in the Qing's military and civil administration on the northern frontier, the local state apparatus faced difficult tasks and performed many functions, and therefore must obtain resources to support its activities. And it required the wealthiest section of the population, namely, the merchant communities to contribute. The state's demand for such resources was compounded by the lack of tax revenues in Hohhot. On the one hand, the local government's income from land tax was limited on the frontier due to the ownership structure of the land—the Tumed Mongols paid little taxes for their land to the state, and the majority of the land on the Qiantao plain belonged to the Tumed bannermen. On the other hand, although commercial taxes grew over the course of the eighteenth century, especially after the creation of a customs house in Hohhot in 1761, the amount of taxes levied in monetary forms through the customs house was never significant. From the mid-eighteenth century to the mid-nineteenth century, the taxes collected at the many branches of Hohhot's customs house remained at less than 25 000 silver taels per annum, non-reflective of the explosive

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<sup>37</sup> In fact, contemporary residents of California are no stranger to such a phenomenon: due to the existence of high sales tax imposed upon local retailers, it is often more economical to have the same goods purchased and shipped from other states than purchasing locally. Sellers outside of the state could still outcompete their Californian rivals despite the existence of sales.

increase of trade volumes.<sup>38</sup> In fact, commercial taxes in monetary forms constituted only a small portion of the overall tax revenue of the Qing empire until the mid-nineteenth century, despite the significant growth of trade across the country.<sup>39</sup> The empire never developed a truly efficient commercial tax collection regime to take advantage of the commercialization trends until the introduction of the *lijin* during the mid-nineteenth century crisis. In eighteenth century Hohhot, in order to perform their tasks as a pivot in the Qing frontier administration and military network, the local state had to devise institutions that could extract necessary resources from society, yet at the same time, minimize state involvement on a day-to-day basis. And the *hang* was such an institution.

From the perspective of the merchants, being a member of a *hang* organization was not merely an obligation; it was not without its associated benefits. For one thing, the *hang* offered an organizational framework and a simple mechanism for merchants of the same trade to organize and to express their interests collectively. In the *hang*, because all merchants shared duties toward the state,<sup>40</sup> as long as all practitioners on the local market shared the burden fairly, they could coordinate to increase the price of their goods and services to transfer such burden to the consumer. When their market was encroached upon by outsiders, the local merchants could coalesce around the *hang* and put pressure on the state through the head merchant, as we see in the grain millers' case. When conflict of interests arose between different trades within Hohhot, the *hang* also

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<sup>38</sup> Tan Xu, “Qing dai Shanxi Guihuacheng de shang ye,” *wen shi zhe*, no. 4 (2009): 83-92.

<sup>39</sup> For a succinct breakdown of the eighteenth century Qing tax structure, see Hongzhong Yan, *Zhongguo de huo bi jin rong ti xi* (Beijing: Zhongguo Renmin University Press, 2012), 211-213.

<sup>40</sup> Imahori, G15.

enabled its merchants to carry out collective actions, combating other trades, such as the two dispute cases analyzed above. Moreover, the existence of the *hang* offered an organizational structure for the merchants to forge new networks based on shared trade and occupational identity. Such networks differed from the traditional ones that were enabled through kinship and native-place ties. As I will analyze in greater depth in Chapter Five, these *hang* would be transformed into merchant-led guild organizations in the late eighteenth and early nineteenth centuries.

Although not explicitly shown in our cases here, by facilitating cooperation among merchants within the trade, the *hang* also constituted a powerful force in regulating the market. Through the *hang* organization, merchants were able to standardize business practices, establish trade rules, ensure consistency in the quality of goods and services, all of which helped to maintain order in the market.<sup>41</sup> Moreover, the *hang* also offered a cooperative mechanism for the merchants to achieve price controls, an unlawful practice according to the Qing code, but prevalent nonetheless. On the frontier, the court even specifically created *hang* organizations to control prices. For example, when the Qianlong emperor tried to stop the price war among Chinese traders in Kyakta, which he believed to have benefitted the Russians, he ordered the establishment of the *hang* structure among the traders in order to achieve price coordination.<sup>42</sup>

Finally, the *hang* merchants' primary concerns were neither price controls, nor the exclusive monopoly of a given trade. In contrast to the guilds of early modern

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<sup>41</sup> Imahori.

<sup>42</sup> Huimin Lai, "Qing zhengfu dui Qiaketu shangren de guanli," *Neimenggu shi fan daxue xue bao* 41, no. 1 (2012): 39-66.

Europe that often placed serious restrictions to exclude outside people from their trades, the *hang* had no such qualms about letting more merchants to share their privileges and duties. In the aforementioned dispute, the grain millers did not propose to expel “foreign” peddlers and monopolize the marketplace as the remedy to their situation. Instead they requested the local government to charge these peddlers a fee comparable to their *hang* duties in order to “share the benefits and burdens among all.”<sup>43</sup>

### ***The Hang System in Historical Perspectives***

Where did the *hang* system come from? Comparing the *hang* of Hohhot with merchant organizations across the Qing empire and contextualizing it within the long tradition of commercial institutions in imperial Chinese history, I suggest that the rise of the *hang* system in Hohhot was not a new creation, but rather the result of the Manchu rulers consciously borrowing from the institutional tradition of Chinese empires. While recent scholars have argued for the importance of the Inner Asian political and strategic tradition in the Qing imperial project, in the management of merchants and marketplaces, the Qing system on the frontier was in fact a continuation and expansion of the institutions that were developed in China proper over the course of many centuries.

The *hang* has a long tradition, which can be traced back to the early medieval period. In the big cities of the Sui and Tang dynasties, all market activities were confined to a strictly defined market district, which was put under the direct

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<sup>43</sup> Outsiders were also sometimes incorporated into the *hang*. For instance, in the 1770s, the leather traders caused a major dispute in the local court when they attempted to include the sellers of leather nitrate into their *hang* organization, see Imahori.

surveillance of the state. Such markets were called the “*guanshi*”, or the “official market” (The two official markets of Chang’an, the capital of the Tang, were famous for their cosmopolitanism and exótica). Within such market districts, which was arranged in a grid structure, shops in the same trade were usually lined up along the same aisle, and these aisles were often named after that particular trade. The character “*hang*”, meaning “line” or “aisle,” a spatial concept, was used to denote such trade-specific aisles. In order to regulate such places, the government organized all the merchants of the same aisle into a collective unit, and set up a *hangtou* 行頭, or “the head of the aisle”, a position often filled by one of the merchants selected by the market administration. The *hangtou* would act as the leader of the aisle, liaise with the state agencies, and make sure that the merchants in the same trade aisle would comply with regulations and law.<sup>44</sup> Although historians have yet to agree on whether the merchants in the medieval trade asiles formed a self-sustaining organization comparable to the *hang* of the late imperial period, these merchants’ conditions—being in the same aisle, in the same trade, and under the same leadership—were conducive to the formation of a group identity.

Gradually, the *hang* evolved from a spatial concept in the medieval period into an organizational entity in the late imperial era. When the official market system broke

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<sup>44</sup> For studies of the *hang* of the Tang era, the earliest and most influential work was Kato Shigeshi’s essay, see Shigeshi, “Guan yu Tang Song shi dai zhi shang ren zu he,” Qichun Zhang trans., *Guofeng*, no. 1 (1934): 18-40. Also see Hansheng Quan, *Zhongguo hang hui zhi du shi* (Taipei: Shihuo Press, 1986), 28-44. For a thorough English language treatment of the issue, see Dennis Twitchett, “The T’ang Market System,” *Asia Major* 12, no.2 (1966): 202–243. For a most recent work on the *hang* and the market of the Tang, see Weimin Bao, “Tangdai shi zhi zai yi,” *zhongguo she hui ke xue*, no. 4 (2011), 179-189.

down after mid-Tang, commercial activities in cities were no longer confined to the same district, and shops in the same trade were no longer required to line up in the same aisle. Businesses became dispersed and spread into different corners of the city. As a result, the usage of the character “*hang*” was kept in the commercial lexicon, but it now became associated with the trade rather than the aisle. In the Song, the state began to require all urban merchants and craftsmen, who were no longer confined to the official market district, to be enrolled in an official registry. In such registry, they were divided by trade, with each trade forming an association called *hang*.<sup>45</sup> The registered merchants were called “*hanghu* 行戶”, or a member of the *hang*, and a “*hangtou*” was set up in each of the trade association as the head merchant. This system was designed to reimpose governmental surveillance and control over merchants after the collapse of the spatially designated official market system. Yet at the same time, the state also used it as a mechanism of alternative taxation. In the Song, merchants under the *hang* registry were required to provide goods and services to the state. Although the actual methods of implementation had changed from time to time, the basic structure of the *hang* system

<sup>45</sup> The word “*hang*” also began to signify the place of transaction. In the Song, specialized markets were created in different corners of the city, where businesses within the same trade concentrated, such as a fish market. The character “*hang*” was thus used interchangeably with “*shi*” (meaning market) to denote such market places. Thereafter, “*hang*” was also widely used to signify a new kind of business agency, namely, the “*yahang*”, or the brokerage firms. In the Song, with the development of long distance trade, brokers became a significant force in the market, and their agencies not only offered match-making services between the buyer and seller, they also became where the transaction physically took place. In a way, these brokerage firms were similar to the exchanges that developed in the early modern low countries. They were specialized marketplaces, and it is why the character “*hang*” was adopted for their nomenclature, indicating they are sites of transaction.<sup>45</sup> Such usage of the term “*hang*” was kept in the Chinese language ever since. In addition to the “*yahang*”, we can also see similar connotations of marketplace in the words “*qianhang*” (money exchange), “*danghang*” (pawnshops), and “*yinhang*” (bank). “*Yinhang*” is still in use in contemporary Chinese language.

that was laid down in the Song was kept by successive dynasties. During the Ming, the principle of the *hang* system became the primary institutional framework for urban commercial management and resource extraction.<sup>46</sup>

From the Song onwards, the idea of “specific obligations” was already in place. Because the functioning of the government agencies and the military required the supply of various kinds of material resources, the *hang* organizations were often directly charged to provide such goods. And each *hang* was tasked with a specific kind of goods in accordance with their expertise. But such a system turned out to be inefficient, often leading to corrupt practices and coercive extractions by officials and runners beyond the government stipulated amount. Therefore, during the Song and Ming, the court tried to reform the system by devising a method called “*hemai* 和買,” or “negotiated purchase,” to replace the provision of “specific obligations,” which requires the government agencies to pay for the goods that the *hang* merchants provided. Nevertheless, such “negotiated purchase” still relied on coercion and led to inefficiency, as powerful state agents often set arbitrary prices significantly lower than the market rate. Over the course of many centuries, despite the constant tension between the state and merchants regarding their *hang* duties, urban merchants in late imperial China were rarely free from such obligations.

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<sup>46</sup> The operation of such a system has been detailed in the work of Ch'iu Peng-sheng. Ch'iu called it “*biansheng hangyi zhi*” 編審行役制, “registration and *hang* obligation system,” see Ch'iu (1998), 291-334. The early Ming state established a strict craftsmen registry, and every registered craftsman was forced to serve the state with their expertise. This system was dubbed “matching households for ‘chai’ obligation” by Wang Yuquan, “Mingdai de pei hu dang chai zhi,” *Zhongguo shi yan jiu*, no. 1(1991): 24-44.

Even more important than the supply of material resources, urban merchants were also obligated to provide labor and expert services to the state, which was known as the “*shangyi*,” or “merchant service obligations,” a practice yet to receive due attention in the historiography on Chinese taxation. Because of the small size and limited reach of the late imperial Chinese bureaucracy, local governments were often short of hands in fulfilling official tasks, let alone providing public services. For instance, when imperial troops passed through a county on route to a new destination, the local government was obligated to offer material provisions as well as mobilize manpower to help with transportation. In urban areas, governments relied upon the *hang* system to draft people from the business sector, which constituted a large section of the urban population. Such drafted services were usually called “*dangchai*” or “*chaiyi*,” meaning “obligation for official errands.”<sup>47</sup> Sometimes, the late imperial Chinese state, most notably the commercially advanced Northern Song in the eleventh century, experimented with charging “*mianyiqian*” (“the monetary substitute for services”) from merchants and in turn used such monetary revenue to hire hands from the market. This practice was also known as “*hegu*,” or “negotiated hiring.” Nevertheless, more often than not, throughout the late imperial period, the state still resorted to the straightforward and mandatory enlisting of merchants and craftsmen to fulfill official

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<sup>47</sup> Maura Dykstra discussed the meaning of “*chai*” in her dissertation. As she correctly explains, “a ‘*chai*’, in Qing bureaucratic parlance, was not a type of tax. Rather it was a commission from an official office to a specific delegate to carry out a specified service or duty.” However, Dykstra’s argument that the Chongqing local government “revolutionized the concept of ‘*chai*’” is a misrepresentation of the historical usage of the term. As we can see here, as late as in the Ming, merchants along with other sectors of the population were obligated to gather material and manpower for official projects under the rhetoric of “*chai*.” And such practices and terms can be seen in many historical sources throughout the late Ming and Qing era.

tasks instead of relying on the labor market, as the officials were wary of price fluctuations in the labor market, which could derail state agenda. For the local government to fulfill its tasks, direct draft of services and manpower was still the most effective method, despite the potential social and political tensions when such practices turned corrupt. In eighteenth century Hohhot, as we analyzed in the dispute between the Flour *hang* and the Steam Vessel *hang*, these *hang* merchants were not only responsible to provide steam vessels to the government, but also offered services to repair broken ones—the *hang* system not only provided an institutional framework for arranging material supplies, but also for the drafting of technically specialized human resources.<sup>48</sup> In sum, the *hang* of Qing Hohhot in principle carried on the traditions of the Song and the Ming dynasties.

Revealing such a connection between Hohhot's *hang* and the ones in previous dynasties challenges the existing narrative of the history of Chinese merchant organizations in previous scholarship. Historians tend to see the *hang* as an institution of the Tang, Song, and early Ming, but fail to notice its roles in the Qing. For example, Ch'iu Peng-sheng still argues that the *hang* declined in late Ming thanks to locally initiated reforms, as he believes that the practice of imposing *hang* duties on merchants disrupted the market and caused resentment from the business sector.<sup>49</sup> According to Ch'iu, in early Qing, local officials in many a county in the commercially developed

<sup>48</sup> For more detailed information on the “*chaiyi*”, or mandatory services imposed upon merchants and craftsmen in the Ming, see Yuan Liangyi, *Qing yi tiao bian fa* (Beijing: Peking University Press, 1995) 332-359.

<sup>49</sup> Ch'iu Peng-sheng, “Hui guan, gong suo yu jiao zhi bi jiao: you shang ren gong chan jian shi zhong guo qing dai shi chang zhi du de duo yang xing,” in Lin Yuru ed., *Bi jiao shi ye xia de Taiwan shang ye chuan tong* (Taipei: Academia Sinica, 2012), 267-313.

Yangtze Delta issued new regulations to forbid the creation of *hang*.<sup>50</sup> Instead of using the *hang* as an institution to oversee the market, these localities increasingly resorted to the full implementation of the “*yahang* 牙行”, or the official brokerage system, to play the supervising role. At the same time, scholars also maintain that the merchants’ obligational services were abolished after the Yongzheng fiscal reforms.<sup>51</sup>

However, what transpired in Hohhot in the eighteenth century suggests that the experiences of institutional changes in the Yangtze delta could not be simply applied to the rest of the empire. In Hohhot, a frontier city with no Chinese commercial institutions prior to the Qing era, the *hang* system was not abolished during the Qing, but was instead still being actively created as late as the mid-eighteenth century. And the most rapid expansion of the *hang* system took place during the Yongzheng and the early Qianlong reigns, which was supposedly the period when such practices were finally ended across the empire according to the existing scholarship. In fact, there was neither suggestion of any top-down reforms that targeted the *hang* system from Beijing, nor was there any challenges to the principle of merchants performing *hang* obligation. Rather, as we have analyzed in our cases earlier, the principle of *hang* duties and the conception of the “specific obligations” of each *hang* were claimed to be “permanent rules that would never change.” In Hohhot, while the official brokerage system was also rigorously implemented in the early eighteenth century, it complemented rather

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<sup>50</sup> Ch’iu Peng-sheng, “Cong shi chen lü li yan bian kan ming qing zheng fu dui shi chang de fa lü gui fan,” in *Shi xue: chuan cheng yu bian qian xue shu yan tao hui lun wen ji* (Taipei: National Taiwan University History Department, 1998), 291-334.

<sup>51</sup> For example, see Yuan Liangyi (1995).

than replaced the function of the *hang*.<sup>52</sup> Hohhot was not the only place where the *hang* system was created either. In other commercial centers on the northern frontier, merchants were also organized into many *hang* associations, which played important roles in local societies. As we have mentioned earlier, in Kalgan's business quarters, all merchants were organized in the *baozheng-hang*,<sup>53</sup> while in Baotou, a market town that only began to thrive at the turn of the nineteenth century, a coalition of nine *hang* functioned as the institutional pillar for communal governance. Because of the absence of governmental agencies in Baotou, in the nineteenth century, the nine-*hang* coalition even played the role of a de facto autonomous government with a private court set up at the center of the town.<sup>54</sup> Therefore, we can confidently conclude that the claim about the decline of the *hang* during the Ming-Qing transition is premature. On the frontier at least, the *hang* played a pivotal role for the the Qing state to administer the marketplace, to manage the emerging merchant societies, and to extract resources for its state-building processes.

### **The *Hang* and Systems of Taxation in the Qing Empire**

The creation and development of the *hang* system during the Qing was not confined to the northern frontier, however. In recent years, new research on the Ba county archives has revealed that in Chongqing (the newly emerging commercial center on the Yangtze River in the eighteenth century), the local government also devised the

<sup>52</sup> For the creation of *yahang* in early eighteenth century Hohhot, see Jun Cheng, “Qingdai qian qi guihua de ya hang,” *Neimenggu daxue xuebao* 46, no. 2 (2014), 83-87.

<sup>53</sup> Imahori.

<sup>54</sup> Wenshiban eds., “Baotou gongshangye de jiuhang shiliu she,” in *Baotou wenshi ziliaoxuan bian* 4 (1983): 55-77. For more details, see Chapter Five.

*hang* structure among the many trades in the city. Just like in Hohhot, traders, brokers, transporters, and craftsmen of Chongqing were all organized into various *hang* and were forced to supply goods and services to the local government according to their specific trade. As Liu Jun demonstrates, such official obligations were extremely onerous on the merchants,<sup>55</sup> whereas Fan Jinmin observes that in Chongqing, because the *hang* merchants had to fulfill obligations and perform official tasks, the government set up strict and clear boundaries for each of the *hang*, affording *hang* merchants strong protection against infringement by traveling merchants or merchants of other trades. The *hang* of Chongqing played a very similar role to the ones in Hohhot: they were, on the one hand, institutions for the state to coordinate merchants to perform their duties, and on the other hand, collective organizations for merchants to establish cooperations within the trade, to regulate business practices, and to achieve price control.<sup>56</sup> In short, the *hang* of Qing Chongqing, just like that of Hohhot, carried on the legacy of the *hang* system of previous dynasties.<sup>57</sup>

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<sup>55</sup> Jun Liu, “Qing qian qi baxian gong shang ye zhe chai yi chu tan,” *li shi dang an*, no. 2 (1991): 87-92.

<sup>56</sup> Jinmin Fan, “Bachi yu yingchai: cong baixian susong dang’an kan qingdai Chongqing de shangmao xingwei,” *li shi yan jiu*, no.3 (2009): 59-81.

<sup>57</sup> In her dissertation, Maura Dykstra has also investigated the issue of the *hang* in Chongqing as well as the official obligations of the *hang* merchants. She argues that the *hang* system of Qing Chongqing was an institutional innovation by the local government as a response to the financial constraints imposed on them as a result of the Yongzheng reforms. According to her narrative, the local governments under the Qing, especially after the Yongzheng reform, were deprived of almost every existing means of extracting extra funds from the market, and therefore grasped onto the one loophole provided to them in the 1740 law. In their desperation they revolutionized the concept of “*chai*” as well as the terms of the relationship between merchants and the local government. This narrative is false. First, she mistakenly believes that the local government only began to implement the “*chaiyi*” system after the Yongzheng reforms. But in fact, from Ming to the Qing, merchants and craftsmen in cities were often organized into the *hang* structure, which required them to provide to the state goods and services through the so-called *chaiyi* obligations. My research here also indicated that in the

Why did the *hang* system persisted during the Qing in market towns such as Chongqing and Hohhot? I argue that the continuing implementation of the *hang* system by the Qing court suggest that the *hang* as an institution performed irreplaceable functions for the state. While it is difficult to make generalized observations without examining many more cases and localities, I suggest that the *hang* was particularly relevant and useful in strategic places and in difficult times, such as a frontier place and during military activities. In the Qing era, both Hohhot and Chongqing could be considered frontier cities, which were difficult places to govern. While Hohhot was located beyond the Great Wall and newly incorporated into the imperial territory, Chongqing was an internal frontier where commercial immigrants flooded in during the eighteenth century. Immigration and busy markets made both cities challenging to administer, and therefore both localities were categorized as “pivotal”, “difficult,” and “complicated” for governing in the Qing administrative jargon. In such places, the local governments were often overloaded with administrative tasks, and besieged by limited financial resources and insufficient manpower. Second, both cities performed important functions in major military activities during the eighteenth century. While Hohhot was the preparation center for the wars with the Zunghars, Chongqing was a pivot for official traffic during the Jinchuan wars of the Qianlong era (1747-49, 1771-76). Such activities placed huge demands on the local administration, not only for material supplies, but also for human resources to handle the excessive transportation and communication tasks. Theoretically, the government could purchase goods and services

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early eighteen century, on either side of the Yongzheng reforms, the Manchu officials on the frontier relied upon the *hang* system to distribute the mandatory services, and imposed specific obligations among different trades.

from the local market, which they often did, but the government was soon to discover the limitations of the market mechanism for distributing strategic resources on the frontier. Simply put, the market did not always work in the government's favor: prices would skyrocket as demand soared, thus reducing the purchasing power of the state. Therefore, it was often ineffective for the government to solely rely on the market for supply. To avoid any disruption in military activities, the local state tended to revive the *hang* system—using such an extra-bureaucratic structure and anti-market mechanism to extract resources from the well-endowed merchant population. In many ways, this was the most direct, and most effective means for the state to achieve its immediate goals, especially under extraordinary circumstances.

The *hang*'s crucial role in resource extraction also sheds new light on the history of taxation on urban commerce during the late imperial period. While much ink has been spilled on the history of agricultural taxes, in contrast, we know very little about the history of taxation in the city. To be sure, land-based agricultural taxes constituted the biggest source of revenue for the empire. Yet, from the viewpoint of the state, the government's ability to extract resources from key urban areas was also critical for the state to perform its functions and provide public services, because government agencies were mostly seated in urban areas and demanded various resources from its vicinity—while the pre-modern Chinese empires were mostly agricultural empires, the state apparatus was mostly an urban phenomenon. Aside from the modest *lijin* (transit taxes) charged through customs houses, the governments of the Qing era had limited revenue from commerce, and thus relied heavily upon the *hang* as an alternative means of taxation in strategic cities and market towns.

In the Qing, as an alternative means of resource extraction, the *hang* system can also be seen as a part of an informal local taxation regime that made up for the shortcomings of the centralized fiscal regime of the empire. Admittedly, monetization, simplification and centralization of taxes characterized new developments in taxation during the Qing.<sup>58</sup> The early Qing court eliminated the mandatory craftsmen registry of the Ming, reformed the corvée labor services that was imposed upon the population, both urban and rural, and eventually abolished head taxes in favor of a simplified and relatively uniform land-based tax system, which became the pillar of the empire's taxation.<sup>59</sup> However, as a result of such reforms, the Qing imperial fiscal regime with its

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<sup>58</sup> Previous scholars such as Yuan Liangyi, Shi Zhihong and Ch'iu Peng-sheng over-emphasized the simplification and monetization of taxation in eighteenth century China. They are right in highlighting the trend of simplification and monetization in taxation reforms from the early Ming all the way to the Qing, which culminated in the "Single Whip Law" and the "Transforming the Head Tax into Land" reforms. Yet in fact, the Chinese empires could never survive on the sole basis of monetary revenue, and practices of direct exploitation of materials and human resources were never completely abolished. When the late Ming reformers introduced the Single Whip Law in an attempt to turn corvée labor and grain levies into monetary tax in silver, their goals did not fully materialize. The Qing continued the Single Whip Law reform, and during the Yongzheng era, even abolished the millennium-old head tax entirely, making its tax revenue primarily dependent on land tax levied in silver. They also attempted to abolish corvée labor, at least in parts of the empire. However, even after the Yongzheng reforms, the Qing state was never able to operate without the direct extraction of material sources and human resources through corvée labor and other alternative taxation methods. For instance, the grain from Jiangnan was levied in kind, and its transportation to the north was considered a lifeline of the empire, and directly supplied food to the military in the north. The situation with corvée labor was more complicated. Scholars often mistook the rhetoric and propaganda of the Qing empire as truthful facts. They thought the Yongzheng reforms eliminated corvée labor and "the population no longer knew about such a thing." In fact, recent scholarship has revealed that corvée labor continued to be imposed upon the population throughout the Qing dynasty. Especially in the northern provinces, the burden of corvée labor was usually more onerous than land tax. In other words, although the late Ming and early Qing reforms greatly simplified the tax code, reduced corvée labor and eliminated head tax, they never completely monetized taxation, and never really eliminated the exploitation of human labor.

<sup>59</sup> For a detailed account of the early Qing tax reforms that eventually resulted in the land-based taxation regime, see Shi Zhihong, "Ding yin zhi zheng yu tan ding ru di," in Shiyu Li ed., *Qing*

highly centralized tax collection and distribution system suffered from inflexibility and rigidity. This was particularly true for local governments, who were put in an awkwardly weak fiscal position, controlling only a small portion of their formal tax revenues. As a result, local administrations had to impose a spectrum of informal taxation methods on the local population to sustain its functions, such as the levying of various surcharges, profiting from currency conversion in tax collection, extracting contributions and donations from local farmers and merchants, etc.<sup>60</sup> Albeit different from place to place, these practices were widely known as “*lougui*” (or “irregular practices”). While idealist scholar-officials often saw such practices as illegitimate and harmful, few were able to eradicate them because local governments, with limited fiscal autonomy in the centralized official taxation regime, had no other options except for such informal means to make up for the shortage in their expenditure.<sup>61</sup>

The practice of charging *hang* duties in Chinese cities did come under severe attack by progressive officials during the Yongzheng reign for their exploitative nature and disruptive impacts on the market. But contrary to the assertions of previous scholars, there was no evidence to suggest that an empire-wide reform targeting the

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*shi lun cong: Shang hongkui xian sheng bai nian dan chen ji nian zhuan ji* (Beijing: Zhongguo guang bo dian shi chu ban she, 2006): 148-161.

<sup>60</sup> Madeleine Zelin, *The magistrate's tael: rationalizing fiscal reform in eighteenth-century Ch'ing china*. (Berkeley: University of California Press, 1984), 240.

<sup>61</sup> Despite the fact that the Yongzheng fiscal reforms offered more cash to the local governments, with the purpose of reducing their reliance on problematic local surcharges. Nevertheless, as Madeline Zelin correctly points out, the Yongzheng reforms did not succeed, and such practices were revived and continued throughout the rest of the Qing era without further substantial challenges. Interestingly, there is no evidence to suggest that the Yongzheng reforms included attempts to abolish the “*hang*” duties.

*hang* system ever took place.<sup>62</sup> The implementation of the *hang* duties was left to the discretion of the local officials. Whereas county governments in the Jiangnan area gradually stopped such practices, frontier administrators depended on them, and continued to do so throughout the nineteenth century. In fact, while some officials might consider charging *hang* duties a morally suspicious practice, it was still upheld as “permanent rules” by local officials and merchants alike in Hohhot. And more importantly, as we have analyzed earlier, the local state could not perform all its functions without the resources levied through the *hang*, as claimed by the grain millers of Hohhot. The history of the *hang* in frontier cities thus suggests that in order to understand the fiscal foundation of the Qing Empire, we have to also take into account the various localized, non-monetary, and informal revenue collecting methods and fiscal practices on the ground. And if we limit our understanding of the Qing taxation to the clearly defined monetary taxes in the centralized system, we will fail to grasp the full picture. The empire could not function without the various local surcharges.

Finally, revealing the nature of the *hang* also challenges a key misconception about the relationship between the market and the Qing state, namely, the Qing as a laissez-faire economic regime. For one thing, because scholars often fail to account for the resources that were extracted from merchants and craftsmen through the *hang* system and the informal local taxes, many held an overly optimistic view that the Qing

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<sup>62</sup> Dykstra quoted Tian Wenjing’s attack on the *hang* system, and claimed that such attacks culminated in the *hang* practices being eliminated in the Qing Code. Her assertion is wrong, because she completely misunderstood the quotation in the Qing code. That particular code that she quoted is not aimed at eliminating the *hang* practices. Rather, it was targeted at the local governments that attempted to extract resources from the *yahang*, or the brokerage firms. Her misreading of this key quotation led to her false narrative of the history of the *hang* taxation in the Qing era that we discussed in an earlier footnote.

boasted low commercial tax before the mid-nineteenth century. For instance, Bin Wong highlighted low commercial taxes as one of the key aspects that distinguishes the Qing from contemporary European states.<sup>63</sup> In actuality, when we look back at our cases, we know that the urban merchants shouldered heavy financial responsibilities toward the state, albeit in the forms of goods and services. There is no way to quantify, in monetary terms, the value of such alternative taxation, as they were invariably adapted to the conditions of the local society, the demand of the particular local government, and the contingencies of the particular historical moment. Nevertheless, these obligations were so costly that in the examples of the grain millers, the *hang* duties significantly added to their cost, and therefore they had to charge much higher prices on their grains compared with those charged by outside merchants. In Chongqing, both Liu Jun and Fan Jinmin demonstrated that the *hang* merchants had to deal with heavy levels of exploitation by the local state, as there were numerous cases in the Ba County Archives that showed how the heavy burdens of the *hang* levies made it difficult for merchants to continue their livelihood.<sup>64</sup> In other words, if we consider the resources extracted from the business sector through the *hang* and other informal local surcharges as part of the imperial commercial taxes, we might have to reconsider whether the commercial taxes in the Qing was in fact insignificant.

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<sup>63</sup> R. Bin Wong, “The Role of the Chinese State in Long Distance Commerce,” Working Papers of the Global Economic History Network (GEHN), 05/04 (Department of Economic History, London School of Economics and Political Science, London, UK), 15-17. Such a view is very popular in recent scholarship on the economic history of late imperial China. There are many other examples of such a view, for instance, see Hongzhong Yan (2012), 211.

<sup>64</sup> Jinmin Fan, “Bachi yu yingchai: cong Baxian susong dang’an kan qingdai Chongqing de shangmao xingwei,” *li shi yan jiu*, no.3 (2009): 59-81.

Moreover, without recognizing the social control that was achieved through the *hang* system, scholars also tended to overestimate the economic freedom of Qing-era merchants. At least on the frontier, the implementation of the *hang* (in Hohhot, Kalgan, Baotou, Chongqing) as well as the *paijia* systems (in Urga and Kyakta) was clearly intended to impose an extra-bureaucratic structure to control the Chinese businessmen. From the example of Hohhot, while the *hang* did not aim for complete monopoly over their trade by excluding any outsiders in the ways of the European guilds, control was achieved by incorporating outsiders and newcomers into the *hang* systems, thus making the *hang* system encompass the entire urban business sector. In other words, the existence of the *hang* system in the Qing challenges the perception that the imperial state embraced a laissez-faire attitude toward the market. Rather, if there was economic freedom in the urban markets of the Qing, it was only realized through the cracks and erosion of the system, not by its design.

## FOUR

### *Bringing Home to the Frontier: The Rural Origin of Merchant Organizations in Hohhot*

In the previous chapter, we traced the transformation of the small Mongol city Hohhot and the development of its agricultural and commercial economy and examined how the Qing state devised a simple but effective institution *hang* to control the Chinese merchants and extract resources from them in Hohhot's increasingly prosperous and complex market place. While the *hang* system, as we have established, was initiated by the state, which divided merchants by trade and facilitated the formation of merchant groups based on trade identity, Shanxi merchants also created bottom-up organizations that were independent from the government to negotiate the challenges of frontier life. In this chapter, we shall shift our attention to Shanxi merchants' communities to examine what social organizations they formed and how such organizations originated.

Bottom-up merchant organizations in Hohhot took the form of *she* 社, a religious organization that centered on shared cults. In this chapter, I will trace the rise of the merchant *she* in Hohhot and analyze their structures. But the *she* was not unique to Hohhot. As I will demonstrate, the *she* constituted a fundamental form of organization for social cooperation in late imperial Chinese society that factored prominently in the rural life of North China. In Shanxi Province, highly developed *she* organizations in villages provided the model for sojourning merchants to build trust and forge cooperative relationship on the frontier. And eventually, sojourning merchants

adapted the *she* organizations from the villages of Shanxi to the commercial circles of the frontier city, turning a rural communal institution into a business one.

By uncovering the institutional connections linking the merchant organizations of Hohhot to the rural organizations of Shanxi, this chapter makes a key intervention in the existing scholarship on the socioeconomic history of late imperial China by bridging two hitherto separate bodies of literature, namely, the studies of merchant associations in late imperial cities, and the scholarship on the structure of Chinese rural society.

While both fields have been fruitful sites of historical research, few have systematically probed into the connections between the city and the village. Two stances are commonplace. On the one hand, an early school of Weberian historians assumed a continuum between the Chinese city and village. Cities were considered centers of bureaucratic administration for the surrounding villages, and urban institutions as the natural extension of regressive rural organizations.<sup>1</sup> On the other hand, revisionist scholars such as William Rowe saw a radical break between the city and the village. They imagined in urban guilds and other bottom-up social organizations in the city the locus of a burgeoning civil society and the seeds of a modern public sphere, one that contained modernizing possibilities similar to their European counterparts.<sup>2</sup> Contrary to both stances, this chapter will illustrate that it was the progressive rural institutions of

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<sup>1</sup> Max Weber's two monographs, *The City* and *The Religion of China*, first advanced such a view of Chinese cities. This view was adopted by historians in the early and mid twentieth century. For instance, Rhoads Murphey (1954) both adopted Weber's perception. See Rhoads Murphey, *The city as a center of change: Western Europe and China* (Indianapolis, Ind: Bobbs-Merrill, 1954). Also see Max Weber, *The city*, Don Martindale and Gertrud Neuwirth trans., (New York: Free Press, 1982); *The religion of China: Confucianism and Taoism* (New York: Free Press, 1968).

<sup>2</sup> William Rowe, *Hankow: Commerce and Society in a Chinese City, 1796-1889* (Stanford: Stanford University Press, 1992).

north China that laid the foundation for the creation of guilds and other merchant organizations that came to shape a dynamic urban society.

Hohhot was no ordinary Chinese city; it was a market town on the Mongolian frontier. As such, the history of *she* organizations in Hohhot not only reveals the connection between the city and the villages, but also indicates how socioeconomic institutions traveled between China proper and the frontier of the empire. Previous scholars have demonstrated how the peasant-migrants of north China re-created their institutions and practices of property rights in the newly developed Qing Manchuria.<sup>3</sup> Similarly, Shanxi merchants, in their own fashion, acted as cultural intermediaries who introduced their organizational forms and institutional structures from rural Shanxi into the Mongol city. In doing so, they established a paradigm of social cooperation on the multi-cultural frontier that was emulated far beyond the circle of Chinese residents.

From a different perspective, this history reveals a hitherto understudied aspect of the multi-cultural Qing Empire—how the empire, by design and by chance, provided the conditions for institutional transfers across spaces. Admittedly, cross-cultural exchange was a two-way street. The aim of this chapter is not to tell a story of “Sinicization” of a Mongol city; quite the opposite is true—the institutional and sociocultural transformation that took place in Hohhot was a consequence of dynamic interactions between the Manchu court, the Shanxi merchants, and the particular conditions of the northern frontier. While my story focuses on institutional transfers and transformations, it is also a story of empire, because it was the empire that created the channels for such cross-cultural exchanges to transpire. More importantly, the story is

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<sup>3</sup> For example, see Christopher Isett, *State, peasant, and merchant in Qing Manchuria, 1644-1862* (Stanford: Stanford University Press, 2007), 107-173.

about people—it was the Shanxi merchants from all occupations and different strata of the business world that together negotiated and effected cross-cultural exchanges. It was out of their adventure, their suffering, their desperation and aspirations that the story told here unfolded.

### The Native-Place *She*

The earliest records of merchant organizations in Hohhot were uniformly called *she* 社, which date from the late Kangxi Reign at the beginning of the eighteenth century. The first one, *Fenxiao-she* 汾孝社, showing up in a stele inscription of 1705, was named after two neighboring counties of central Shanxi both under the Prefecture of Fenzhou 汾州府: Fenyang 汾陽 and Xiaoyi 孝義.<sup>4</sup> After that, *jiaocheng-she* 交城社, which appeared in records in 1725, was named after another central Shanxi county Jiaocheng 交城, part of the Taiyuan Prefecture 太原府. The nomenclature of these *she* reveals their status as native-place associations.<sup>5</sup> In other words, migrants and sojourners who hailed from those places formed these groups. We know of twenty-three native-place associations that emerged over the course of the eighteenth century, as shown in the following table.

<sup>4</sup> Imahori Seiji, *Chūgoku hōken shakai no kikō: Kisui (Fufuhoto) ni okeru Shakai shūdan no jittai chōsa* (Tokyo: Nihon Gakujutsu Shinkōkai, 1955), 813. This dating was recorded in a stele that was erected in 1869. According to this stele inscription, the *Fenxiao-she* was created at the same time as the initial establishment of the City God Shrine in 1705.

<sup>5</sup> Another *she* of this early cohort was the *Chengjing-she* 誠敬社 (Literally “the Sincerity and Piety She”), which appeared in 1721. Despite its generic name, it was also a native-place organization, created by the merchants of the Taiyuan Prefecture. Before long, they changed the appellation of the organization to “*Jinyang-she*,” a historic name for Taiyuan. In 1757, it was again renamed as “*Taiyuan-she*.” This indicated that place-based associations became the norm, when native-place identity assumed great importance in the urban society of Hohhot.

Name	Year (first-time appearance in inscriptions)	Geographic Origin	Serial Number in Imahori's primary source appendix)
汾孝社 <sup>6</sup> Fengxiao-she	1705	Fengyang and Xiaoyi Counties	P1
誠敬社 Chengjing-she	1721	Taiyuan Prefecture	E1
交城社 Jiaocheng-she	1725	Jiaocheng County	B2
忻州社 Xinzhou-she	1755	Xinzhou Department	B2
祁縣社 Qixian-she	1755	Qixian County	B2
太谷社 Taigu-she	1755	Taigu County	B2
文水社 Wenshui-she	1755	Wenshui County	B2
甯武社 Ningwu-she	1755	Ningwu County	B2
陝西社 Shaanxi-she	1755	Shaanxi Province	B2
定襄社 Dingxiang-she	1756	Dingxian County	G1
榆次社 Yuci-she	1757	Yuci County	E4
介休社 Jiexiu-she	1757	Jiexiu County	E6
平遙社 Pingyao-she	1771	Pingyao County	E14

<sup>6</sup> It was broken up into two separate organizations, namely, the *Fenyang-she* of the Fenyang County and the *Xiaoyi-she* of the Xiaoyi County. *Fenyang-she* first appeared in record in 1719.

陽曲社 Yangqu-she	1771	Yangqu County	E13
盂縣社 Yuxian-she	1771	Yuxian County	E13
壽陽社 Shouyang-she	1780	Shouyang County	A2
應渾社 Yinghun-she	1790	Yingzhou and Hunyuan Departments	G2
蔚州社 Yuzhou-she	1790	Weizhou Department	G2
崞縣社 Guoxian-she	1790	Guoxian County	G2
雲中社 Yunzhong-she	1790	Datong Prefecture	G2
上黨社 Shangdang-she	1795	Zezhou Prefecture	E45
太平社 Taiping-she	1892	Taiping County	N12

Table 3: List of Native-place She in Hohhot (source: Imahori, 1955)

The dates of these native place associations derive from the eighteenth and nineteenth century steles that still adorned the city's temples and shrines in the early 1940s.<sup>7</sup> Most of these steles commemorated the founding, repairing or rebuilding of temples. Because these steles reveal the role of *she* as the organizer or sponsor of

<sup>7</sup> These steles were transcribed by Imahori Seiji and published as an appendix in his magnum opus. Hohhot has left a significant and rare body of documents on its commercial institutions of the Qing and the Republican era, thanks to Japanese historian Imahori Seiji's fieldwork. During the Japanese occupation between the late 1930s and early 1940s, Imahori conducted thorough investigations of Hohhot's various commercial institutions, with a special focus on the guilds. He studied gazetteers, conducted interviews, and most importantly, collected hundreds of stele inscriptions from the city, some containing key information about guild history and their regulations. Imahori published his findings after the war as *Institutions of the Feudal Society of China*, which focuses exclusively on the guilds of Hohhot.

construction projects, we know these native place *she* were not merely an empty title, but actual social organizations that performed concrete functions in raising funds, making donations, and organizing charitable activities. In short, they behaved as collective units.

But these dates also reveal deeper historical processes. First of all, this list of twenty-three native-place *she* organizations reflects where the merchants and craftsmen of Hohhot hailed from.<sup>8</sup> With the exception of *shaanxi-she* 陝西社, which was named after the Province of Shaanxi, the other twenty-two *she* all got their names from the counties and departments of Shanxi Province. While the existence of the *Shaanxi-she* indicates that the urban community of Hohhot was not confined to the people of Shanxi, the fact that all the Shanxi natives could only form one *she* hints at their small population and weak power in the Mongol city. In contrast, almost all the *she* of Shanxi used the name of a county or department, or the combination of two neighboring counties. When we put these counties onto the map of Shanxi (which contained nine prefectures, sixteen departments, and one hundred and eight counties in mid-Qing), we can see that spatially the twenty *she* of Shanxi represented a fairly concentrated and narrow area of the province. They were primarily located in a narrow strip in the center of the province that connected the central Shanxi basin, the Datong basin in the north, and the Xinding basin between them. In sharp contrast, there were no *she* representatives from the mountainous areas of western Shanxi. Only a few came from

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<sup>8</sup> See Map 4.

the agriculturally most advanced southwestern part of Shanxi, as well as the strategically important southeastern Shanxi.<sup>9</sup>

The simple mapping of the origins of *she* organizations of Hohhot reveals that the native counties of these merchants and craftsmen were concentrated along the north-south trade thoroughfare that cut through Shanxi. I suggest this narrow area along the thoroughfare from central Shanxi to Hohhot constituted the core region of the Shanxi business empire. In sharp contrast, the northwestern parts of the province, such as the Baode Department, Pianguan County, and Hequ County constituted the origins of many migrant peasants. They came to the Qiantao Plain around Hohhot to reclaim land, but it seems that they rarely ventured into commerce or craftsmanship, nor did they concentrate in the city to form native-place associations. In other words, the geographic origins of the native-place *she* of Hohhot reflect the spatial logic of trade: dots connected into lines, and it was the lines that mattered.

Timing mattered too. The beginning of these *she* organizations in Hohhot at the turn of the eighteenth century coincided with the start of the significant immigration wave that shaped the city. That is to say, as soon as the first wave of Chinese businesspeople settled in Hohhot, they began to create *she* organizations. In the early 1720s, when the Qing state began to install the *hang* system to divide the burgeoning crowd of Han Chinese merchants and craftsmen into sections according to their lines of business, as analyzed in the previous chapter, native-place *she* organizations also flourished, which were created from the bottom up by the merchants and craftsmen

<sup>9</sup> Each of those two large regions had only one *she* in Hohhot, and they showed up in the records very late compared to the central Shanxi *she*. *Shangdang-she* 上黨社 (E45) represents Southeast Shanxi, whereas the *Taiping-she* 太平社 (N12) represents the Taiping County of southwestern part of Shanxi.

themselves. In a way, the formation of *she* and *hang* were approaches to the same social problem: the sudden influx of the Chinese population required divisions and organizations. Whereas the state applied the *hang* structure to exert control and exploit resources, businessmen created *she* organizations to collectively mitigate the challenges of frontier life.

Moreover, the chronological list of the different native-place *she* also indicates the sequence in which the commercial power of various places of Shanxi rose to prominence in Hohhot. Admittedly, the table above only shows the year when a *she* appeared in a stele inscription for the first time, though it could have been founded much earlier. Nevertheless, if we just look at the sequence at a broad level, it very clearly reveals the early concentration of people from central Shanxi, such as Fenzhou and Taiyuan prefectures. For instance, the fact that the first *she* organizations of Hohhot were created by the businessmen of Fenzhou Prefecture indicates that these people were the most adventurous on the frontier and among the first to respond to the opportunities in Mongolia. Most likely, their early arrival in Hohhot afforded them great advantages in the Mongol trade that blossomed soon afterwards—as we have illustrated in Chapter One, in the latter half of the eighteenth century, the merchants of Fenyang County alone may account for eighty-five percent of the Chinese population shown in records in Outer Mongolia.<sup>10</sup> While the Fenyang merchants dominated long-distance trade with Outer Mongolia, the natives of Jiaocheng County controlled the leather trade, supplying the military with boots and leather products. Later, their control of the leather business in Mongolia transformed Jiaocheng County into a center of leather processing that

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<sup>10</sup> See Chapter One.

prospered until the end of the nineteenth century.<sup>11</sup> Similarly, the businessmen of Taiyuan Prefecture constituted another powerful force. Dashengkui, as we have studied earlier, was founded by three grassroots entrepreneurs from Qixian and Taigu, two counties in Taiyuan Prefecture.<sup>12</sup> In addition, since the late eighteenth century, it was the merchants of those two counties that dominated the financial sector in Hohhot.<sup>13</sup> To sum up, because the merchants of central Shanxi were the first to arrive in Hohhot, they gained an early advantage. And such an early advantage proved critical. Over the course of the eighteenth century, as the returning businessmen from the frontier brought their fortune back home, the barren land of the central Shanxi valley was gradually transformed into the most famous merchant country and the “valley of silver.”<sup>14</sup>

Finally, the list of these early merchant *she* in Hohhot reveals how the newly formed sojourner society of Shanxi merchants was initially organized and functioned; hometown identities and native-place ties emerged as the first principle of social cohesion and cooperation. This was nothing exceptional. From Hankow to Shanghai, from Hong Kong to San Francisco, Chinese migrants and business circles all built social groups on their regional identities and connections.<sup>15</sup> Native-place associations in the majority of late imperial cities were more commonly referred to as *huiguan* 會館 (literally, meeting halls). Because there is no exact counterpart in European history,

<sup>11</sup> Yin Junling, *Jinshang yu jinzhong shehui* (Beijing: Renmin chu ban she, 2006), 153-189.

<sup>12</sup> For details, see Chapter One.

<sup>13</sup> For details, see Chapter Six.

<sup>14</sup> A novel with this title (*Bai yin gu*, 2001) depicted Shanxi merchants’ activities and became the basis for a blockbuster movie *The Silver Empire* (2011).

<sup>15</sup> Bryna Goodman, *Native Place, City, and Nation: Regional Networks and Identities in Shanghai, 1853-1937* (Berkeley: University of California Press, 1995), 1-46. Richard Belsky, *Localities at the center: native place, space, and power in late imperial Beijing* (Cambridge, Mass: Harvard University Asia Center, 2005), 1-40.

*huiguan* was variously translated as guild, provincial guild, provincial club, or the German *landsmannschaften*.<sup>16</sup>

These native-place *huiguan* usually boasted impressive buildings at the central locations in late imperial cities, which were often very eye-catching. The Shanxi merchants were the most devoted sponsors of glamorous architecture. Their *huiguan* buildings dotted the urban landscape in many a market town across the Yangtze delta, central China, north China, and the northwest, as well as in the commercial centers in Xinjiang, and Manchuria, and were often the most sublime buildings in the urban landscape. Western travelers could not help being awe-struck when they visited the elaborate, “exotic” *huiguan* of the Shanxi merchants. Archibald John Little, a tea-taster for a German firm, described the Shanxi *huiguan* in the Yangtze city Chongqing in 1888 as a “handsome, spacious and highly decorated building” where a banquet and theatrical performance was underway during his brief visit.<sup>17</sup> A British writer for the *North China Daily News* encountered “an immense and elaborately decorated hall for the gatherings of Shanxi men,” with “a beautiful ‘pailou’ (memorial arch) in front of it,” in a remote town on the eastern edge of the Mongol steppe in 1906.<sup>18</sup> Two years later, Willy Reichel, a German professor of mesmerism, felt obliged to visit the Shanxi

<sup>16</sup> The *huiguan* organization has attracted the scholarly attention of many Western, Japanese and Chinese researchers. For a recent and succinct survey of the literature, see Christine Moll-Murata, “Chinese Guilds from the Seventeenth to Twentieth Centuries: An Overview,” *IRSH* 53 (2008), Supplement, 213-247.

<sup>17</sup> Archibald John Little, *Through the Yang-tse Gorges, Or, Trade and Travel in Western China* (Cambridge: Cambridge University Presss, 2010), 293.

<sup>18</sup> John Hedley, *On Tramp among the Mongols* (Taipei: Ch’engwen Publishing Company, 1971), 26.

*huiguan* in Shanghai during his oriental tour, because it was believed by many Westerners to be “the finest specimen of Chinese architecture in that city.”<sup>19</sup>

Such exquisite architecture often constituted the best showpiece to demonstrate the financial prowess, social solidarity and organizational capacity of the native-place based merchant associations behind it. These organizations actively participated in the management of market and social affairs, as is documented in many scholarly works. But the term “*huiguan*” (literally, meeting halls) first and foremost referred to the buildings that housed the associations. That is to say, the merchant associations were secondary to the architecture, and derived from the tasks of holding and maintaining that property.<sup>20</sup> On the mundane side, the *huiguan* offered the meeting place for the businessmen of the same native-place origins in the city to congregate and gather information and also provided accommodation and services for traveling merchants who hailed from the same native place. Therefore, some scholars advocated to use the term “native-place lodge” to refer to the *huiguan*.<sup>21</sup> Yet to the merchant group behind the architecture, the existence of the real estate meant much more than the mundane tasks of property management. More importantly, the building was at the spatial center and spiritual core of the merchant association.

On the spiritual side, the *huiguan* was the place where merchants worshipped their gods, performed rituals, and carried out theatrical performances. Shrines assumed the central place in the *huiguan*. The deities and cults worshipped there, who were

<sup>19</sup> Willy Reiche, *An Occultist's Travels* (NY: Fenno & Company, 1908), 229-230.

<sup>20</sup> Ch'iu Peng-sheng, “Huiguan, gongsuo yu jiao zhi bijiao—you shangren gong chan jian shi qingdai zhongguo shichang zhidu de duo yangxing,” in ed. Lin Yuru, *Bijiao shiye xia de Taiwan shangye chuantong* (Taipei: Academia Sinica, 2012), 267-313.

<sup>21</sup> Richard Belsky, *Localities at the Center, Native place, Space, and Power in Late Imperial Beijing*, 5-6.

usually historical heroes from their region (and often later beatified as the patron saints of the place), all exhibited regional and local characteristics. For instance, the Huizhou *huiguan* was centered on the shrine for Master Zhu, or Zhu Xi 朱熹, the key Neo-Confucian philosopher of the twelfth century, who was a native of the Huizhou Prefecture. The Fujian *huiguan* focused on the goddess Mazu 媽祖 a tenth century local lady of the coastal province of Fujian who died young, but miraculously became a goddess that protected the seafarers.<sup>22</sup> Moreover, merchants of the Jiangxi *huiguan* worshipped the now obscure Daoist deity True Master Xu, or Xu Xun 許遜, a devoted Daoist practitioner from that province in the fourth century. In other words, the religious devotion that was central to the *huiguan* was also closely associated with their native place allegiance. The *huiguan*, as a merchant organization, was formed on the basis of native place ties, but it evolved around shared religious beliefs.

The native-place *she* of Hohhot shared the same features as the *huiguan*. For example, the merchants of Jiaocheng County established one of the earliest *she* in Hohhot in front of the Mysterious Goddess of the Ninth Heaven and organized their annual worship and theater performances on the eighth day of the fourth month around that cult. The main difference between the *she* and the *huiguan* might be the relatively limited power of the former. While the *huiguan* usually boasted a substantial compound of buildings and contained temporary lodges, the native-place *she* in Hohhot suffered from insufficient spaces. The *Jiaocheng-she*, founded in 1725, only managed to build a small dedicated hall inside the Mongol temple as their meeting venue in 1827, a

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<sup>22</sup> The cult of Mazu is still very influential today among Fujianese descendants, not only in the province but also in neighboring provinces such as Guangdong and Taiwan, as well as among overseas Chinese communities in Southeast Asia.

hundred years after its establishment.<sup>23</sup> Nevertheless, despite their lack of sublime architecture, the Shanxi merchants of Hohhot were very clear about the similarities between the *she* and *huiguan*. In a stele inscription from the late nineteenth century, the merchants equated these two organizations in unequivocal fashion: “The public places in Hohhot were named *she* and were comparable to the *huiguan* in other places. We constructed temples to pay tribute to the gods, to extend our piety and reverence, and to provide gathering places for people from the same region, similar to the *huiguan* in other places.”<sup>24</sup> In a way, the *she* of Hohhot was a humble version of the *huiguan* of the big cities in the interior of China. To put it differently, the *huiguan* was a more luxurious and grandiose version of the *she*.

But why did Shanxi merchants in Hohhot adopt the word *she* to denote their organizations instead of using the more common term *huiguan*? What kind of a social organization does the term *she* signify? And what does the use of this unique term in Hohhot tell us about the nature of the merchant communities there? To answer these questions, we have to look back into the long history of *she*. Shanxi merchants’ use of the term *she* to denote their native-place associations, as I will demonstrate, provides us with a key to understanding the longue durée development of social organizations in Chinese history.

### The Long History of the *She*

While the *huiguan* belonged unequivocally to the late imperial lexicon, there exists a scholarly consensus that the term *she* boasts an ancient origin and stands for one

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<sup>23</sup> Imahori, Appendix, P11.

<sup>24</sup> Imahori, Appendix, N5.

of the most enduring institutions in Chinese history.<sup>25</sup> Few disagree on the etymological root of the term: the word “*she*” originally means the god of the land. In other words, it stands for the quintessential belief of early agrarian society, namely, the cult of the land as the source of food and productivity. As an early Confucian master of the second century remarks, “among all the gods within our realm, none is more honorable than *she*.<sup>26</sup> In ancient China, the cult of *she* was performed through the sacrificial activities of spring prayer and autumn offerings, mirroring the annual cycle of agricultural production. Such biannual rituals, known as the *she* sacrifices, became fixed in schedule. Gradually, the dates of these sacrifices were turned into some of the most important festivals in the Chinese calendar. Seasonal sacrifices continued to be performed in various forms in rural communities and survived the dynastic cycles and socioeconomic transformations over the millennia. As such, the cult of *she* became one of the most enduring cultural symbols in the long tradition of China.

More importantly, from very early on, the term “*she*” came to be associated with the social organization that evolved out of these cult practices. Because sacrificial rituals require the participation of groups of people, it is, *ipso facto*, the residents of the same rural settlement who would gather and participate in the ceremonies. Such rituals and festival activities, which took place during the beautiful seasons of spring and autumn, not only punctuated the annual calendar, but also created outlets for the people to get away from the mundane toil of agrarian life. Classical literature from early and medieval China is littered with descriptions of the jubilant, free, and carnival-like

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<sup>25</sup> For a list of bibliography on this subject, see Du Zhengzhen, *cun she chuantong yu ming qing shi shen* (Shanghai: Shanghai Cishu, 2007), 1-35.

<sup>26</sup> Zheng Xuan, quoted from Zhouli commentaries.

atmosphere during the *She-ri* 社日, or the day of *she* ceremony in spring. All residents were involved in *she* ceremonies by contributing money and resources, providing labor during preparation, as well as directly partaking in joyous experiences—these activities brought people together in an organized fashion. In this way, *she* cult and rituals transformed the rural settlements into ceremonial communities. The organization through which such communities were structured also came to be referred to as “*she*.” Over time, this organization assumed many social functions, including managing communal affairs, praying for rain, organizing new year celebrations, facilitating mutual assistance among the villagers, and mediating disputes, among other things. Therefore, *she* functioned not only as a religious organization, but also as a communal one: it provided spiritual as well as institutional cohesion to rural settlements, turning villages into effective communities.

Because communities have geographic boundaries, *she* as an organizational form also describes a geographically-bounded identity. While the god of the land generally symbolizes productivity, for the worshippers of the cult, it was their particular communal territory that mattered; the god of the land thus became the guardian of their village. Beyond the village, larger geopolitical units could also be the same cult. In the classic era of the Zhou Dynasty (1046-256 BCE), feudal polities at varying scales erected altars to pay tribute to the land god, which eventually emerged as the symbol of sovereignty of each feudal domain.<sup>27</sup> With the end of the feudal era and the rise of a unified empire, it was the territorial governors of counties and prefectures, not feudal

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<sup>27</sup> For instance, the term that combines “*she*” 社 and “*ji*” 稷, two characters meaning the god of land and the god of grains respectively, became synonymous with state and country in classical Chinese lexicon.

lords, who erected *she* altars and performed biannual sacrifices. As such, *she* and the associated rituals articulated not only agricultural beliefs in land and productivity, but also the imagined togetherness of people with a shared geographic identity. To put it differently, the *she* cult and attendant rituals provided a key cultural and institutional channel for creating imagined communities out of artificially imposed administrative divisions.

Over the course of history, with sea changes taking place in the social and political landscape of China, *she* took on new forms. In particular, the spread of Buddhism provided key impetus in reshaping the time-honored communal organization. Starting from the late Han, social groups began to coalesce around the newly established Buddhist monasteries and Daoist establishments. The sweeping influence of Buddhism during the age of disunion led to the widespread formation of lay Buddhist societies, which often adopted the term *she* in their self-reference. As Jacques Gernet pointed out, the activities of the medieval Buddhist *she* often bore striking resemblances to the socio-cultural practices of the traditional *she* in rural communities.<sup>28</sup> Yet whereas the traditional *she* was tight knit and geographically confined, the medieval Buddhist groups gradually evolved into contract-based fraternal associations formed on a voluntary basis for mutual assistance through resource pooling and risk sharing.<sup>29</sup> Such *she* can be widely seen in the local documents of Dunhuang from the Tang Dynasty,

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<sup>28</sup> Jacques Gernet pointed out that early Chinese *she* practices bore similarities to the Buddhist societies in Dunhuang. See Jacques Gernet, *Zhongguo shehui shi*, trans. Huang Jianhua (Nanjing: Jiangsu renmin, 2008), 261.

<sup>29</sup> Numerous scholars have delved into the study of social organization of Dunhuang. For a most systematic and up-to-date monograph on this subject, see Meng Xianshi, *Dunhuang minjian jieshe yanjiu* (Beijing: Peking University Press, 2009).

one of the most researched primary sources from medieval China.<sup>30</sup> A significant number of documents regarding *she* regulations, membership application forms, and exit contracts survive to the present day.<sup>31</sup> The rise of such new fraternal forms of *she* reflected the rising influence of Buddhism—a religion based on universal compassion and non-differentiating sympathy for living creatures. Although Buddhism did not displace the hierarchical values of Confucian ideology that emphasized family and kinship, it did effect critical changes in Chinese society by establishing new institutional channels and opening new social spaces for people to cooperate. In this way, under the influences of Buddhism, *she* began to facilitate the creation of new communities outside of the existing clan, lineage, and neighborhood-structures. For many struggling commoners, it was only through the new fraternal forms of *she* that the precarity of their livelihoods was eventually overcome.

The transformation of *she* into religious organizations reshaped Chinese villages. The continued penetration of Buddhism and, in the late imperial period, the spread of Daoist folk religion reconstituted the locus of religious piety in various local communities. It also changed the organizational capacity of *she*. The god of the land, albeit still ubiquitous and endorsed by the imperial state, had become relegated to a

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<sup>30</sup> Here is not the place for us to get into numerous scholarly debates about the origin, development, and operational details of the *she* organization of Dunhuang, but I would like to draw attention to a major finding of the copious multilingual scholarship: Just as Buddhist societies provided an institutional mechanism for people without preexisting social ties to be able bond with each other, these fraternal *she* in Dunhuang consisted of members who did not come from the same family or clans, nor did they necessarily come from the same village or neighborhood. These people came together to seek assistance, security and fraternity out of necessity but also through voluntary will. Therefore, these *she* as fraternal societies represented the principle of free association between individuals, and thus became independent, autonomous, and bottom-up social organizations that had broken free from the confines of existing kinship and neighborhood ties.

<sup>31</sup> Collections of such documents have been published in famous volumes such as the *Dunhuang sheyi wenshu jijiao* (1997) and *Dunhuang qiyue wenshu jijiao* (1998).

secondary and even marginal position; each rural community gravitated toward a new set of deities, such as Lord Guan, Guanyin Bodhisattva, and the Jade Emperor, in front of whose statues they would convene to perform rituals and pray for protection, justice, and good fortune.<sup>32</sup> To demonstrate their piety, local communities built temples and shrines for their gods and competed with each other in the extravagance of their religious premises.<sup>33</sup> Raising funds for such projects proved to be the most financially demanding challenges. Once the temples were built, the *she* as an organization was entrusted with the funds for their maintenance and charged with the responsibility for their proper use. Consequently, the term “*she*” began to signify a new type of communal organization: no longer merely ceremonial, it became an organizational entity that managed collective property. In other words, *she* evolved into an organization that allowed village property to be put under collective ownership and held in perpetuity without being tied to any one individual’s lifespan or his family or lineages—and such collective properties often extended beyond buildings to include temple land and other financial resources. In this way, *she* came to form the corporate structure of Chinese rural communities.

In essence, *she* embodies one of the most elementary institutional forces that shaped social structure in Chinese history, challenging the binary framework of family

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<sup>32</sup> Significant amount of scholarship has been dedicated to the study of late imperial Chinese local cults and folk religions, especially in relationship to the socioeconomic conditions and cultural practices various local societies. For representative works, see David G. Johnson and Po Sung-nien (1992), Kwang-ching Liu and Richard Shek (2004).

<sup>33</sup> Sometimes in the realm of traditional Chinese folk religion, the divide between the legitimate cults and illicit ones is often unstable and nebulous. Many local cults first emerged as ghosts that were worshipped by local communities in order to exorcise the demon, such as the Wuchang, or the Five Furies in the Huizhou region that Guo Qitao depicted. See Guo Qitao, *Exorcism and Money: The Symbolic World of the Five-Fury Spirits in Late Imperial China* (Institute of East Asian Studies, University of California at Berkeley, 2003).

and state in Confucian ideology that continues to shape our conceptualization of late imperial society. Scholars have emphasized the foundational importance of clan and lineage, which, as extensions of the family, offered an organizational structure for the descendants of the same ancestor to hold land and properties together, as well as a mechanism for sustaining cooperation among these people bounded by kinship.<sup>34</sup> But this strand of scholarship tends to overlook how cooperation was sustained among different kinship groups.<sup>35</sup> On the other hand, historians like Hsiao Kung-Chuan stressed the power of the Ming-Qing state in controlling rural communities through the

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<sup>34</sup> For a long time, the pioneering anthropologist Maurice Freedman's view has dominated the understanding of traditional Chinese society. He assumes a fundamental model of Chinese society based on the idea of patrilineal descent. While starting from the 1980s, historians and anthropologists have expanded their study of traditional Chinese societies beyond the scope of kinship and clan, taking into consideration social organizations such as religious sects, secret societies and native-place associations. Nevertheless, the view that family and lineage are the foundational units in facilitating social cooperation in the traditional Chinese society has persisted in scholarly literature. Recently, economic historian Avner Greif revived this perception in a paper that highlights the clan as the defining organization in China in comparison with the corporation in European history. See Avner Greif and Guido Tabellini, "The Clan and the Corporation: Sustaining Cooperation in China and Europe," *CESifo Working Papers* (2015), accessed on Aug 15, 2016, [https://ideas.repec.org/p/ces/ceswps/\\_5233.html](https://ideas.repec.org/p/ces/ceswps/_5233.html). For Maurice Freedman's representative work, see Maurice Freedman, *Chinese lineage and society: Fukien and Kwangtung* (London: Athlone Press, 1971); Freedman, Maurice, and G. William Skinner. *The study of Chinese society: essays* (Stanford: Stanford University Press, 1979). For an excellent recent treatment of the Chinese lineage, see Myron Cohen, *Kinship, contract, community, and state: anthropological perspectives on China* (Stanford, Calif: Stanford University Press, 2005). For an excellent study of the native-place organizations in Shanghai, see Bryna Goodman, *Native place, city, and nation: regional networks and identities in Shanghai, 1853-1937* (Berkeley: University of California Press, 1995). For a systematic examination of brotherhood organization and secret societies in pre-modern China, see David Ownby, *Brotherhoods and secret societies in early and mid-Qing China: the formation of a tradition* (Stanford: Standford University Press, 1996).

<sup>35</sup> According to Helen Siu and David Faure (1995), "Until probably the 16th century, the worship of ancestors at ancestral halls and the compilation of written genealogies, essential characteristics of the Chinese lineage, were restricted to the aristocracy and to very senior officials. The connection that may be postulated between the lineage and land development suggests that the lineage institution was popularized as a new order unfolded in those areas of China where commercial agriculture took hold and, as in Europe, gave rise to varieties of land rights that complemented the growth of a market economy." Helen Siu and David Faure, *Down to Earth – the Territorial Bond in South China* (Stanford: Stanford University Press, 1995), 2-3.

*li-jia* and *bao-jia* systems—decimal units of the population devised by the government for tax collection and security purposes. Such systems represented the extension of bureaucratic power and state over local society, which were artificially and, more often than not, ineffectively imposed and maintained.<sup>36</sup> Yet the binary framework of state and family fails to recognize another fundamentally important institutional force—the *she* form of organization that centered upon shared cults and temples and which fostered communal identity and cooperation across kinship divides. Through the *she*, horizontal social relations could be structured beyond the narrow confines of the family order while functioning autonomously from the state.<sup>37</sup> By the Ming-Qing era, in addition to the *she*, such horizontal social cooperation was also realized through a host of organizations that adopted the term “*hui*” 會 (literally meaning meetings or gatherings), such as the “*shuihui*” 水會, irrigation and water control organizations that were ubiquitous in the local societies of North China. In general, while the term “*she*” often refers to organizations that were more spiritually centered and intended for long-term, if not permanent, existence, “*hui*” denotes organizations that were designed

<sup>36</sup> For more detailed studies of such systems, see Hsiao Kung-Ch'uan, *Rural Control in 19th Century China* (Seattle: University of Washington Press, 1968).

<sup>37</sup> Outside the narrow confines of rural communities, the *she* had become the most widely adopted form of horizontal organizations in the Chinese society by the late imperial era. While the poor commoners of Tang Dunhuang formed *she* primarily for economic mutual assistance, in the late imperial period, the *she* organizations became more varied, and adapted for different purposes under different circumstances: numerous *yi-she* 義社, namely, “righteous societies”, or independent local guerrilla organizations, fought against the Juchen invaders after the collapse of the Northern Song; in late Ming, activist intellectuals formed the famous political organization called *fu-she* 復社 to criticize wicked court politics; Lay Buddhists would form piety groups named *fa-she* 法社 or *jing-she* 經社 to study the sutras and Buddhist philosophy; while poetry and writing clubs named *shi-she* 詩社 and *wen-she* 文社 popped up everywhere among literati circles and even among educated women of the high society, like those depicted in the Dreams of the Red Chambers. In short, by the late imperial period, the *she* had thus become the primary organizational vehicle for people of shared interests and goals to form associations and facilitate co-operation.

to serve a particular socioeconomic function, usually on a temporary or short-term basis. Interestingly, the modern Chinese term for society, “*she-hui*”, is an exact combination of the two terms “*she*” and “*hui*,” coined when Japanese scholars of the Meiji period flicked through dictionaries to find translations for the western concept of “society.” In other words, what scholars missed by focusing on state and family was the idea of society that already existed in late imperial China as a web of relationships among individuals and families, structured by horizontal organizations such as *she* and *hui*. To sum up, the confluence between three institutional forces—namely, the state, kinship, and horizontal social co-operations—shaped the social structure of late imperial local society.<sup>38</sup> It was interactions between these forces that created what historian Presenjit Duara famously termed the “cultural nexus of power.”<sup>39</sup>

### **The *She* as a North China Village Organization**

In the late imperial period, especially between mid-Ming and the end of the Qing, *she* organizations existed ubiquitously in villages across China proper, constituting one of the fundamental institutions of rural society. Yet local conditions varied, and the strength and influence of *she* in local communities differed from place to place. Generally speaking, in most areas, *she* coexisted alongside the lineage organizations, but an inverse relationship existed between them. Over the course of the

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<sup>38</sup> Scholars like Zheng Zhenman (2003) and Du Zhengzhen (2007) have paid particular attention to the shift of power between the state implemented administrative structures and the bottom up *she* organizations. See Zheng Zhenman, “Ming Qing Fujian li she zu zhi de yan bian,” in Zheng Zhenman and Chen Chunsheng eds., *Min jian xin yang yu she hui kong jian* (Fuzhou: Fujian renmin, 2003), 335-353.

<sup>39</sup> Prasenjit Duara, *Culture, Power, and the State: Rural North China, 1900-1942* (Stanford: Stanford University Press, 1988), 15-42.

Ming-Qing era, the localized patrimonial lineage organization, which only emerged during the Song, gradually took shape and challenged the existing rural order. This trend was most evident in the far south.<sup>40</sup> In the villages of Guangdong Province, as David Faure has argued, great lineages proliferated during the Ming dynasty as a cultural and institutional movement against village temples and Buddhist monasteries, ultimately replacing the latter as the organizational foundations of local society in the Qing.<sup>41</sup> Albeit to a lesser extent, such a trend was also visible in Fujian Province, where *she* organizations continued to play many roles in rural communities. Yet here their power and influence was constantly undermined by the development of powerful lineage organizations that came to dominate rural social life.<sup>42</sup> In the Huizhou area in eastern China, while *she* organizations remained a key part of the rural social structure, great mercantile lineages increasingly monopolized the communal leadership.<sup>43</sup>

The situation was remarkably different in North China, where lineage organizations remained generally far less developed than in the south.<sup>44</sup> Du Zhengzhen

<sup>40</sup> Over the past century, numerous scholars of different academic traditions have dealt with the origins, development, and characteristics of the lineage organization in late imperial China. For a representative and classic study in Anglophone scholarship, see Maurice Freedman, *Lineage Organization in Southeastern China* (London: Athlone Press, 1965).

<sup>41</sup> David Faure, *Emperor and ancestor: State and lineage in South China* (Stanford: Stanford University Press, 2007), 177-218.

<sup>42</sup> Zheng Zhenman, "Ming-qing Fujian li-she zuzhi de yanbian," in *Minjian xinyang yu shehui kongjian*, eds. Zheng Zhenman and Chen Chunsheng (Fuzhou: Fujian renmin, 2003), 335-353.

<sup>43</sup> Zhang Xiaopo, "Ming Qing Huizhou cun she yunzu yu zongzu guanxi chutan," *Anhui Daxue Xuebao* 6 (2014), 91-97. Liu Daosheng, *Ming Qing Huizhou zongzu wenshu yanjiu* (Hefei: Anhui Renmin, 2008), 175-201.

<sup>44</sup> While this is common knowledge among China historians, anthropologist Myron Cohen held a different opinion. In 1990, he presents a new interpretation of Chinese lineage organization based on field work conducted in north China during 1986 and 1987. This north China variant, which Cohen calls "the fixed genealogical mode," is contrasted with the southeast China pattern first described by Maurice Freedman. In the southeast China pattern, which Cohen distinguishes as "the associational mode," corporate property is seen as the chief factor providing cohesion to the lineage. Claims on corporate holdings give the lineage its fundamental organization, and

has pointed out, in the case of Zehzhou Prefecture in southeastern Shanxi, that despite repeated efforts of the gentry elite and rich merchants, lineage organizations played only a limited role in the local society during the Qing. For the majority of the population, it was *she*—centered on shared cults instead of blood ties—that came to structure village communities from the bottom-up.<sup>45</sup> As late as the Republican era, the inverse relationship between the role of *she* and that of patrilineal families could still be observed in Zhili Province. According to Duara's analysis, the influence of *she* organizations in multi-surname village was considerably more important than their roles in single-surname villages. Single-surname villages, which often consisted of people from families of same patrilineal ancestors, tended to contain a kinship-based power structure. Such a structure could assume the functions of social co-operation and negotiation that might be within the purview of *she* organizations elsewhere. In multi-surname villages, by contrast, negotiations between different surname families required the institutional mediation of a *she* organization, which often became the dominant player in the village collective.<sup>46</sup>

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status within a lineage or the segmentation of lineages are determined primarily on the basis of such claims. In contrast, Cohen argues that lineages retain a central role in village life in the north China "fixed genealogical mode" even though they may lack corporate property. Cohen believes that pressures have stripped away most tangible resources of north China lineages, but have left behind strongly hierarchical relations based on seniority among lines of descent from a founding ancestor. He finds that these lineage bonds are expressed in the annual ritual cycle of the region. Despite his claims of different models of lineage organizations, we can see that lineages in the north are less powerful compared with those in the south where they share common properties. Myron Cohen, "Lineage Organization in North China," *The Journal of Asian Studies* 49, no.3 (1990): 509-534.

<sup>45</sup> Du Zhengzhen, 45-89.

<sup>46</sup> Prasenjit Duara, *Culture, Power, and the State: Rural North China, 1900-1942* (Stanford: Stanford University Press, 1988), 115-156.

Nowhere did *she* organizations play a more critical role than in the rural society of Shanxi Province.<sup>47</sup> Due to repeated nomadic invasions, wars, and waves of large-scale emigration in history, the majority of villages in late imperial Shanxi remained multi-surname communities, which significantly inhibited the development of lineage organizations. Even when extended patrilineal families did gather in the same villages and form kinship networks, unlike the south, they rarely built ancestral halls, nor did they hold land together.<sup>48</sup> Their lineages were loosely organized and elusively structured. The ability and cohesion of lineages in Shanxi were further undermined by commercial emigration. Many senior members of the lineages were often sojourning and plying trade elsewhere, such as in Hohhot and other parts of Mongolia, and thus unable to mediate familial affairs during their absence.<sup>49</sup> Without strong lineages, rural life across the province was structured instead around the temple-centered *she*, which fostered the social cohesion, cultural affiliation, and organizational effectiveness of the village. As David Holm has suggested in his observation of Shanxi villages, “the *she*... until recently formed the bedrock of rural social structure in North China.”<sup>50</sup> In Shanxi, such bedrock was not shattered even by the series of radical socioeconomic and

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<sup>47</sup> Zhao Shiyu, “Mingqing huabei de she yu shehuo,” *Zhongguo shi yanjiu* (1999): 134-176. Zhao traces the historical development and socio-cultural functions of the *she* in North China, but the majority of his sources are centered in Shanxi Province. For a most thorough study of the longue durée transformation of the *she* organization in Southeastern Shanxi, see Zhengzhen Du (2007). For a detailed, and analytical study of the *she* organization in the villages of Central Shanxi, see Shou’en Wang, *Zhushen yu zhongsheng: Qingdai minguo shanxi taigu de minjian xinyang yu xiagcun shehui* (Beijing: Zhongguo shehui kexue, 2009).

<sup>48</sup> Du Zhengzhen, 69-70.

<sup>49</sup> Yin Junling (2006), 19-47.

<sup>50</sup> David Holm, page number.

political movements of the twentieth century.<sup>51</sup> Quite the contrary, contemporary ethnographic surveys have revealed that *she* organizations have revived in villages across Shanxi in the post-Mao era, their power rivaling the influence of the official village government imposed by the PRC state.<sup>52</sup> Indeed, old institutions die hard.

Between the late Ming and the Republican era, the *she* of rural Shanxi existed in close relationship with natural villages, and their scale of operation was ideally identical to one natural village. Nevertheless, villages varied in size, and a large village might support several *she*. In Taigu, a central Shanxi county famous for its wealthy merchants and bankers, villages on average contained five *she*, with the number ranging from two to twenty-five.<sup>53</sup> In contrast, two and three small neighboring villages could also together constitute one *she*, albeit less common. In Southeastern Shanxi, cross-village alliances were also formed under the structure of the *she*.<sup>54</sup>

The size of *she* organizations varied significantly too. In Taigu, the smallest *she* contained only seven households, while the largest ones consisted of close to two hundred. Despite such a wide range, the majority of *she* organizations fell into the size of a few dozen households.<sup>55</sup> That is to say, in most cases, *she* organizations were created on the basis of small and tight-knit communities. Yet beyond such small entities, in large villages, a “grand *she*” would also be formed on top of several sub-village *she*,

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<sup>51</sup> Such movements include anti-superstition campaigns of the early republican era, village-level state building processes, multiple revolutions, disastrous wars, land reforms, and socialist collectivization

<sup>52</sup> Duan Youwen & Wei Caihua, “Xiangcun quanli wenhua wangluo zhong de she zuzhi yanjiu, yi jinnan wanrong tonghuacun, ronghecun, hejin xiwangcun weili,” *min su yanjiu* (2005): 29-58.

<sup>53</sup> Wang Shou’en, 257-258.

<sup>54</sup> Du Zhengzhen (2007).

<sup>55</sup> Wang Shou’en, 257-260.

functioning as a representative organization for the entire village. In Xugou County, another merchant county of Central Shanxi, the “Grand *she*” constituted the bottom-up autonomous organization that governed the village. According to a Republican era social survey, “it is the supreme organization of the local community.”<sup>56</sup>

Spatial logic determined *she* membership. For instance, in large villages that encompassed multiple *she*, the village was divided spatially, with each *she* representing a sub-village neighborhood. Although, in some cases, the households that congregated in the same neighborhood mostly belonged to the same patrilineal group, it is spatial proximity, not kinship, that determined membership in a *she*. On the one hand, such *she* would include households who were outliers to the dominant lineage of the neighborhood; on the other hand, the households in the same patrilineal lineage, if living in separate *she* neighborhoods, would become members in different *she* (their institutional allegiance would be first devoted to their respective *she*, not their patrilineal kinship groups). Moreover, sub-village *she* were often named according to their spatial positions within the village, such as “Eastern *She*,” “Central *She*,” “Longhe Street *She*,” not according to their dominant lineage surname, even when there were one. More broadly speaking, it is on the foundations of neighborhoods, villages, and village clusters that the *she* performed its socio-cultural functions. No wonder that David Johnson perceived the *she* of Shanxi as “a micro-geographic unit.”<sup>57</sup> To put it differently, *she* was the primary organization that turned geographical units into coherent communities.

<sup>56</sup> Li Youyi, *Xugou xian shehui diaocha baogao* (B.A. thesis, Yenking University, 1934), quoted from Wang Shou'en.

<sup>57</sup> David G. Johnson, *Spectacle and Sacrifice: the Ritual Foundation of Village Life in North China*. (Cambridge: Harvard University Press, 2010).

While a natural village was merely congregation of rural residences, it was *she* organizations that fostered social cohesion within villages. For one thing, in the name of paying tribute to their deities, all the religious rituals and festivals—such as sacrificial offerings at the temples, processions to welcome and send off gods, and the rehearsal and periodical performance of local opera—were all carried out by the *she*. Through such activities, *she* members solidified their sociocultural bond through belief in the same deity.<sup>58</sup> And their communal cohesion was further strengthened by the intense competition between neighboring villages.<sup>59</sup> Second, *she* organizations also performed mundane social functions, such as the building and maintenance of temples, praying for rain, arranging the protection of crops and night watch, offering support to members in weddings, funerals and other major costly rituals, as well as providing dispute mediation.<sup>60</sup> In short, for a late imperial villager of Shanxi, almost all aspects of his or her communal life, spiritual and social, were structured through the organizational framework of *she*.

More importantly, all the households and individuals of the rural communities were automatic members of the village *she*. They were born into a *she*, and if they did not migrate to other places, they would live their entire lives in the socio-cultural and institutional environment shaped by *she* organizations. And when they did migrate to other places, Hohhot for instance, it was only natural that they would bring with them

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<sup>58</sup> For a much more details about the *she* rituals and festive ceremonies, David Johnson's aforementioned book offered the hitherto most thorough descriptions and systematic analysis.

<sup>59</sup> As David Johnson suggested, such fierce rivalry sometimes led to tribalist particularism of *she* members, see David Johnson, *Spectacle and Sacrifice---the Ritual Foundation of Village Life in North China* (Cambridge: Harvard University Press, 2010).

<sup>60</sup> For the social functions of the *she* in the rural society of Shanxi, see Zhao Shiyu (1999) and Wang Shou'en (2009).

the institutional experiences and organizational practices of the *she*. Basically it was the only institutional instrument for extra-family cooperation that was known to the men of Shanxi. It was through their lived experiences within the *she* that these villagers learned how to create an effective institutional framework that could foster trust and facilitate co-operation between members.

### **The *She* as a Village Organization in Shanxi**

The *she* in rural Shanxi boasted a simple but effective structure. While all of the neighborhood households constituted automatic members of the *she* organization, and thus shouldered obligations to finance and participate in the *she* activities, the daily operation of the organization was placed in the hands of the “*sheshou*” 社首 (literarily meaning the head of the *she*), or headmen. The leadership of a *she* usually consisted of a committee of several headmen elected from *she* members. In the large villages, the so-called “Grand *She*” had a council of headmen that sat above the sub-village *she*. These positions were either filled by headmen of the sub-village *she*, or elected directly by villagers. Despite variations across villages and neighborhoods, these committees usually contained an even number of headmen, with four and six being the most common number, who were equal in status.<sup>61</sup> Nevertheless, historical records also show that in some large villages of late Qing and early Republican central Shanxi counties, a hierarchical structure was formed among the headmen, in which a main person played a role, like the chairman of a committee. In later stages, the headmen

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<sup>61</sup> Yao Chunmin, “Qingdai huabei xiangcun sheshou chutan: yi shanxi zezhou beike ziliaowei zhongxin,” *Qingshi yanjiu*, no.1 (2013): 129-137.

committees, which had fixed short tenure, also enjoyed the assistance of long-term staff members.<sup>62</sup>

These *she* headmen were imbued with the power to represent the *she* as a collective and manage almost every aspect of communal life. They were in charge of organizing ceremonial activities, managing communal funds and properties, maintaining infrastructure such as roads and bridges, upholding social order within the neighborhood, and representing their own settlement in dealing with external groups. The power of headmen became even more pronounced after the turn of the nineteenth century when the *she* officially took over tax collection duties from the dysfunctional *li-jia* system imposed by the state.<sup>63</sup> In the case of large villages, it was the “Grand *She*” that would represent the entire village as a unit, while its council could be considered the de-facto government of the autonomous village, which continued into the Republican era. When the Shanxi warlord Yan Xishan attempted to modernize the village administration system in his modernizing project, his newly created village governments were in fact mere rebranding of the headmen committee of the “Grand *She*” that had already existed for centuries; all the functions of the modern village government were still performed through the *she* structure, and the new village head selected from the existing committee of *she* headmen. For all the new appellations, it was telling that villagers still used the old term “*sheshou*” or headmen to refer to the modern position of the village head.<sup>64</sup>

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<sup>62</sup> Wang Shou'en, “Qingdai minguo jinzhong diqu de cunshe,” *Jinyang xuekan* (2014, no.5):10-12.

<sup>63</sup> Wang Shou'en (2009).

<sup>64</sup> Li Youyi, cited from Wang Shou'en (2009).

Despite their prestige and influence, or rather because of them, a series of institutional arrangements were put in place to limit the power of the headmen. First, the tenure of the headmen had a fixed length, usually several years, and re-election of the same headmen for consecutive terms was usually not allowed. For instance, in the *she* of Liuzhuang village in Yancheng County (Southeastern Shanxi) in the nineteenth century, the committee of four headmen had a tenure of three years, and the incumbents had to step down at the end of their tenure and hand over the position to the newly elected. Only exceptional circumstances, such as remodeling the *she* temple, would call for extension of their tenure.<sup>65</sup> Whereas the number of headmen and the term of their tenure varied from community to community, within each *she*, the handover of the positions was carried out regularly and consistently. Second, the headmen were obligated to publicize the income and expenditures of the *she* during their tenure. When they stepped down, they had to pass the account book to their successors. Such financial transparency helped to give assurance to the community that the headmen acted out of communal interests and managed collective funds with honor. Third, while the majority of these *she* organizations did not produce a comprehensive code of regulations but relied on informal rules that were passed from generation to generation, some did erect steles in their *she* temples with written rules inscribed for future admonishment, and most of such inscribed rules were about regulating the power of the headmen.<sup>66</sup>

Headmen commanded so much respect and wielded such influence in the *she* community that aspiring villagers competed for these positions despite the lack of financial reward. Although these positions were occasionally held by members of the

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<sup>65</sup> Yao (2013).

<sup>66</sup> Ibid.

gentry class, which Chang Chungli defined as a class comprised of civil service exam degree-holders,<sup>67</sup> in the great majority of cases, headmen were mere commoners who had no degrees or titles whatsoever. Even among the degree-holding headmen, they almost exclusively belonged to the lower strata of the gentry class, who only held county level degrees, or acquired low-prestige titles through purchase.<sup>68</sup> None of them were high up on the social ladder of success according to Ho Ping-ti's categorization.<sup>69</sup> In other words, the headmen position actually afforded a rare opportunity to people of the middling sort who had ambition, competence and the necessary means to assume leadership roles and exert influence in society — albeit only in the small communities of their immediate surroundings.

The vast majority of village *she* selected their headmen through election, which was usually conducted at the general assembly with all members present. It is worth noting that the election differed significantly from the voting system of Western democracies. While we do not have sources to reveal the precise unfolding of a particular election process, based on the discursive evidence from local stele inscriptions, there are plenty of reasons to believe that such an election was predicated upon achieving consensus through an informal process of recommendation, negotiation and deliberation, a collective undertaking that invited and mobilized nearly every member of the community.<sup>70</sup> By doing so, *she* presents a sharp contrast to the lineage organizations. Lineage organizations were constructed on kinship ties, and as Duara

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<sup>67</sup> Chang Chung-li, *Chinese Gentry* (Seattle: University of Washington Press, 1968), 16-24.

<sup>68</sup> Yao (2013).

<sup>69</sup> See Ping-ti Ho, *The Ladder of Success in Imperial China: Aspects of Social Mobility 1368-1911* (New York: Columbia University Press, 1962), 41-52.

<sup>70</sup> Yao (2013).

suggests, “recruitment into the leadership group was not determined collectively by the lineage group but by the elite within the lineages.”<sup>71</sup> In other words, their power structure was highly hierarchical and by nature closed—power was concentrated in the circle of the elders, whose authority, to a large extent, derived from seniority and generational hierarchy. In comparison, the power structure of a *she* was much more open and, dare I say, much more democratic. All aspiring male members of the *she* could bid for the headmen positions, as long as they had the wherewithal, and all members could partake in the decision-making process. Without doubt, such an election process was far from a level and fair playground; wealth and power played key roles in it. For instance, returning merchants, especially those who were able to make large contributions to the *she*, often turned out to be popular candidates. In multi-surname villages, the candidates with the backing of the more populous lineages often enjoyed great advantages, while the families with only a few households could rarely shape the direction of the election. But in the end, the goal of the *she* election was not to ensure absolute fairness, but to obtain consensus in order to find the individuals with the reputation, ability, and resources to best manage communal affairs, and in the meanwhile, through this consensus-seeking electoral process, to vest the elected headmen with the legitimacy and authority to exercise their power. After all, no form of election produces genuine equality, but the formal equality of an electoral process ensures the legitimacy of the results. And that matters.

The headmen election of late imperial Shanxi villages uncannily harkens back to the most revered classical antiquity in the Confucian tradition, when the sagely kings

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<sup>71</sup> Duara (1988), 107.

Yao, Shun, and Yu ascended the throne as the most virtuous leader through a similar consensus-based electoral process—an indication of a golden age of meritocracy in which the goal of politics was the common good. Such a Confucian ideal of classical antiquity, in the eyes of modern scholars, reveals the primitive seed of a lost democratic tradition in China.<sup>72</sup> For the Confucianists, it was the patrilineal families' usurpation of the throne that brought an end to the golden age, starting a long history of moral degeneration. Nevertheless, the paradox is, over the course of history, while Confucianism evolved into the ideological backbone of patriarchal lineages and its political manifestation in dynastic states, it was in the temple-based *she* organizations in the rural communities of North China, that is to say the least Confucian-infused lower strata of late imperial society, where a relatively democratic and meritocratic institutional tradition was kept alive and effective.

Rotation was another widely used method that shaped the political structure of the rural communities of Shanxi. Whereas election was by far the more popular method of selecting headmen of the “Grand She” of large villages, households in smaller *she* took turns to handle the responsibilities of the headman. Every household had equal opportunities to play the leadership role and shoulder the burdens in the community. If the consensus-based election aimed to select worthy persons to govern the community, rotation simplified the process and established its fairness. Such a rotational method was also used in the *li-jia* 里甲 system that the Ming state imposed on the rural population, in which every ten households were arranged into one *jia* 甲 unit, with ten *jia* forming a *li* 里 division. In many cases, the ten households within the *jia* took turns

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<sup>72</sup> Add a quotation here in the final version.

as the head of that unit to oversee tax collection and corvée labor arrangements.<sup>73</sup> It is debatable whether the rotation of headmen positions in a small *she* was influenced by the same methods used in the *li-jia* system. Nevertheless, such a rotational method in both systems exemplifies the egalitarian tenet that was entrenched in rural North China—a society wherein property ownership was primarily in the hands of small independent farmers. Moreover, rotation was not only an institutional feature of small *she*, but also partially practiced in headmen elections. One of the key deciding factors in the election was the necessity to rotate between neighborhoods, surnames, and households in order to make sure that power would not be over-concentrated. In this way, opportunities could be shared, and consensus was easier to achieve.

As we can see, based on the principles of public spirit, social harmony, formal equality and procedural fairness, the leadership of a *she* organization was shaped through election, rotation, and a series of institutional checks and limitations. Nevertheless, the authority of the headmen rested not only on these secular institutional arrangements, but also on divine legitimization. The *she* were first and foremost cult organizations wherein the temple still assumed a central role, not only as the organizational and spatial pivot of the communities, but also as their spiritual and moral core. Villagers believed their fortune and livelihood depended on the beneficence of the gods, and therefore, they prayed, offered sacrifice, and performed ceremonies in *she* temples. In the meantime, “the village temple was seen as the ultimate authority in the dispensation of justice,” as Duara pointed out in the case of villages in Hebei.<sup>74</sup> The

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<sup>73</sup> For details, see Hsiao Kung-Ch'uan, *Rural Control in 19th Century China* (Seattle: University of Washington Press, 1968).

<sup>74</sup> Duara (1988).

rural residents in Shanxi resorted to the supernatural power of divinity to undergird the secular authority of the *she*. They held assemblies at the temple, where they made all the important decisions, including the inauguration of the newly elected headmen. On the other hand, the *she* organizations relied upon the gods to impose another layer of constraint and check on the power of the headmen and at the same time, to ensure its members would abide by moral codes of the community. “All the gods in this temple are watching,” a stele from 1666 in the Big Well Head Village in Southeastern Shanxi warned its rural residents, “Liars and unjust headmen will receive retributions in his present life: their family members will suffer from illness and their animals will die. Our gods are most divine and most sacred. They have their eyes on us and their divine power shall be manifest.”<sup>75</sup> By invoking karmic causality and divine justice, the village *she* thus powerfully elevated the moral and political concerns of the community into the celestial and transcendental sphere, and vested secular principles with holy authority.

It is worth emphasizing that both the *she* of Shanxi and the lineage organizations of South China are social constructs that governed communal politics and sociocultural life, and provided the institutional bonds for their respective rural communities. Recent scholarship has illuminated that southern lineages, most notably those in Guangdong, Fujian, and Anhui provinces, were created in local societies for various ideological and practical purposes, and served many socioeconomic functions over a long historical process during the Ming and Qing era, such as transactions with the state and ethnic-cultural differentiation.<sup>76</sup> Despite the fact that patrilineal kinship ties lay at the

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<sup>75</sup> Yao (2013).

<sup>76</sup> Michael Szonyi, *Practicing Kinship: Lineage and Descent in Late Imperial China* (Stanford: Stanford University Press, 2002).

heart of lineage organizations, kinship alone did not suffice to build the trust between people, nor was it sufficient for the creation of a functioning community. Rather, it was by implementing a series of institutions and cultural practices under the lineage organization—such as compiling genealogies, rituals and activities of ancestral worship, building ancestral halls, and holding common cemeteries—that kinship ties, both real and imagined, were produced, consolidated, and turned into the bonds of community.

The *she* could be understood in a similar fashion. It was developed to build trust, to bring structure and unity to rural communities where no common ancestry was perceived. And as an organization, the *she* entailed a coherent set of institutional establishments and cultural practices including shared beliefs in the local gods, building and maintaining village temples, performing religious rituals and festive celebrations, as well as a consensus based political system, all of which were aimed at creating a functioning community that would solidify communal belonging and enhance social harmony. In other words, whereas lineages provided the institutionalization of the patrilineal kinship ties, and facilitated the integration of weakly connected kin into powerful networks of co-operation, *she* constituted the principal organization that facilitated inter-family cooperation between people of different surnames in the tight-knit rural communities of late imperial China.

From the perspective of the villagers of Shanxi, they grew up in a society where the *she* constituted the primary institutional environment through which their collective living experiences were shaped. Unlike the typical southern lineage-villages of Guangdong and Fujian, kinship played only a limited role in their lives; rather it was under the structure of the *she* organization that all the residents internalized morals and

values, learning how to socialize, build trust, and establish mechanisms of cooperation with people outside their patrilineal lines. Being a member of a *she* and participating in the festival activities and sacrificial rites, villagers acquired a sense of communal belonging, and formed their identity around it. Moreover, it was through such institutional arrangements such as election and rotation that the villagers learned how effective leadership could be produced in a relatively fair and consensual way. Lastly, *she* organizations also promulgated religious beliefs in various deities as protectors of the community and dispensers of justice. This not only cemented the solidarity of their communities, but also instilled a sense of awe in the lives of the villagers—they were made aware that under the gaze of their deities, their immoral deeds would reap karmic consequences. For the villagers of Shanxi of the Ming-Qing era, there was no escape from the *she*.

### **Bringing Home to the Frontier**

When rural residents left their home villages for the frontier, they brought *she* with them. At the turn of the eighteenth century, when poor villagers of central Shanxi started to migrate toward the Mongol city to eke out a living in its commercial quarters, they turned Hohhot into a booming place.<sup>77</sup> But like every boomtown, early eighteenth century Hohhot was filled with temptations and hazards, hopes and distress. For newly arrived Shanxi entrepreneurs, doing business on the frontier required dealing with many serious challenges in a collective manner—and it was through the *she* framework that they were able to organize.

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<sup>77</sup> See Chapter One.

Cross-cultural traders, as Philip Curtin summarized, faced daunting tasks of overcoming barriers of language and culture in addition to the problems of logistics and risk involved in any commercial activities.<sup>78</sup> Yet for the Shanxi merchants on the northern frontier, the barriers of language and culture were often the least of their worries; they were easily bullied and robbed by Mongol and Manchu soldiers in the market place, a problem so severe and destabilizing that it had to be dealt with repeatedly by the local state in a draconian manner.<sup>79</sup> And Mongol landlords often took advantage of their plight—much of the land and properties in and around the city were owned by Mongol elite and monks who often preyed upon their tenants.<sup>80</sup> The stereotypical image of greedy Mongol landlords even persisted into the end of the nineteenth century. According to the Russian investigator Pozdneev, the unglamorous cityscape of Hohhot, which belied its commercial significance, had its root cause in the structure of property ownership: no Chinese businessmen in the city would want to build grand structures to show off their wealth, because it could make them visible targets for exorbitant exploitation by the Mongols who owned the land.<sup>81</sup> Pozdneev might have exaggerated the effect of such extortion, but the fear was real. Shanxi

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<sup>78</sup> Philip Curtin, *Cross-cultural Trade in World History* (Cambridge: Cambridge University Press, 1984).

<sup>79</sup> A number of gazetteers recorded that General Feiyanggu, the military commander in charge of Hohhot in the 1690s, had to use harsh punishment to suppress those unruly Mongol and Manchu soldiers to protect the commercial prospect of the city. See *Guisui daozhi*, vol. 26: 851.

<sup>80</sup> In many cases, the scarcity of buildings in the city prompted merchants to lease land and build their own structures. Property owners, be they officials, military men, or monasteries, all strived to exploit as much from their tenants as possible. Such lease and sublease of properties thus became another source of contention, with disputes occasionally leading to violence. Tian Mi analyzed a number of conflicts between Chinese merchants and Mongol landlords over the rent in her excellent dissertation.

<sup>81</sup> Pozdneev, *Mongolia and the Mongols*, vol.2, p.134.

merchants faced constant struggles to protect their commercial gains from the grasp of the Mongols, a sure sign of their lack of power.

Merchants also found it difficult to deal with the state. On the one hand, for the sake of the Zunghar wars, it was the state that recruited merchants to Hohhot in the first place, and therefore, it was in the interests of the state to maintain order in the market and not to scare them away. Both General Feiyanggu and Superintendent Danjin, leading officials in the early development of Hohhot, were enshrined and worshipped as the patron saints of the city, because they devised business-friendly policies and often protected merchants against the extortion of Mongol and Manchu soldiers. Yet it is safe to surmise that the merchants' enshrinement of their patrons was more a strategy to subtly influence future local officials for unswerving protection than a mere expression of gratitude. Merchants were fully aware of the potential inconsistency of state policies, however. After all, the state had its own priorities on the northern frontier, and the interests of merchants were never high on their list. In other words, their protection of merchants was always subordinate to imperial prerogatives, as analyzed in the previous chapter. In short, for Shanxi merchants, the state was simultaneously a protector and oppressor. Unfortunately for them, an independent businessman had little power to resist or influence the state.

If the merchants' plight was the result of their lack of political power, only collective coordination could help them. These wandering young men craved social bonding as much as money and power. To organize, it is natural that they resorted to the *she*, the organizational form that they grew up with in their home villages. And the *she* was perfectly suited to the conditions of the frontier. For one thing, because few

sojourners came to Hohhot with their families, kinship networks were almost non-existent for them. The *she*, by its very organizational structure and institutional characteristics, facilitated cooperation between people without kinship ties. When they created the earliest *she* in Hohhot, merchants often emphasized their associations as being founded among “people of many surnames.”<sup>82</sup> Nevertheless, the lack of family networks did not mean that these sojourners treated everyone else from Shanxi with equal trust and affinity. In Hohhot, just as in trade centers across China, commercial sojourners shared a natural affinity with people from their home region, which they mobilized to form business partnerships and construct social networks—as we have demonstrated in the case of Zhang Luan in Suzhou. Shared native-place identities provided the differentiators among social groups. In the unified Chinese empires of the Ming-Qing era, such native-place ties constituted the source of the most important “imagined communities,” on the basis of which real social communities were formed. That is why as early as in the first decade of the eighteenth century the newly arrived entrepreneurs of central Shanxi began to form native-place *she*, such as the *Fenyang-she* and *Xiaoyi-she*. One after another, the creation of such merchant organizations continued throughout the eighteenth century. If the westward-bound homesteaders and adventurers of nineteenth-century America became enamored with the ideal of rugged individualism, these men of Shanxi from very early on understood the value of community. And it was through the institutional expressions of the *she* that they converted the geographically imagined native-place communities into real social communities.

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<sup>82</sup> Imahori.

At the same time that native-place *she* filled a social vacuum for merchants, it also filled a spiritual void. While the villagers of Shanxi were born into a ritual system in which the cult of deities took the center stage, their migration deprived them of their spiritual bond with their local celestial protectors. When they arrived in Hohhot at the turn of the eighteenth century, Hohhot was dominated by Mongol temples of Tibetan Buddhism, the religious practices and symbolism of which were exotic and alien to the Chinese. A stele inscription dedicated to the renovation of a major temple in the city claimed that the Chinese merchants were agonized that they could not find terrain on which to build shrines to worship their own gods.<sup>83</sup> If we borrow Marx's famous aphorism—that “religion is the sigh of the oppressed creature, the heart of a heartless world, and the soul of soulless conditions”—is there a better place that befits the outlook of a heartless world and soulless condition than a booming frontier military town bursting with uprooted single young men seeking quick fortunes? Faced with the precarity of frontier life, for these Shanxi migrants, the “opiate of the people” was difficult to come by.

Admittedly, in the early days, many Shanxi sojourners worshipped at Mongol temples and donated substantial sums to these establishments. For instance, the fledgling Dashengkui, the future champion firm of the Sino-Mongol trade, was one of the major donors to a Mongol monastery on the outskirts of the city.<sup>84</sup> The Temple of Ksitigarbha (Dizang Bodhisattva) constructed by Tumed Mongols inside the city

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<sup>83</sup> Imahori, Appendix, P15.

<sup>84</sup> For details, see Chapter One.

attracted donations from many a Chinese merchant in the early eighteenth century.<sup>85</sup> It is not difficult to imagine that some unsuccessful merchants might even end up devoting themselves to the Mongol monasteries as servants of the monks—a situation we have yet to encounter in the sources on Hohhot, but not uncommon in Urga, the religious center of Outer Mongolia.<sup>86</sup> Nevertheless, not all Shanxiers were quickly converted into believers in the Mongol religion; rather, by partaking in the religious practices of Tibetan Buddhism, they were actively showing their respect to the host society and attempting to embed themselves into the local culture. By donating to the temples, they were trying to curry favor with the Mongol population—not an uncommon strategy of new immigrants and cross-cultural traders.

What could really fill their spiritual needs was the re-creation of the religious experiences of Shanxi villages. From early on, Shanxi entrepreneurs eagerly attempted to create *she* organizations in which they could engage in cult practices similar to what they were used to in their home villages. In order to do that, they began to carve out religious spaces of their own bit by bit. In the earliest cases, merchants had no other options but to rely on the spaces afforded by Mongol temples, which may explain their motivations in contributing money to them. The merchants of Fenyang County created the very first *she* of Hohhot in 1705, when they were able to build a small shrine to

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<sup>85</sup> Ksitigarbha, or the Dizang Bodhisattva, was one of the most revered bodhisattvas in Buddhist theology who was commonly believed to be the master of hell. It was commonly known and worshipped both in Chinese Buddhism and Tibetan Buddhism. In other words, despite the exotic symbolism and alien practices of Tibetan Buddhism, in the case of the Ksitigarbha, the Shanxi sojourners were still available to relate to the deity to a certain degree. For the donations, see Imahori, Appendix.

<sup>86</sup> Urga Amban Archives, no.x.

worship the City God inside the Temple of Ksitigarbha.<sup>87</sup> They scheduled their annual congregation, rituals, and theater performances at this site, which functioned as the base of *Fenyang-she* ever since.<sup>88</sup> The slightly later *Xiaoyi-she* was created on the same site.<sup>89</sup> In this manner, the Temple of Ksitigarbha was gradually transformed into a hybrid ground where shrines dedicated to Chinese gods were added to Tibetan Buddhism.

As we have seen from the Shrine for the City God, the creation of *she* organizations in Hohhot also entailed bringing Chinese deities from the local societies of Shanxi to the Mongol city. Back in Shanxi, in each village, country folks worshipped a constellation of gods from different religious sources, including Buddhas, Bodhisattvas, Daoist deities, folk cults, and ancient-heroes-turned-gods of local origins. This eclectic set of divinities was divided into two categories: the almighty gods who responded to human prayers in all possible ways, such as Lord Guan and Guanyin Bodhisattva, and functional deities who constituted a web of protection that guarded and supported each aspect of communal and personal life, such as the land god, oven god, and gods of sky, earth and water. While the majority of these divinities spread across many places in China proper, the unique composition of gods in a particular locality was often shaped by local conditions and the particular concerns of the local population. For instance, thanks to the dry weather in Shanxi, the Dragon King, a rain god, was widely worshiped across the province. In the counties of central Shanxi, where

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<sup>87</sup> The City God was one of the most widespread cults in late imperial China. As the protector of cities, he was enshrined and worshipped in every single walled city. In Hohhot, while originally there was no more than a shrine dedicated to the cult in the Temple of Ksitigarbha, an independent City God temple was built in the city soon afterwards. Imahori, P17.

<sup>88</sup> Imahori, Appendix, P1, P8.

<sup>89</sup> Imahori, Appendix.

the majority of the great merchants originated, the God of Fortune was worshipped in almost every village, reflecting the dominance of a mercantile culture.<sup>90</sup> Another deity popular in the home region of merchants was the goddess of fertility, since traveling merchants were often separated from their family and unable to produce offspring.<sup>91</sup>

Over the course of the eighteenth century, with the expansion of the Chinese community, the gods of Shanxi began to take residence in Hohhot. Gradually, the eclectic system of Chinese divinities came to be reproduced in this Mongol city. These Chinese divinities in Hohhot could also be divided into two layers, with a few gods who were unanimously adored by all Chinese dwellers in the city (most notably Lord Guan) alongside a string of secondary deities that either served a specific purpose (such as the aforementioned Dragon King, the Goddesses of Fertility, the God of Fortune, as well as the God of Plague) or worshipped by a specific merchant group. For instance, when the merchants of Jiaocheng County created the *Jiaocheng-she*, they adopted *Jiutian-xuannü* 九天玄女 (literally “the ninth heaven mysterious goddess”) as their main cult, concentrating their activities at the shrine for the goddess over the next two hundred years.<sup>92</sup> The practitioners of the various construction-related businesses all worshipped

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<sup>90</sup> The god of fortune has different incarnations in late imperial Chinese society. As we mentioned, in the south, merchants also prayed to Lord Guan for wealth and fortune. But generally, it was a certain legendary figure General Zhao Gongming who was mostly conceived as the god of fortune. In North China, the role was often associated with Bigan, the righteous and loyal minister, and a brother of the notorious last king, King Zhou, of the Yin Dynasty.

<sup>91</sup> Like the God of Fortune, the Goddesses of Fertility also had many incarnations in the folk religion. Thanks to its grassroots nature, it is very difficult to identify the origins of the cult. In Shanxi, as in Hohhot, the Goddesses of Fertility were normally known by the vulgar name of Zisun Niangniang, or the Empress of Sons and Grandsons. In the southern provinces, it was often the Guanyin Bodhisattva that was believed to be the one to listen to prayers for fertility. An incarnation of the Guanyin was known as the Songzi Guanyin, or the Son Delivering Guanyin.

<sup>92</sup> The Jiutian Xuannü is a very mysterious deity in Chinese folk and Daoist religion. While the

Lu Ban, the master carpenter of the Spring and Autumn period. In sum, through the establishment of *she* organizations in Hohhot, Shanxi merchants not only formed a social structure to facilitate co-operation and mutual help, but also created religious spaces to ground their precarious spiritual state. In the process, they transformed the religious landscape of the Mongol city.

### **Lord Guan Comes to the Frontier**

In the spiritual sphere, Shanxi merchants had an unlikely ally in the Manchu Court. From early on, even before the initiation of *she* activities, it was the Manchu state that first acted to transform the religious landscape of Hohhot by introducing deities from the Chinese tradition, creating the space for merchants to anchor their *she* activities. The Manchu rulers, as it turned out, not only presented themselves to their Mongol subjects as protectors of the Buddhist faith, or the incarnation of Chinggis Khan in the way that recent New Qing History scholarship has brought to our attention,<sup>93</sup> but also provided the conduit for Chinese religions to penetrate the Mongolian steppe. Such a move was intended. The great appeal of Tibetan Buddhism on the steppe spiritually pivoted the Mongol population westward toward Lhasa instead of eastward toward Beijing, posing a serious challenge to the legitimacy of Manchu rule over them. In

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Mongol Superintendent Danjin oversaw the construction of this temple, with his Manchu and Mongol underlings contributed the funds. Imahori, N20.

<sup>93</sup> For examples of such scholarship on the ruling ideology and religions of the Qing empire, see Pamela Kyle Crossley, *A Translucent Mirror: History and Identity in Qing Imperial Ideology* (Berkeley: University of California Press, 1999); Johan Elverskog, *Our great Qing—the Mongols, Buddhism and the state in late imperial China* (Honolulu: University of Hawai'i Press, 2006); James A. Millward, Ruth W. Dunnell, Mark C. Elliott, and Philip Forêt eds., *New Qing imperial history—the making of Inner Asian empire at Qing Chengde* (London and New York: Routledge Curzon, 2004).

response, on the one hand, the Manchu court cultivated a strong relationship with Tibetan Buddhist establishment, built temples in Beijing and Chengde, and made the Manchu emperor an essential constituent of the Buddhist faith.<sup>94</sup> On the other hand, the Qing state also eagerly promoted a set of deities and religious practices with Chinese origins to the Mongol steppe, especially in administrative centers and military strongholds, with the aim of constructing an alternative celestial order—an order akin to that of North China and familiar to the newly arrived Shanxi merchants. In Hohhot, with the guidance and endorsement from the imperial court, Manchu officials, and soldiers led the way in creating new religious spaces and worshipping Chinese deities, such as the aforementioned City God and the *Jiutian-xuanni*. The early introduction of these deities also facilitated the Shanxi merchants' establishment of their *she*. But it was the cult of Lord Guan that assumed particular significance both to the Qing Empire and to the Shanxi merchants.

Lord Guan, or Guan Yu 關羽, is a popular almighty deity who originated as a historical figure. A warrior from the end of the Han Dynasty, Lord Guan was known for his martial prowess as well as his unequivocal loyalty to Liu Bei, his sworn brother and master. Guan followed Liu, who was originally a humble member of the Han imperial family, and assisted him to create a domain that was to become the self-proclaimed successor to the Han Dynasty. Lord Guan was murdered after a betrayal by his allies and a heavy military defeat, a watershed event that shaped the history of the so-called “Three Kingdoms.” Soon after death, he was deified in folk religion. His status rose

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<sup>94</sup> For a series of related articles on related history, see James A. Millward, Ruth W. Dunnell, Mark C. Elliott, and Philip Forêt eds., *New Qing imperial history—the making of Inner Asian empire at Qing Chengde*.

during the Song Dynasty, whose military ineptitude called for the protection of a powerful military hero. By the late Ming, the folk god obtained imperial seal of approval, and history became entangled with miracles. Partly thanks to the wide circulation of the Three Kingdom tales in popular culture, such as in theater performances, oral story-telling, and vernacular fiction, Lord Guan emerged as one of the most revered gods in Chinese society, and received imperial recognition as an omnipotent protector of state.<sup>95</sup>

The cult of Lord Guan spread to Manchuria in the seventeenth century, becoming a Manchu religion. The Manchus, as a rising confederacy of semi-nomadic warriors, were so enamored with the war stories of the Three Kingdoms that they wholeheartedly accepted the beatification and glorification of Lord Guan. Even before their conquest of the Ming territory, they had already become devout believers in Lord Guan's celestial power. The early Manchu rulers attributed their successive military feats to his divine interventions, turning the Chinese military god into the protector of

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<sup>95</sup> The beatification and ascendance of Lord Guan in history has been studied in great detail in Chinese scholarship, and there are a number of books published on this topic. A few relatively new works stand out. Cai Dongzhou and Wen Tinghai delineate the history of the cult of Lord Guan, starting from reconstructing the historical facts of his life, to the faith in contemporary overseas Chinese communities. See Cai and Wen, *Guanyu chongbai yanjiu* (Chengdu: Bashu shushe, 2001). Hu Xiaowei offers more in-depth analysis on a number of issues in the history of Lord Guan cult, such as the moral teachings of Lord Guan in folk religions in late imperial period. See Hu Xiaowei, *Guangong chong bai su yuan* (Taiyuan, Bei yue wen yi Press, 2009). For the evolution of Lord Guan's image in literary and religious texts, see Liu Haiyan, *Cong minjian dao jingdian—Guan Yu xing xiang yu guan yu chong bai de sheng cheng yan bian shi lun* (Shanghai: Sanlian shudian, 2004). So far the studies on the history of the cult of Lord Guan has not received due attention in the Anglophone scholarship. Presenjit Duara briefly analyzed the symbolism of Lord Guan in the context of village culture in north China (Duara, 1988). Barney J. ter Haar has published a paper on the Lord Guan worship and the legal/social function of the Lord Guan temple, see ter Haar, "Divine violence to uphold moral values: The casebook of an Emperor Guan temple in Hunan province in 1851-1852", in *Law and Empire*, eds. Jeroen Duindam, Jill Harries, Caroline Humfress, and Nimrod Hurvitz (Brill: Leiden, 2013), 314-338. He has been working on a book-length monograph on the cult, which is yet to be published.

the fledgling Manchu state.<sup>96</sup> In 1643, one year prior to the conquest of Beijing, the court established the first imperial temple dedicated to Lord Guan in Shengjing.<sup>97</sup> As soon as they entered Beijing, they began building a great new temple in the city and shrines at every city gate for protection. One after another, the Manchu stamped every new place they conquered with the construction of a temple for the ancient hero. The Mongol city of Hohhot was no exception. As early as 1648, within twelve years of the Tumed's submission to the Manchu rule, the first Lord Guan temple was built in the city. With the westward expansion of the Qing Empire, the construction of Lord Guan temples spread across not only Manchuria, China proper, and Inner Mongolia, but also Outer Mongolia, Zungharia, Islamic oasis cities of southern Xinjiang, and Tibet.<sup>98</sup> Stories of Lord Guan performing miracles in assisting the Qing military on the battlefield abounded. Throughout the Qing Dynasty, after every military victory—whether it was a conquest or quashing rebellions—the Qing state always held ceremonies at these temples to pay tribute to Lord Guan in gratitude for his assistance, for he was now considered the god of war and the primary guardian of the empire.

Outside the court, the cult of Lord Guan was popular among Manchu commoners, being one of the three gods that almost every Manchu household worshipped at home, and was regarded as the custodian of the fate of the Manchu

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<sup>96</sup> For a more detailed analysis on the changes in imperial worship of Lord Guan between the Ming and the Qing dynasty, see Zhu Haibin, *Jisi zhengce yu minjian xinyang bianqian: jinshi Zhejiang minjian xinyang bianqian* (Shanghai: Fudan University Press, 2008), 52-60.

<sup>97</sup> For the early Manchu rulers' fascination with the Three Kingdom tales and their worship of Lord Guan, see Zhuang Jifa, “Cong saman xin yang ji mi mi hui dang de sheng xing fen xi qingdai guandi chong bai de pu ji,” in *Qing shi lunji* vol. 1 (Taipei: Wen shi zhe chu ban she, 1997). Also see Zhang Deyu, “Shilun manzu de guanyu chongbai,” in *Manzu fayuandi li shi yanjiu* (Shenyang: Liaoning min zu, 2001), 418-423.

<sup>98</sup> See Cai and Wen (2001). For the spread of the faith in Xinjiang, see Qingshun Qi, “Qingdai xinjiang de guanyu chongbai,” *Qing shi yanjiu*, no.3 (1998): 101-106.

people.<sup>99</sup> Wherever Manchu garrisons and living quarters existed, a Lord Guan Temple would be established, for the cult constituted the spiritual core of the garrison experience. If we agree with Mark Elliot that there was a “Manchu Way” in institutional and cultural realms that sustained the coherence of the conqueror, the faith in Lord Guan was one of its defining elements. In this way, Lord Guan, originally one of numerous folk deities of China, became the spiritual core of the Manchu way. Interestingly, the faith in Lord Guan as the guardian of the Manchus was still lingering within the imperial palace even after the abdication of the last Manchu Emperor. During Zhang Xun’s short and farcical coup to restore the empire in 1917, it was rumored among the remaining eunuchs at the old palace that Lord Guan was once again tirelessly performing miracles to assist them.<sup>100</sup> Alas, this time, his magic did not work.

The Manchu court was eager not only to promote the cult across the empire, but also to shape the meaning of it. While Lord Guan attracted the conquerors for his military prowess, the Manchu court emphasized another symbolic meaning of the god to their Chinese subjects: unequivocal loyalty to one’s master, i.e., the conquest dynasty. Over the course of the Qing Dynasty, Manchu emperors, one after another, granted titles to the ancient hero, elevating him to the highest status in the rank of deities and saints in the Daoist, Buddhist and even Confucian traditions. For instance, during the Qing, Lord Guan was officially and formally recognized as the ultimate

<sup>99</sup> According to Chongyi’s observation, the other two being the God of Horse, and Guanyin Bodhisattva, see Chongyi, *Dao xian yi lai chao ye chao ji* (Beijing: Beijing Gu ji chu ban she, 1982), 53. But according to the 1891 *Jilin Gazetteer* (*Jilin tongzhi*) notes the three gods that the Manchu household worshipped at home being Guanyin Bodhisattva, Lord Guan, and the god of land. Also see Hou Jie, “Guangong xin yang yu zhongguo she hui—yi ming qing yi lai de huabei di qu wei zhong xin,” in *Zhongguo gu dai she hui gao ceng lun tan wen ji* (Beijing: Zhongguo shu ju, 2011), 719-731.

<sup>100</sup> See Cai and Wen (2001).

military saint, with equal status to Confucius. The actual influence of Lord Guan in society even surpassed that of Confucius. Whereas Confucian Temples were primarily concentrated in cities, the Lord Guan temples, under the encouragement of the state, were so widespread that they even existed in small rural settlements. Across the Qing territory, it was common to find over twenty Lord Guan Temples within the same county, while there would be only one Confucius temple. To put it differently, the influence of the cult of Confucius was limited to the scholar-literati elite; the cult of Lord Guan, in contrast, penetrated the lower echelons of many a local society.<sup>101</sup> Given the centrality of the cult for Manchu rule, Lord Guan temples usually boasted the most impressive architecture in the host communities.<sup>102</sup> In short, thanks to the effort of the Qing state, the cult of Lord Guan emerged as the most widespread, most influential, and most revered popular religion in China.

In this way, through active promotion and manipulation of the meaning of the Lord Guan cult, the Qing court not only forged a spiritual bond between the Manchus and the Chinese, between the conquest dynasty and the vast number of the Han subjects, but also formed a religious knot that tied different parts of the empire together. For one thing, the Qing state created a set of official rituals of sacrifice, ordaining under the Yongzheng Reign that all local officials perform rituals to pay tribute at the Lord Guan

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<sup>101</sup> Historian Guo Songyi compiled a table that listed the number of Lord Guan temples in dozens of Chinese counties, see Guo Songyi, “Lun mingqing shiqi de guanyu chongbai,” *Zhongguo shi yanjiu* (1990, no.3): 127-140.

<sup>102</sup> In Shengze, a silk producing town in the Yangtze Delta where I grew up, the Lord Guan temple used to occupy a large area and had the most awe-inspiring halls. The temple was a center place for the entire town community prior to its destruction during the Cultural Revolution.

Temple three times a year in spring, summer and autumn respectively.<sup>103</sup> In Mongolia and Manchuria, as well as in China proper, Mongol generals, Manchu ministers and Confucian scholar-officials were all required to participate in the same rituals at the Lord Guan temples on the same dates—a ritual symbolizing their loyalty to the court. These simultaneous practices created a shared culture within officialdom, regardless of their divergent ethnic origins and cultural habits. The failure to attend such sacrificial ceremonies, especially on the part of the powerful generals on the frontier, could easily be interpreted as an act of defiance toward imperial authority.<sup>104</sup> Admittedly, as the New Qing history scholarship has highlighted, the Qing Empire ruled its vast territory with a principle of divide and rule — ruling the different ethnic groups according to different cultural and institutional norms. Nevertheless, the promotion of the cult of Lord Guan, aimed to create an ecumenical religion of loyalty within the multi-lingual and multi-cultural officialdom of the empire.

In Mongolia, Lord Guan played a special role in facilitating Manchu control of the Mongols. The Manchu court often invoked Lord Guan's sworn brotherhood with Liu Bei, his master, to describe the relationship between the Mongols and the Manchus, implicitly analogizing the Mongols to the ancient hero. That is because Nurhaci, the founder of the Qing state, formed a sworn brotherhood with a number of Mongol princes. The subsequent meteoric rise of the Qing, to a great extent, was the result of the military alliance between the Manchus and different sections of the Mongol forces at

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<sup>103</sup> Zhang Deyu (2001), 418-423.

<sup>104</sup> In an unpublished diary from 1881, Xianglin, the Manchu civil minister of Uliasutai in Outer Mongolia, suspected the governor-general of Uliasutai, a Mongol, of disloyalty to the Qing court for the reason that he failed to attend the ritual at the Lord Guan Temple with the excuse of illness. This diary is held in the Fu Si-nien Library of Academia Sinica in Taipei, ROC.

critical historical moments. Just as Lord Guan was loyal and helpful to his brother and master, the Qing expected the Mongols to follow Lord Guan's example.<sup>105</sup> To this end, they actively advocated the cult in Mongol society. In addition to sponsoring the construction of Lord Guan temples in Manchu garrisons across Mongolia, the Qing court also endeavored to install the Chinese war god into the theological genealogy of Tibetan Buddhism. During the Yongzheng and early Qianlong reigns, when the tensions between Beijing and the Zunghars were escalated and wars frequent, the third Changkya Khutukhtu, the highest representative of Tibetan Buddhism in Inner Mongolia and preceptor for the Qianlong emperor, created mythical tales about the power and virtues of Lord Guan, claiming to have met the deity on the road and received his assistance and protection.<sup>106</sup> During that period, the Changkya Khutukhtu formally established the Chinese-Manchu god also as a protector of the Tibetan Buddhist faith, and created an elaborate set of texts and ritual practices for the Mongols to worship him. Lord Guan thus assumed top status as an omnipotent god in Tibetan Buddhism, and as the protector of the faith; he was depicted as the sole divinity with the responsibilities and powers to fight all evils that harmed Buddhist teaching. In this way, a reverse analogy was also suggested: because Lord Guan was promoted by the Manchu court as the symbol of the imperial power of the Qing, his protector status in Tibetan Buddhism sent out a strong message to the Mongols that the Manchu Empire was the guardian of the Buddhist faith, and equally the protector of all the Mongols. Through such theological innovations, Lord Guan gradually emerged as a widely revered and

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<sup>105</sup> Cai and Wen (2001).

<sup>106</sup> For the detailed stories of Changkya Khutukhtu's encounter with Lord Guan, see Jiamuyang and Kaichao, *Neimenggu fojiao yu siyuan jiaoyu*, (Beijing: Zhongguo shehui kexue press, 2013), 236-239.

piously worshipped deity in Mongol society, and to a less extent also in theocratic Tibet, which was brought under the imperial gaze during the Yongzheng reign.<sup>107</sup> It is fair to say that while the Manchus had borrowed the military power of the Mongols to conquer China proper, the introduction of the Lord Guan cult into Mongolia stood for the Manchu-Chinese alliance that became increasingly important for the Qing Empire to firmly subjugate the Mongols. The Manchus were not only able to mobilize Chinese economic might and borrow from the rich institutional resources of previous Chinese empires to rule the Mongolian steppe, they were also able to tap into the religious and cultural resources of the Chinese tradition, creatively reinterpreting, and applying them to the northern frontier.

To sum up, the Manchu court, through relentless efforts, transformed the cult of Lord Guan, a deity with deep roots in Chinese history and popular culture, into the guardian of the Manchu people, the most noble saint in Confucian China, and above all a universal imperial god who was integrated into various religions while also rising above each of the regional traditions. For the Manchu court, the faith protected and propelled the power of the empire, while the spread of the faith symbolized the extending influence of such power. Yet through the construction of temples, regularized ritual performances, and the creation and spread of theological texts and mythological tales, the faith also gradually took root in the various cultural communities of the empire. While it symbolized different things to different people, its meanings were also united in the sense that it signified the god-blessed glory and prowess of the universal empire. In short, the religion was not merely what the empire created, but also what

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<sup>107</sup> For a detailed account of the introduction of the cult of Lord Guan into Tibetan Buddhism, see Yi Wang (2013), 42-47.

enabled the empire to work: under the Qing, the Lord Guan cult emerged as a commonly shared religious symbol for the Han Chinese, Manchus, Mongols, and other various ethnic groups of China. It fostered a sense of imperial unity, no matter how slight, which rarely existed in preceding periods of Chinese history when wars, tensions, and hatred between the Chinese state and the steppe were the norm rather than the exception.

Considdr Uliastai, the administrate center of Outer Mongolia. Here, the Lord Guan temple formed the spatial pivot of the empire on the ground, as we are informed by the Manchu minister Xianglin's unpublished diary from 1882.<sup>108</sup> The temple was managed by two old merchants from Shanxi, who had retired from the toils of the long distance Sino-Mongol trade without much success. Unwilling to return home empty-handed, they stayed put in Outer Mongolia to manage this temple. Xianglin, a Manchu who grew up in Beijing and now the joint top civilian official in Outer Mongolia, frequented the temple every other day, not merely to seek divine inspiration, but also for mandate company: tea, good old stories, and local knowledge from these two failed Chinese merchants. On designated dates of the year (the thirteenth of May, the twenty-fourth of June and one certain day in September in lunar calender), all the Manchu and Mongol officials in the city, including the Uliastai General,<sup>109</sup> the highest ranking imperial representative in Outer Mongolia, as well as government runners, which consisted of both Mongol and Chinese men, would convene at the temple early in

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<sup>108</sup> Xiangling Diary, Academia Sinica.

<sup>109</sup> The Deputy General of Pacifying the Frontiers, or simply known as the Uliastai General, was the highest imperial post in Outer Mongolia, and always held by a Mongol prince. For a detailed history of this post, see Li Yushu, "Dingbian zuofu jiangjun kao," in *Waimeng zhengjiao zhidu kao* (Taipei: Academia Sinica, 1978), 1-104.

the morning to pay tribute to the god. But at that particular historical juncture, in late nineteenth century, the Manchu empire's grip on Outer Mongolia was loosening, and the Mongols' resentment against the Qing began to surface. The ceremonies at the temple, with all the imbued political message of togetherness and loyalty, also became a source of tension. At one point, when a Mongol prince failed to attend the ritual for health reasons, Xianglin suspected his disloyalty toward the imperial court. Such an incident reveals how important the Lord Guan temple rituals were considered by Qing officials, and how symbolic it had become for the empire. Indeed, there are few better places to find the multi-ethnic, multi-cultural Qing Empire at work on the ground than the Lord Guan Temples in Mongolia.

### **Lord Guan as the God of Shanxi**

But besides imperial symbolism and political machinations, there were more local reasons behind Lord Guan's popularity. Lord Guan meant different things to different people; the Manchu court was never able to monopolize the meaning of the cult. Scholars have already traced the origins of various aspects of the multivalent deity in Chinese popular society, such as his role as the god of war and protection, of justice, of rain, of business, of wealth and fortune, and sometimes even of fertility.<sup>110</sup> But as Duara pointed out, symbols and beliefs are not separate but closely intertwined.<sup>111</sup> While the Manchu empire formed beliefs in Lord Guan's martial prowess and unyielding loyalty to his master, the deity became popular among sojourning merchants,

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<sup>110</sup> For the different aspects of the Lord Guan faith in the popular society of the Qing era, see Huang Huajie, *Guangong de ren ge yu shen ge* (Taipei: Commercial Press, 1967); also see Cai and Wen (2001).

<sup>111</sup> Duara (1988).

tradesmen, vagrants and gangsters because he symbolized commitment to one's word and loyalty to a sworn brother—an ethic of camaraderie and trustworthiness between people without blood ties.

His growing popularity in the late imperial period, and especially during the Qing, was therefore also indicative of the massive changes taking place in Chinese society, namely commercialization, urbanization, and mass migrations resulting from the explosive expansion of the empire. With these changes, people became dislocated and dispersed, resulting in ever expanding communities of total strangers, communities that were deprived of the primordial kinship ties and pre-existing neighborhood relations.<sup>112</sup> As literary scholar Tina Lu illuminated in her study of the late Ming and early Qing fictional writings, the emergence of such a society of strangers caused a general sense of moral confusion and ethical chaos.<sup>113</sup> But for all that, people still needed to negotiate the challenges in such a society of strangers, like that of Shanxi merchants in the city of Hohhot to form mutual assistance groups, business alliances, and transactional relationships. In the process, the social construction of trust between individuals without kinship ties would lead to a focus on loyalty and trustworthiness toward one's friends, comrades, and business partners, of which Lord Guan stood as a perfect example. The strong bonds between Guan and his sworn brothers Liu Bei and Zhang Fei emerged as the ideal model of male sociability; sworn-brotherhood became

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<sup>112</sup> Huang Huajie associates the growing popularity of the Lord Guan cult throughout the Qing with the gradual breakdown of self-sufficient, kin-based communities and the emergence of multi-surname settlements, sojourning merchants, and marginalized vagrants. While sojourning merchants and marginalized vagrants were increasingly prevalent, there is no conclusive evidence to suggest that the emergence of multi-surname settlements could be directly attributed to the breakdown of self-sufficient, kinship-based communities.

<sup>113</sup> Tina Lu, *Accidental Incest, Filial Cannibalism, and Other Peculiar Encounters in Late Imperial Chinese Literature* (Cambridge: Harvard University Asian Center Press, 2009).

widely used as an institutional means for consolidating friendship and cementing trust. Ironically, many secret societies of the Qing era that consisted of social vagrants and anti-Manchu rebels began with an initiation process involving oath taking and forming artificial brotherhood in front of the very god that the Manchu court deemed their own guardian. By the same token, Lord Guan also reigned as the supreme god of the market, since merchants need the all-powerful gaze of the deity to ensure each other's honest and good behavior. In Hohhot, in 1721, *Chengjing-she*, the association for migrants from Taiyuan Prefecture, dedicated a plaque to the Three Sages Temple, in which the sworn brothers of Liu Bei, Lord Guan, and Zhang Fei were worshipped together, explicitly extolling their strong bond as "true brothers out of different surnames."<sup>114</sup> By doing so, they wished that strong trust and loyalty could govern the relationship between *Chengjing-she* members, who shared no blood ties. A society of strangers, in this way, was transformed into a society where every person within the imperial realm could be "brothers without the same surname."

Despite the universality of his appeals in the Qing empire and in Chinese society, Lord Guan was, first and foremost, a native of Shanxi Province, who thus held special meaning in the local societies of Shanxi, and in particular, for Shanxi merchants who were sojourning elsewhere. For them, Lord Guan was not the universal god that every traveler looked up to, but rather a deity who defined their common provincial identity, a patron saint of the Shanxi business community. All *Shanxi-huiguan* 山西會館, or Shanxi provincial clubs in the cities and market towns across the Qing Empire, held Lord Guan's statue in the center of the halls as their primary god. In many cases,

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<sup>114</sup> Imahori, A7.

such as in Kaifeng and Liaocheng, *Shanxi-huiguan* and the Lord Guan Temple were integrated into the same structure; even the two institutional terms were used interchangeably in the lexicon of their host places. That is to say, when the Qing emperors promoted the cult across its various territories to subordinate their subjects, the Shanxi merchants, who roamed across the empire for commercial opportunities, actively contributed to and at the same time benefited from the growth of the imperial religion.

The degree of popularity that Lord Guan enjoyed could be partly accounted for by the power and influence of the Shanxi business network, because in many places, the businessmen of Shanxi were the most avid contributors to the building of Lord Guan temples. It is the success and wealth of the Shanxi merchants that shaped the image of Lord Guan as the god of fortune in the eyes of outsiders.<sup>115</sup> Overall, the imperial court, the Manchu ruling class, and Shanxi merchants, despite their divergent interpretations of the meaning of the divinity of Lord Guan, were fatefully united under the same symbol, forming an axis of power and wealth pivoted around the same god. While the Manchus promulgated through the religion the glory and clout of the all-conquering empire, the Shanxi merchants, by idolizing their provincial god, spread the image of the successful, skillful, and trustworthy businessmen.

Nowhere was the Manchu-Shanxi and political-business axis more evident than in the newly developing settlements and urban community of Hohhot, and nowhere in Hohhot was such an axis more prominent than in the temples dedicated to Lord Guan. By foregrounding their adoration of Lord Guan as the supreme god, Shanxi merchants

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<sup>115</sup> Guo Songyi (1998). Interestingly, such an aspect of his multivalent power was notably absent in the local societies of Shanxi.

effectively took advantage of his official status to further their own beliefs and collective interests. These merchants built shrines and temples to house their respective *she* on the premises of Lord Guan temples, relying on the official endorsement of the Chinese god to lend legitimacy to their more mundane and functional cults, such as the various trade gods. Such a strategy of attaching innocuous folk cults to official religion was also noted by historian Zhao Shiyu in the case of Beijing's Eastern Mountain Temple. Because the temple was the site of important imperial sacrificial rituals, the tradesmen of the construction industry created their Lu Ban chapel inside it.<sup>116</sup> In the eighteenth century, Shanxi merchants in Hohhot turned the first Lord Guan Temple, which was located on the Eastern Street inside the original city and built by the Manchus in 1648, into an early center of *she* activities. It housed a number of trade associations, such as the *Mawang-she* 馬王社 (Carters guild), *Jinlong-she* 金龍社 (tea traders guild) among others, which we will go in detail in the next chapter.

Over the course of a century, Lord Guan Temples mushroomed in Hohhot. When the little Mongol city sprawled into adjacent areas, three major districts took shape outside the city wall, namely the northern ward, the western ward, and the southern ward. Under the watch of the Manchu state, each of the three newly developed districts built their own Lord Guan Temple as the spiritual center of the ward. The residents of the wards, mostly hailing from different counties and prefectures of Shanxi, and plying different trades, all contributed significantly to the construction, renovation, and maintenance of these temples. Over time, these temples grew into substantial

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<sup>116</sup> Zhao Shiyu, “Luban hui: qing zhi minguo chu Beijing de jisi zuzhi yu hangye zuzhi,” in Zhao Shiyu, *Kuang huan yu ri chang: mingqing yilaide miaohui yu minjian shehui* (Beijing: sanlian press, 2002), 379-405.

religious compounds, where various merchant organizations, including both native-place *she* and trade-based *she*, built shrines for their own cults next to the main hall for the martial god. For instance, the northern district, which sprang up around the market for pack animals, created a Lord Guan Temple that contained a shrine for the gods of the stables (worshipped by the dealers of horses, camels, mules, oxen and sheep, who also contributed to the construction of the main temple).<sup>117</sup> To sum up, under the shared religious symbol in the shape of Lord Guan, the Manchu empire and the merchants of Shanxi formed an intriguing alliance. While the empire needed the merchants' resources to help spread the symbol of imperial prowess in the Mongol city, the merchants, by contributing to the imperial project, also transformed these state-endorsed religious sites into centers of merchant organizations.

Shanxi merchants also surreptitiously reshaped the meaning of the Lord Guan cult, as illustrated in the aforementioned Three Sages Temple. Constructed in 1723 by Manchu soldiers and Chinese merchants together, it served as the seat of the Grand Guild of the city until the early twentieth century. Dedicated to Lord Guan, Liu Bei, and Zhang Fei, brothers of different surnames, the temple directed the interpretation of the Lord Guan cult toward emphasizing the strong bond between the deity and his sworn brothers, making it the perfect venue for the Grand Guild, which became the center of power in the business community of Hohhot.<sup>118</sup> But such a temple dedicated to the three brothers together was a rarity, which was not to be seen elsewhere in the Qing

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<sup>117</sup> Imahori.

<sup>118</sup> We will discuss in more details about the history of the Grand Guild of Hohhot in the next chapter.

Empire.<sup>119</sup> Such rarity indicated its ideological oddity. After all, despite their sworn brotherhood, and despite the deification of the martial hero, Lord Guan was still a subject of Liu Bei, a descendent of the Han imperial house and later self-proclaimed emperor. How could they be worshipped on the same altar as equals? “Wise men are afraid that such arrangement are violating the proper rituals between the master and his subjects,” as the famous Confucian scholar and gazetteer writer Zhang Ceng pointed out. “It goes against the morality that the state exhorts the people to rank Guan, Liu and Zhang equally as three sages. This must be rectified.”<sup>120</sup> Indeed, Zhang hit the nail on the head. Merchants’ interpretation of the meaning of the cult was at odds with that of the state. While the imperial court promulgated the hero’s loyalty as a subject toward his master, the merchants emphasized his faithfulness as a brother toward his brothers, and as a friend toward his friends. Zhang Ceng’s comments revealed the incongruity and tensions underneath the axis of power between the Manchu Empire and Shanxi merchants; the long service of the Three Sages Temple as the venue of the Grand Guild, meanwhile, provided a vivid manifestation of how the merchants skewed the imperial religion to their advantage.

Eventually, the Manchu Empire’s promotion of the Lord Guan cult opened the gate for many other Chinese deities to take root in Mongolia, permanently altering the religious landscape of Hohhot. On the one hand, the introduction of new deities provided the spiritual pivot for Chinese migrants and sojourners to create *she* organizations and continue rituals and practices associated with the *she*. On the other

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<sup>119</sup> In fact, as far as I know, the three sages temple of Hohhot was probably the only one of its kind.

<sup>120</sup> *Gufeng shilue*.

hand, such *she* organizations mobilized financial resources and constructed temples and shrines dedicated to Chinese gods. While primary sources regarding the activities of native-place *she* in Hohhot are hard to come by, there are plenty of stele inscriptions from the eighteenth century that testified to their critical roles in the construction and renovation of temples. By the end of the Qing, at least forty-eight Chinese temples existed in the city of Hohhot. The merchants had turned the frontier city into a new home.

## Conclusion

Over the course of the eighteenth century, men of Shanxi who responded to the call of the Qing state and arrived in Hohhot created the first series of bottom-up merchant organizations on the northern frontier of the empire—the native-place *she*. Just as historians have traced the origins of key commercial and social organizations in the Chinese communities in early modern Southeast Asia, such as *gongsi* 公司 to the lineage-village-axis of South China,<sup>121</sup> so the merchant organizations on the northern frontier followed similar adaptational trajectories.<sup>122</sup> In Hohhot, commercial sojourners brought a time-honored temple organization of rural Shanxi to the frontier, transforming it to suit the conditions and contingencies of the frontier.

*She* as an organizational form was particularly suited for the migrant-merchants, but it benefitted from the unintended support of the Qing Empire as well. As I have

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<sup>121</sup> Jianchun Huang, “shiba shiji xipoluo zhou huaren gongsi yu minyue cunshe texing de guanlian,” in *Minnan wenhua xintan—di liu jie haixia liang an minnan wenhua yantaohui lunwen ji* (Fuzhou, Haixia press, 2010), 607-617.

<sup>122</sup> Christopher Isett (2007).

emphasized, *she* constituted a primordial form of social organization in late imperial China that provided the institutional platform for unrelated individuals to build communities together. While lineage and clan organizations relied on kinship ties and a special set of social-cultural practices to strengthen such ties, in contrast, the *she* was first and foremost defined by the centrality of religious beliefs and ritual practices shared among its members. In the Mongolian frontier dominated by exotic Tibetan Buddhism, the creation of *she* organizations among Chinese migrants also entailed the migration of Chinese gods. And it was none other than the Manchu court that took the lead in transforming the religious landscape of Mongolia by promoting the cult of Lord Guan, the god who was worshipped by both the Manchus and the Shanxiers --- a fortuitous yet fateful combination. The belief in the divine power of Lord Guan not only facilitated the solidarity of the Chinese community of Hohhot, but also created a spiritual bond between these Chinese migrants and the Qing Empire.

Deities traveled, and so did institutions. But once they became entrenched in a new social environment, their evolution took on a trajectory of its own. In Hohhot, the native-place *she* was a transitional organization en route to a more powerful form. Despite their early impact, their influence petered out after the end of the eighteenth century. Among the twenty-one native-place *she* that I listed in the first section of this chapter, twenty were created in the eighteenth century. After 1790, only one (*Taiping-she*) was added. In other words, for the majority of the nineteenth century, there were barely any new ones being created. While the eighteenth century steles constantly mentioned contributions from native-place-*she*, their appearances in such texts became much rarer in the nineteenth century. In sharp contrast to Beijing, Hankow,

Suzhou, Shanghai, and other major cities of China, where native-place *huiguan* continued to perform many crucial socioeconomic functions until the Republican era, in nineteenth century Hohhot, the native-place-*she* had become marginalized. The leadership role in the merchant communities fell into the hands of a new form of *she*. It is the new *she* that we will now turn to.

## FIVE

### *Merchants at the Helm: The Rise of Trade Guilds and the New Order of Hohhot*

For the majority of the eighteenth century, two forms of merchant organizations played important roles in the increasingly prosperous city of Hohhot. On the one hand, as I have discussed in Chapter Three, the Qing state categorized merchants by division of trade, organizing the practitioners of the same line of business into a *hang*. The *hang* organizations were also imbued with the power to oversee the merchant communities and to extract resources from them. On the other hand, the merchants also created, from bottom up, dozens of native-place *she* organizations for mutual assistance and social support, as I have delineated in the preceding chapter. Through the *she*, fellow countrymen from the same counties formed a fraternal society that was structured around a common cult, religious space and ritual activities. These two forms of organization, albeit different in origin and structure, constituted the primary forces that turned the small city of migrants and sojourners into a vibrant urban society.

Nevertheless, by the turn of the nineteenth century, a fundamental change took place in the institutional landscape of Hohhot. Whereas native-place *she* continued to exist, their influence had waned, partly due to the gradual localization of sojourners and migrants. In the meantime, the *hang* had also lost its vitality. In their place, a new organization emerged in the form of the “trade *she*” created by merchants and craftsmen in the same line of business rather than by people sharing the same native-place identity. While the *hang* was a state-imposed institution, the trade *she* was initially created from

bottom up, representing the interests of merchants. It integrated shared cults, attendant rituals, and democratic principles in organizing merchant communities and coordinating business activities. Since their socioeconomic functions resembled those of the guilds of late medieval and early modern Europe, I will refer to them here also as “trade guilds.”<sup>1</sup>

Based primarily on the 675 stele inscriptions that Japanese scholar Imahori Seiji collected from temples and public buildings of Hohhot in the 1930s and 1940s,<sup>2</sup> this chapter charts the historical trajectory through which trade guilds were created and how they rose to prominence. I argue that during the city’s commercial heyday in the early nineteenth century, the rise of these guilds created a new order in the urban society of Hohhot in which merchants dominated economic and socio-cultural life. I also suggest that the ascendance of the trade guilds in Hohhot contributed to the transformation of Hohhot from a military base into a commercial entrepôt, redefining the state-merchant relationship.

Eventually, the new socio-cultural order of Hohhot would bring about a radical departure from the Confucian ideal of social order that Chinese empires strived to uphold: merchants, not Confucian scholars or gentry-elite, played a dominant role in the governing of Hohhot society. In this new order, the city boasted dozens of trade guilds

<sup>1</sup> Here is not the place to engage in the debate over whether the merchant associations of late imperial China indeed performed the same social functions as the guilds of late medieval and early modern Europe. Nor am I interested in debating whether the term “Chinese guild” is appropriate, because the nomenclature of such organizations in late imperial China varied across space and time. There is not one kind of traditional Chinese organization that dovetailed perfectly with the notion of the guild. For a discussion of the late imperial Chinese institutions and terms that were considered comparable to the European guilds, see Christine Moll-Murata, “Chinese Guilds from the Seventeenth to the Twentieth Centuries: An Overview,” *IRSH* 53 (2008): Supplement 213-247. For an even more detailed and more in-depth discussion of the history of Chinese guilds, see Peng Zeyi, Introduction to *Zhongguo gongshangye shiliaoji* (Beijing, zhonghua shuju, 1995), 1-25.

<sup>2</sup> Seiji Imahori, *Chūgoku hōken shakai no kikō: Kisui (Fufuhoto) ni okeru Shakai shūdan no jittai chōsa* (Tōkyō: Nihon Gakujutsu Shinkōkai, 1955), Appendix, 697-837.

that encompassed the entire spectrum of businesses on the northern frontier and came to structure the marketplace as well as the socio-cultural life of the city.<sup>3</sup> The most powerful among them formed a collective organization known as the Grand Guild that functioned as a de facto autonomous city council.<sup>4</sup> Through the institutional hegemony of their trade guilds, Shanxi merchants sat at the helm of local society on the northern frontier of the Qing Empire.

Hohhot's new order of trade guilds distinguished the frontier city from the commercial centers of China proper. Previous historians have generally agreed that merchant organizations in late imperial Chinese cities underwent a transformation from native-place organizations (*landsmanshaft*) to trade guilds.<sup>5</sup> Nevertheless, in the majority of these market towns and commercial cities, such as Suzhou, Shanghai, and Hankow, despite the gradual ascendance of trade guilds during the Qing era, native-place associations continued to exert unabated influences well into the Republican era (1911-1949).<sup>6</sup> In fact, it was only in Hohhot and a few other cities on the northern frontier that such a theoretical transformation actually occurred, and trade guilds eventually prevailed as the principal form of merchant association at the expense of alternative organization structures.

<sup>3</sup> While we do not know the exact number of trade guilds in Hohhot in the majority of the nineteenth century, by the end of the century, according to the *Guisui daozhi* 歸綏道志 (Gazetteer of the Gui-Sui Circuit), the city boasted forty-five trade organizations, including fifteen major *she*, and thirty minor ones. This number is significant. In the entire Qing Empire, only Hankow, Shanghai, and Suzhou had more trade guilds than Hohhot, which indicates the commercial significance of Hohhot. For a list of these guilds, see Table 4.

<sup>4</sup> The number of the trade guilds that constituted members of the Grand Guild changed over time. Initially the number was twelve, but it was expanded to thirteen, and eventually to fifteen in the mid-nineteenth century.

<sup>5</sup> For instance, see Peter J. Golas, "Early Ch'ing Guild," in *The City in Late Imperial China*, ed. G. William Skinner (Stanford: Stanford University Press, 1977), 555-581.

<sup>6</sup> Even today, the resurgent native-place organizations are playing a critical role in market towns across the country.

## ***Mawang-She* and the Humble Beginnings of the Trade Guild**

The trade guilds of Hohhot began humbly—they originated from within the lower strata of the commercial sector. The beginning of this new form of merchant organization can be traced to the *Mawang-she* 馬王社 (literally “horse king association”), founded in 1732. Named after the Horse King God, protector of pack animals, *Mawang-she* represented the collective power of carriers, horse and mule drivers, and carters—the major force of commodity transportation in and around Hohhot.<sup>7</sup>

The establishment of the *Mawang-she* as an occupation-based rather than native-place-based association could be attributed to the nature of the transportation business and its massive development at the time. As Hohhot was growing into a center of food supply for the military, the grain trade exploded, leading to increased demand for carters. Learning from its past mistakes, the Qing court, as analyzed in the Chapter One, began to entrust and contract private merchants from Hohhot to organize grain delivery

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<sup>7</sup> Imahori confused the *Mawang-she* 馬王社 with the *Madian-she* 馬店社. While the former was the association of the carters, the latter was the association of horse cart brokers. The former was created in 1733. The latter, in contrast, was the institutional successor to *Madian-hang* 馬店行. The reason for the confusion was that both the carters and the brokers worshipped the Horse King God, and initially organized their activities at the same temple. Moreover, Imahori also misread the source “Records of the Consensus on the Regulations of the *Mawang-she*” 公議馬王社條規碑記 (Appendix, F11) from 1874. Imahori thought this marks the creation of the *Mawang-she*, which is completely wrong. As the text indicates, this is merely an inscription that records the creation of new rules for this organization. Imahori also misunderstood the broader meaning of the text. According to this stele inscription, it was recorded that *Mawang-she* decided to contribute and support the maintenance of the official postal road system. Imahori misunderstood this information, and thought the workers in the official postal stations were the founders of the *Mawang-she*. Such misreading of inscriptions is not uncommon in his book. This is one of the reasons why despite his great achievement in amassing so much primary sources, Imahori’s historical analysis is often flawed, which requires serious re-examination and scrutiny.

to Outer Mongolia, which contributed to the rapid development of the private transportation business. These contractors recruited porters, drivers, and carters en masse from Shanxi. Because this occupation had low barriers to entry, numerous poor peasants quickly learned the basic skills, formed teams, and worked as sub-contractors. While some of them were able to invest enough money to possess their own horse or mule, others had nothing but their physical labor to offer. The latter had no other option but to rely on the *luo-dian* 驢店 (mule brokers) and *che-ma-dian* 車馬店, (horse-cart brokers), from whom they hired pack animals and carts. These brokers, in addition to lending out tools, played an intermediary role between state-contractors (or traders) and independent carters, helping the former to find the manpower to transport their goods while helping the carters to obtain jobs.<sup>8</sup>

For the carters, while their livelihood depended heavily on the brokers, their decentralized model of operation created a class of loosely connected grassroots entrepreneurs. Shipping other people's merchandise often constituted the best education for aspiring new traders (as was true for the crew members on board the East India Company's ships). These underprivileged carters, not unlike their seafaring counterparts, were offered a rare educational opportunity. If they were ambitious, smart, careful, and dedicated, they could not only master the trade routes and discover new markets during their travel, but also learn the knowhow and secrets of operating a long distance

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<sup>8</sup> In Mongolia, long distance trade operations in the eighteenth century were often carried out by trade teams that consisted of ten to twenty people. Usually only one or two men of the team were the merchant himself and his associate, or the agent of a firm who was responsible to lead the team and in charge of the entire operation. The rest of the team, in contrast, consisted of carters and camel drivers, who were mostly hired from the market of Hohhot. In the archive of the Superintendent of the Tumed *yamen*, which was housed at Tumed Left Banner Archive in Hohhot, there are records of about one hundred such trade teams that departed from Hohhot.

business.<sup>9</sup> A significant number of the carters did manage to take advantage of their experiences and turn themselves into successful merchants. The founders of Dashengkui, as we have noted in Chapter One, began their career as hired hands in the transportation business.

There are several reasons why carters were the first to organize through the institutional structure of the *she*. For one thing, as the least privileged members of the trading community, carters resorted to the *she* structure to protect their interests. Compared with brokers, merchants, and even craftsmen, carters had neither capital nor irreplaceable skills. On their own, they were often in a weak position when negotiating fees with more resourceful traders or contractors, and generally had a hard time getting a good price for their services, especially with military contractors.<sup>10</sup> Moreover, because of the sheer number of its workforce, the transportation business could not be dominated by carters from the same county or even prefecture, and therefore the existing form of native-place *she* could not cure their woes. Sharing such a plight, carters realized their common interests could only be protected when they organized based on their common economic position, and this heralded the start of the earliest trade guild—the *Mawang-she*.

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<sup>9</sup> Admittedly, not all the carters went beyond the Gobi Desert. In fact, probably the majority of the workforce were occupied with the relatively short-distance transportation between the countryside and the city, especially during the early days of Hohhot's development as a grain market, when grain from the countryside relied on the mule and horse carts to be delivered to the city. Nevertheless, even the short distance on the Mongol steppe covered meant hundreds of miles, as the agricultural population was very much spread out across a vast territory.

<sup>10</sup> As we analyzed in Chapter One, Fan Yubin, a resourceful merchant from central Shanxi with deep connections with the Imperial Household Department, was commissioned to organize the transportation of grain and military supply from interior to the Altai camps during the Yongzheng era. He in turn commissioned many merchants to carry out the plan. Given the seriousness of the matter, the Qing state gave these merchants strong support.

At the same time, the creation of a trade guild among the carters was also an institutional response to the *hang* system that was being simultaneously created by the state. When the Manchus began to organize powerful brokers into *hang* in the early eighteenth century, the carters were still behaving like a pan of loose sand, exacerbating their disadvantaged position in the market place. Due to the sheer number of people, the mobility and the fragmentary nature of the workforce in the transportation business, it was very difficult for the state to directly keep a watchful eye on them, and a large class of mobile laborers always caused great concerns to imperial Chinese officials. With a limited bureaucracy, the state had to rely on intermediaries, namely, the mule, horse, and horse-cart brokers, to indirectly control them, for they were the ones who determined the livelihood of the carters. Utilizing the power of the middlemen to oversee the flow of commodities and people was also a time-tested strategy for successive Chinese regimes, as crystallized in the officially licensed *yahang* or brokerage system—a system begun by the Song Dynasty that remained the key institution of market management in the Qing.<sup>11</sup> By forcing all brokers to take state-issued licenses, and monopolizing the rights to grant them, the state strove to indirectly supervise the market place.<sup>12</sup> While we do not know when the *yahang* system was first

<sup>11</sup> The *yahang* system began to be implemented in the Song and continued all the way to the end of the Qing. For a concise history of the *yahang* in the Qing, see Lin Hongzhuang, “Qing dai *yahang* zhidu de yanbian,” *Lanzhou xuekan* 180, no.9 (2008): 126-129. For a theoretically informed analysis of the business model of the *yahang* in the Qing, see Yan Hongzhong and Li Feng, “Qingdai de *yahang* jiqi jingying tedian,” *Zhongguo shehui jingjishi yanjiu*, no. 1 (2013): 83-91. For an analysis of how the Qing state managed the *yahang* system, see Yan Hongzhong, “Qing zhengfu dui *yahang* de guanli jiqi wenti,” *Qinghua daxue xuebao* 27, no. 4 (2012): 72-80.

<sup>12</sup> For the state regulation and control over the *yahang*, see Yan Hongzhong (2012). Also see Richard Lufrano, “Minding the Minders, Overseeing the Brokerage System in China,” *Late Imperial China* 34, no. 1 (2013), 67-107. Furthermore, see Maura Dykstra, *Complicated Matters: Commercial Dispute Resolution in Qing Chongqing from 1750 to 1911* (Ph.D. diss., UCLA, 2014), 124-170.

introduced by the Qing state to places beyond the Great Wall, these mule and horse cart brokers, along with grain brokers, were very likely the first licensed brokers in Hohhot.<sup>13</sup> When the state began to install the trade *hang* system in Hohhot during the 1720s, the *Madian-hang* 馬店行 (association of horse brokers) and the *Luodian-hang* (association of mule brokers) were among the first to be organized. In fact, the *Madian-hang* would remain one of the most powerful trade associations in Hohhot throughout the next two centuries. The formation of the *Madian-hang* likely raised strong concerns among the carters, who had to do business with the brokers on a daily basis, and spurred them to form their own occupational association. Left out of the *hang* system, they relied on a form of organization familiar to them in their native place and created the *Mawang-she*.

Class and local culture mattered greatly in their choice of *she* as the institutional form of their organization. The situation that the carters of Hohhot faced was not unique. It was in line with developments in the commercial cities of the interior provinces, such as Chongqing and Hankow, where carters, porters, and boatmen were also left out of the *hang* structure and formed their own collective organizations. These laborer groups in the interior provinces generally adopted the appellation “*bang*”

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<sup>13</sup> We do not have documents to demonstrate the origins of the mule brokers, horse brokers, and horse cart brokers. Very likely there were private brokerages in Hohhot since the turn of the eighteen century, but later these private brokers were forced to take officially granted licenses and thus submit themselves to greater official scrutiny. In the Tumed Left Banner Archive in Hohhot, in the files of the superintendent of the Tumed *yamen*, there are thirteen application files of merchants applying to become the licensed broker in the animal market of Hohhot from the thirteenth year of Yongzheng Reign (1735). It suggests that at the latest, by that time, the official brokerage system was already in place. File numbers are 80-02-484, 80-02-485, 80-02-486, 80-02-487, 80-02-488, 80-02-489, 80-02-490, 80-02-491, 80-02-492, 80-02-493, 80-02-494, 80-02-495, and 80-06-04.

(meaning coalitions) for their organizations.<sup>14</sup> In Hohhot, however, the term *bang* never appeared; instead, the groups were denoted by the character *she*, with all its associations with the village life of north China that marked the grassroots nature of these organizations.<sup>15</sup>

What distinguished the *she* from the *bang* was the way it foregrounded the religious and spiritual dimensions of the organization. We have no idea about the origins of the Horse King deity; in fact, Hohhot's *Mawang-she* provided one of the first instances where the Horse King God appeared in historical records.<sup>16</sup> During the Qing era, however, this cult became widely worshipped as dedicated temples and shrines were built across many provinces. It was particularly popular in the north, among the population whose livelihood depended upon the wellbeing of their horses and other pack animals. Military men, couriers, horse dealers, wranglers and carters all worshiped this obscure divinity. Similar to the cult of Lord Guan, the veneration of the Horse King God was also shared between the Manchus and the Han, and spread across different parts of the northern frontier following the expansion of the Qing Empire.<sup>17</sup>

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<sup>14</sup> The term “*bang*” contained derogatory implications, which indicated the lower-class status of its members. In sharp contrast, merchant organizations usually adopted terms such as *huiguan* and *gongsuo*, which originated in the culture of the officialdom. These terms implied the resourcefulness of the merchants, indicating the organization’s ability to construct a permanent site of operation.

<sup>15</sup> For details, see Chapter Four.

<sup>16</sup> The history of horse worship and horse god in China remains quite obscure. Not much research has been done in this regard. For a simple account, see Qiao Li, *Zhongguo hangye shen chongbai* (Taipei: Yunlong Press, 1996), 59-61. For a recent and more in-depth analysis of the culture of the Horse God cult in late imperial Beijing, see Qingping Deng, “Ming Qing Beijing de mashen xinyang wenhua tanxi,” ed. Liqing Zhang, *Renwen jingshen yu dangdai wenhua* (Beijing: Zhongguo zhengfa daxue Press, 2014), 154-174.

<sup>17</sup> Yongzheng Fu, “Mingqing shiqi gansu mashenmiao xingshuai yuanyin kao,” *Qinghai minzu daxue xuebao* 38, no.2 (2012): 68-71.

For the carters, their shared belief in the Horse King God was of paramount importance. They prayed for the protection of their animals—their most valuable assets—and also for the protection of their own lives. Transportation on the northern frontier was a highly risky business. While a significant portion of the work was confined to shuttling grain and agricultural produce between nearby villages and Hohhot, the more profitable jobs involved long distance travels across the Gobi desert to deliver goods to the war zone. This route attracted the most adventurous entrepreneurs, and this was where the greatest fortunes could be made. But with the allure of riches came hazards. In these long distance trips, the carters were gambling with their lives and everything they had, especially during the early 1730s, when the Qing was enduring successive defeats in the steppe. It was not a rare occurrence for carters to lose their way in the desert, or to be robbed and killed in raids. Sometimes they did not even know who raided them.<sup>18</sup> While the military uncertainties were temporary, the extreme conditions of the Gobi desert meant that, even in peaceful times, traversing it could entail great hazards. As a ballad from the nineteenth century warned prospective merchants, crossing the Gobi desert in cold weather was so cruel a task that it could cause permanent damage to one's body.<sup>19</sup> For the carters, to succeed in their jobs, they needed a fair amount of good luck, and they looked to the Horse King God to provide protection as well as psychological assurance.

Shared belief in the Horse King God provided the numerous carters of Hohhot a rallying point to establish their *she* organization. Fragments of two stele inscriptions

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<sup>18</sup> For instance, see the Yongzheng Reign memorial, “The Tenth Year of the Yongzheng Reign, on the eighteenth day of the tenth month.”

<sup>19</sup> Unpublished folk song “Advice to new merchants,” from Liu Jianmin’s private collection, undated.

from the 1730s offer us a rare glimpse into the process through which a *she* organization was actually established. It started with preparation at a mass convention. On an auspicious day in the early summer of 1732, the carters first held a major assembly, which was given the grand name “*Mawang-shenghui*” (The Great Gathering of the Horse King), where they decided to create the *Mawang-she* organization and made preliminary preparations. The assembly took place at the old Lord Guan Temple, where a statue of the Horse King God stood in an eastern side-building on the temple ground.<sup>20</sup> (Most likely, in a way similar to the introduction of the Lord Guan cult to Mongolia, the cult of the Horse King God was also brought to Hohhot by the Manchus, as he was one of the few most widely worshipped deities among the Manchu population.)<sup>21</sup> For the carters, holding the assembly at the Lord Guan Temple invested it with greater authority, for Lord Guan was both the supreme protector for all men of Shanxi and the ultimate symbol of the commitment and loyalty to his “brothers of different surnames.”<sup>22</sup> At the assembly, the carters elected ten individuals to form the first committee of headmen, erecting a stele to commemorate their names.<sup>23</sup> The

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<sup>20</sup> The *Mawang-she* was established in the old Lord Guan Temple on the Little Eastern Street, where a statue of the Horse King God was standing in a side hall of the temple. Nevertheless, this hall also functioned as the base of *Madian-she*. Later *Mawang-she* moved to the Haiku Village the outskirt of the city, when the carters were able to construct a hall dedicated to their Horse King God in the old Dragon King Temple, and based their activities at that site ever since. The rebuilding of the Dragon King Temple there began as early as 1733, when the Horse King Hall was added, see Imahori, Appendix, F1. While we do not know exactly why, it is possible that because most carters operate outside the city, it is easy to set up the base of the organization on the outskirt. It is also possible that they were at a disadvantage against the more brokers, who controlled the more prestigious site inside the city and forced the carters out.

<sup>21</sup> See Chapter Four.

<sup>22</sup> See Chapter Four.

<sup>23</sup> Only personal names, but not firm names, were noted in the list of headmen. This also implies that the early *Mawang-she* was created out of the myriad of individual carters—they were individual proprietors. If it were an organization of brokers, usually their firm names will be

preparation took over a year, and the founding of the organization was formalized at a second convention. In mid-autumn 1733, they reconvened, officially established the *Mawang-she*, and elected a new board of ten headmen to start managing the affairs of the new organization,<sup>24</sup> carving their names on stone.<sup>25</sup> The process by which the *Mawang-she* was established suggests what was involved in creating a new *she* organization: a group of enthusiastic leaders, a large assembly of potential members, a consensus, a religious site, and an inscribed stele to commemorate the event.

The establishment of the *Mawang-she* marked the beginning of the growth of occupation- and trade-based guilds in Hohhot. At around the same time, a number of other trade guilds also took shape, primarily among the less privileged laborer and craftsman groups, though we are unclear about the exact dates of their establishment. For instance, both the *Jinlu-she* 金爐社 (literally, the golden furnace *she*) of coppersmiths and the *Wu-Zhen-she* 吳真社 (literally, Master-Wu *she*) of painters already existed in the early 1730s.<sup>26</sup> These two trades were directly connected with the Buddhist economy of Hohhot. The painters, who were mostly from northern Shanxi, specialized in painting Buddhist murals and coloring statues; the coppersmiths cast

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noted, as according to the contention in Hohhot, headmen selection was often firm-based, rather than individual based.

<sup>24</sup> Imahori, Appendix, B13.

<sup>25</sup> If we compared the name list of the two boards, all headmen have been replaced by the time of the second assembly. It suggests that the people who were in charge of the preparation have fulfilled their tasks, and the daily operation of the *mawang-she* was put in the hands of the new board.

<sup>26</sup> Wu Zhen 吳真 is the name of Master Wu Daozi, a Tang Dynasty painter who was considered one of the finest artists in Chinese history, and became worshipped by all painters as their patron saint. In terms of Buddhist mural and statue painters that plied their trade in Mongolia, most hailed from the Yingxian County of Northern Shanxi, and their organization was known as *Wu-Zhen-she*. See Liang Ma ed., *Yingxian zhi—zhengqiu yijian gao* (Yingxian: Yingxian xianzhi bangongshi youyin ben, 1986), 44.

Buddhist statutes and instruments for Lama temples.<sup>27</sup> Both groups were established in the Lord Guan Temple of the South Ward, and operated from there. In addition to these trade guilds, tailors organized the *chengyi-she* 成衣社 (literally, the clothes-making guild), which made the Fortune God Temple their base of operation,<sup>28</sup> and barbers the *Jingfa-she* 淨髮社 (literally, the hair-clearing guild), both among the early ones.<sup>29</sup> As we can see from this list, these early trade guilds mostly consisted of laborers and craftsmen in the relatively underprivileged and less powerful trades of the city. In other words, it was among the lower strata of the commercial sector that trade guilds first came to be fashioned, giving new life to the *she* structure on the frontier: from communal organizations of villages in Shanxi, to native-place associations, to trade guilds.

## Embracing the Trade Guild

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<sup>27</sup> In the 1730s, there were two separate organizations for the coppersmiths in Hohhot operating at the same temple. One is *tong-hang* 銅行, or the coppersmith guild, the other being *jinlu-she*. While the *tong-hang* was often associated with *tie-hang* 鐵行, or the Blacksmith's Guild, the *jinlu-she*, on the other hand, often appeared in records with the *Wu-zhen-she*. I infer that they originally represented two separate trades: while the coppersmith of the *tong-hang* did regular copper works, such as copper bowls and utensils, the coppersmith of the *jinlu-she* should be specialized in the Buddhist statues and instruments, which were larger works of bronze that required more special skills and more manpower. The divide within the copper trade was long-standing, continuing into the early twentieth century. Nevertheless, over time, when the *hang* organizations became dysfunctional, the metal workers, such as blacksmith, coppersmith and tinsmith all participated in the *jinlu-she*. For the details about the history of the *jinlu-she*, see Liu Yingyuan, “Guihuacheng jinlu-she zhuhang gaishu,” *Huhehaote wenshi ziliao* 7 (1989): 95-102. Thanks to the strategic importance of the blacksmith's work and the greater market for iron products, the blacksmiths often looked down upon other lines of work, and therefore division within the *jinlu-she* was also evident.

<sup>28</sup> The tailors claimed that their *she* began in 1734. Imahori, Appendix, G7, G19.

<sup>29</sup> The barbers claimed that their *she* was first established during the Yongzheng reign (1723-1735). Imahori, Appendix, E33.

Following the trend set by the lowly carters, tailors, and barbers, merchants with greater resources also began to organize new trade associations using the *she* structure. By the turn of the nineteenth century, in the business communities of Hohhot, the *she* proved to be an enduring form of organization, indisputably emerging as the standard structure for trade associations. Almost every definable trade in and around the city used the *she* structure to set up their guilds. As some merchants explicitly stated in their steles, “Businessmen should prioritize the establishment of *she*.<sup>30</sup>

Following in the footsteps of the carters and craftsmen, the first trade *she* were created by merchants who were in the emerging trades, where the businesses were often left out of existing organizational structures. For instance, merchants in the newly specialized wholesale tea business created the *Jinlong-she* 金龍社 (literally, Golden Dragon *She*), which first appeared in records in 1755. These tea merchants’ expertise lay in the importation of brick tea from South China to Hohhot, where they would sell it to long-distance traders for export to the steppe. These merchants of Shanxi had to cover a long distance (over a thousand miles from South China to Hohhot),<sup>31</sup> largely relying on water transportation, which included crossing big rivers, in particular the hazardous Yellow River. To pray for the safety of these trips, they followed the North China boatmen’s tradition by worshipping the popular *Jinlong-dawang* 金龍大王, or the Golden Dragon Great King, who was believed to be the guardian of waterways.<sup>32</sup>

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<sup>30</sup> Imahori, Appendix, W3.

<sup>31</sup> In the eighteenth century, such tea came primarily from the Fujian Province, and to a lesser extent, the Anhui Province.

<sup>32</sup> The tea merchants of Hohhot, in the stele that commemorates the founding of the Golden Dragon Temple, wrote a hagiography that traced the life story of the Song dynasty historical figure Xie Xu and his brothers who were deified as the four Great Kings of the Golden Dragon.

Initially, these specialized importers of tea did not constitute an independent group in Hohhot, and were therefore not organized into a *hang*. But thanks to the popularity of tea within Mongol society — both as a daily nutritional necessity and as a form of currency—the volume of the tea trade kept growing and turned Hohhot into a tea entrepôt for the steppe.<sup>33</sup> The rising importance of their business in the city led to tea merchants' increasing awareness of their group identity. As early as 1744, the tea merchants organized ceremonial rituals at the statue of the Golden Dragon King,<sup>34</sup> which actually stood next to that of the Horse King God in the same hall on the grounds of the old Lord Guan Temple. It is very possible that the Great Gathering of the Horse King of 1731 and the frequent sacrificial activities of the carters' *Mawang-she* inspired the tea merchants to take actions of their own. In any case, sometime between 1744 and 1755, the tea merchants established the *Jinlong-she*. When the tea trade prospered further after Hohhot finally completed its transformation from a military supply center to the entrepôt of the Sino-Mongol trade, the tea merchants began in 1783 to raise funds to build an independent temple for their god, which they eventually achieved twenty years later at the beginning of the nineteenth century.<sup>35</sup>

Starting from the mid-eighteenth century, even the state-imposed *hang* began to be reorganized into trade *she*.<sup>36</sup> This was most evident in the transformation of the Grand Guild, the collective organization representing all the businesses in Hohhot. The

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See Imahori, Appendix. B15. For a short description of the cult of the Golden Dragon Great King and his influence in late imperial China, see Qiao Li, *Zhongguo hangye shen*, vol.2, 33-34.

<sup>33</sup> For the rise of Hohhot as a tea-trading center and the struggle over Qing policy on the tea trade see Tian Mi, *Qing dai de lümenchang yu guisui she hui* (Ph.D. dissertation, Sun Yatsen University, 2012), 45-63.

<sup>34</sup> Imahori, Appendix, B20.

<sup>35</sup> Imahori, Appendix, B15.

<sup>36</sup> For the details about the *hang* system, see Chapter Three.

Grand Guild consisted of the twelve *hang* that represented the twelve most influential trades of Hohhot. However, all twelve had been converted to the *she* structure by the early nineteenth century. Among the forty-five known trade associations of Hohhot, eventually all but seven small trades were organized or re-organized in the form of *she*.

<sup>37</sup> In other words, if in the eighteenth century the most powerful trade associations of Hohhot were the *hang*, in the nineteenth century it was the trade guilds with the *she* as their default organizational structure that dominated the city's commercial and socio-cultural life.

There were two ways in which a *hang* was transformed into a *she*. The first was through a split in the original *hang* organization. The *hang* system, as mentioned earlier, was created by the state based on artificially imposed divisions of trade. With the expansion of the market during the eighteenth century, the industries became more expansive and more complicated. As merchants in the same trade gradually headed into different lines of business, their shared interests diverged, and they could no longer be held under the same *hang* structure. As a result, several of the most prosperous *hang* started to split into different trade associations. The most high profile example is the *Zahuo-hang* 雜貨行 (the Sundry Goods Association), one of the oldest and most robust trades of Hohhot. Merchants in this trade had split into two lines of business by the end of the eighteenth century. One functioned primarily as retail sellers and wholesale distributors of Chinese agricultural and manufactured products in the Hohhot marketplace; the other, in contrast, became specialized in long-distance trade, acquiring

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<sup>37</sup> See the table in the Appendix of Chapter Four.

Chinese goods from the Hohhot market to sell in the distant Mongol banners.<sup>38</sup> Due to such distinct directions, the two groups of businessmen of the sundry goods trade faced different challenges, as well as seriously conflicting interests. Consequently, each of these two groups formed their own associations, which led the original *Zahuo-hang* to officially split into two organizations: the *Chunhou-she* 醇厚社 (literally, the honest and generous *she*) for the Hohhot distributors, and *Jijin-she* 集錦社 (literally, the galaxy of fine products *she*) for the long distance traders.<sup>39</sup> Thanks to the significance of their trades, both became leading guilds in Hohhot throughout the nineteenth centuries. The fact that when the *hang* disintegrated, the merchants established two distinct *she* instead of *hang* testifies to the popularity of the *she* as an organizational form.

The second mode of transformation was what I call “parallel restructuring.” Between the mid-eighteenth century and the beginning of the nineteenth century, within several trades, *she* organizations sprang up within the existing *hang* structure, coexisting with the *hang* for a period of time. Nevertheless, it was the *she*, not the *hang*, that eventually assumed the central role. After a period of parallel existence, all the social and economic functions of the *hang* were taken up by the new *she*, which led to the demise of the former. This process is best illustrated by the experience of the previously mentioned *Luodian-hang* 驃店行 (the mule-broker’s association). As early as 1751, we begin to see the term “*Luodian-she*” 驃店社 in a stele,<sup>40</sup> suggesting that a *she* organization was already formed inside the mule broker trade. The fact that this particular stele recorded a list of the headmen of the *she* further implies that an

<sup>38</sup> They were what Imahori calls “adventurous merchants.” Imahori, 455-456.

<sup>39</sup> Imahori, Appendix, B18.

<sup>40</sup> Imahori, Appendix, C21.

alternative power center had taken shape within the trade.<sup>41</sup> Since these mule brokers maintained close working relations with the carters, it is likely that the establishment of the *Luodian-she* was also influenced by the example set up by the *Mawang-she*; since the mule brokers shared the cult of the Horse King God with the carters (there being no separate deities for the mule), they would have quickly learned the advantages of the *she* structure from them. When the mule brokers built a new Horse King Shrine in a new location, they even enlisted contributions from many a carter—who probably did so in order to maintain good relationship with the brokers.<sup>42</sup> Handling the tasks of maintaining the shrine and coordinating religious activities, the self-organized *Luodian-she* structure gradually took over the functions of the *Luodian-hang*, and the leadership of the *she* became the power center of the trade.<sup>43</sup>

Parallel restructuring took place in some of the most powerful trades. The grain processors created a *she* within their trade as early as 1778, which gradually assumed all the functions of the *Mian-hang* 麵行 (the flour association).<sup>44</sup> The *Dian-hang* 店行 (the grain dealer's association), probably the most influential trade association of eighteenth-century Hohhot, went through a similar path. In 1757, we begin to see records

<sup>41</sup> Different from the *Mawang-she* list of headmen that was consisted of personal names, the *Luodian-she* list of headmen was filled by firm names. It was the firms, not individuals that were members of the *Luodian-she*.

<sup>42</sup> Originally, there was only one Horse King Statue in Hohhot, which was located in the old Lord Guan Temple of the Little Eastern Street. The mule brokers, horse brokers, and carters probably had shared that location for a long time. During the Qianlong Reign the mule brokers built a dedicated shrine for the Horse King inside the God of Fortune Temple, which became their base of operation. Later, the carters managed to build a Horse King Temple outside the city. Imahori, Appendix, F15.

<sup>43</sup> We do not have sufficient information to judge in the mule brokerage business, whether the leadership of the *she* and the leadership of the *hang* were integrated.

<sup>44</sup> Imahori, Appendix, C27. It later split into two separate organizations: the *Qinglong-she* 青龍社 (literally Blue Dragon *She*), which was the Flour Mill's Guild), and *Fuhu-she* 福虎社 (literally Lucky Tiger *She*), which was the Millet Mill's Guild.

mentioning the “*Dian-hang-she*” 店行社;<sup>45</sup> in 1804, a *she* structure officially replaced the *hang* to become the guild organization of the grain brokerage business, and the name of the association was changed to “*Jujin-she*” 聚錦社 (literally, the constellation of goodness *she*).<sup>46</sup> The parallel restructuring process attests to a crucial historical fact: merchants identified with their *she* much more than with their *hang*.

This phenomenon is not surprising. Admittedly, the *hang* system played an important role in the marketplace of eighteenth-century Hohhot; it provided the first institutional mechanism to forge connections among merchants of the same trade, spurring the formation of trade-based identities. Constituting the first institutional articulation of the occupational tie, the *hang* provided the organizational structure for collaboration among tradesmen, especially in regulating market activities and representing the collective interest of the trade.<sup>47</sup> As argued in Chapter Two, the *hang* constituted an early form of trade guilds in Hohhot.

Nevertheless, the *hang* system had its problems. As an organization, it was initiated by the state, imposed from top-down, and served state purposes. It was first and foremost an extra-bureaucratic mechanism created to control the merchants and craftsmen, while facilitating the extraction of resources from the business sector in service of the empire. Although members of the *hang* enjoyed certain privileges in the market, an imposed system backed by government power did not inspire trust among the merchants. The creation of the *hang* was in itself a manifestation of the Manchu state’s distrust of the Chinese migrants on the frontier, which was exacerbated by the

<sup>45</sup> Imahori, Appendix, E5.

<sup>46</sup> Imahori, Appendix, E48.

<sup>47</sup> See Chapter Two.

empire's long-standing bias against uprooted sojourners and wandering journeymen — an entrenched bias in Chinese statecraft. By categorizing businessmen into rigidly and artificially demarcated trades, the *hang* system was, more than anything else, an embodiment of the long-standing imperial doctrine of "divide and rule," aimed at weakening the power of the merchants rather than uniting them. Moreover, for the merchants, being a member of a *hang* also came with onerous obligations, such as providing services free of charge to the military and state agencies. In other words, the *hang* was a system built with coercion that elicited fear and suspicion among its members, when trust was in fact the most sought-after commodity in a rapidly expanding market.

In sharp contrast, for the Shanxi merchants of Hohhot, the *she*, which is built upon mutual trust and shared customs, proved to be a much more relatable form of organization. In many ways, it provided them with an ideal platform to organize a community within their trade. As analyzed in Chapter Three, the *she* as an organizational form had deep roots in the rural communities of North China. In Shanxi, especially, it constituted an all-encompassing institutional infrastructure of social life. In Hohhot, before the creation of the *she* in trades, merchants had already experimented with it in organizing native-place societies. After the establishment of the *Mawang-she* and other early trade *she* of various craftsmen, examples were set for merchants to see the benefits of organizing their trade according to institutional and cultural practices that were dear to their hearts. At an early age back home, they had learned to share beliefs in a common god, to build and maintain shrines or temples, to regularly perform sacrificial rituals, and to present theatrical performances and organize festive celebrations. Such

core practices of the *she*, critical in consolidating rural communities, once again proved to be effective in cultivating solidarity within business groups, turning strangers with few pre-existing relations into “brothers of different surnames.” If the *hang* was a heartless system that grouped fellow merchants together for imperial purposes, be it for political control or economic exploitation, through the *she* merchants could establish a spiritual bond, increase social interactions, and cement cultural cohesion within the group. All of this contributed to the creation of true communities. In other words, it was by partaking in the religion-centered activities of the *she* that Shanxi merchants were eventually able to turn the common-interest-based association of fellow tradesmen into a socially and culturally embedded entity and a platform on which they could formulate rules, sustain co-operation, and collectively exert economic and political influence.

### The Centrality of Religious Devotion in the Trade Guilds

The dozens of trade-based *she* in Hohhot performed major socioeconomic functions—setting up trade rules and regulations,<sup>48</sup> standardizing the quality of goods and services, mediating disputes between members, and representing the collective interest of the trade to negotiate and compete with outsiders<sup>49</sup> — much like the trade guilds of other late imperial Chinese cities.<sup>50</sup> But what set trade *she* in Hohhot apart

<sup>48</sup> By late nineteenth century, many *she* developed systematic written regulations pertaining various aspects of their businesses, which were often inscribed on steles, such as the 1845 rules of the *Xianweng-she* 仙翁社 (literally, the immortals *she*), or the Restaurants Guild. See Imahori, Appendix, B24. As late as 1904, the *shengpi-she* 生皮社 or the raw leather guild, still inscribed their *she* regulation on the steles. Imahori, Appendix, B83.

<sup>49</sup> For instance, see the *Weizhen-she* case in Imahori, Appendix, F23, G6.

<sup>50</sup> For a relatively succinct survey of Qing guilds, see Peter Golas, 556-580. For a recent survey of Chinese guilds and their historical functions and organizations in English, see Christine Moll-Murata, 213-247.

from guilds elsewhere was the centrality of religious devotion within the *she* organization, a principle best summarized in a stele erected by the *Mawang-she* at the beginning of the twentieth century:

The most important thing in the way of the businessman is to establish the *she*.

In establishing the *she*, the priority is to venerate the gods. Without establishing the *she*, there would be no rules for the businessmen; without worshiping the gods, the businessmen's hearts would not be straight. It is on the principle of fairness that a *she* is to be established, and it is on the foundation of sincerity that gods are to be venerated.<sup>51</sup>

That is to say, the making of an economic subject requires an institutional foundation steeped in religious devotion. In Karl Polanyi's terms, if the creation of the modern capitalist system in the nineteenth century hinged upon the completion of a disembedding process — the creation of a free market in which players became detached from all pre-existing social relations and cultural concerns, and pursued only the maximization of economic profits — the merchant organizations of eighteenth century Hohhot headed in the opposite direction: the formation of well-functioning trade guilds in this prosperous market economy dovetailed with an embedding process. The development of a market economy did not bring about merchant organizations that were single-heartedly focused on the pursuit of economic goals, but rather the contrary: it gave rise to a newly robust, and socially and culturally integrated organization in the form of the *she*. It was such cult-centered, ritual-performing communities that established the rules of trade, dispensed justice, and ensured moral compliance on the

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<sup>51</sup> Imahori, Appendix, W3.

part of the individual merchant. The rise of the modern capitalist “free market” in Europe may have entailed the destruction of pre-existing communities, but the expansion of the market economy in Hohhot, and indeed probably in other traditional societies as well, fostered the formation of strongly integrated business communities. Without such communities, trust and co-operation would be difficult to come by.

However, the Shanxi merchants’ commitment to the *she* and the centrality they placed on religious devotion should not be analogized to the protestant ethics to which Max Weber famously ascribed the rise of the capitalist spirit. Weber reasoned that early modern Puritans saw in commerce a way to serve God; their pursuit of economic goals was ultimately justified and even spurred by their intense religious fervor. But the relationship between commerce and gods in Hohhot followed a rather different logic. The deities they worshipped, and the guilds that they created were there for practical and, shall we say, utilitarian purposes. For the Shanxi merchants, religious piety was not their ultimate goal, but a critical means to facilitate the functioning of communities — for communities to negotiate collective challenges and to mitigate the precariousness of life on the frontier. To put it differently, the religion of the *she* was there to provide support for merchants to achieve social and economic purposes. Gods existed to serve men, not the other way around.

Such a mundane application of religion was evident in how each *she* chose their deities to worship, which often appeared quite random. As we know, while all Shanxi merchants worshipped Lord Guan as their ultimate protector, each *she* still identified a particular deity as their guardian. If for Shanxi merchants Lord Guan most closely resembled the supreme and omnipotent God in Christianity, the deities of individual *she*

evoked the myriad patron saints. While some tradesmen followed old traditions, such as the carpenter's worship of Lu Ban, others invested meanings in the symbolism of more recently popularized folk deities such as the tea merchants' cult of the Golden Dragon King, or the carters' and mule dealers' veneration of the Horse King God. In addition, some early *she*'s choice of deities appeared to have been purely a matter of convenience. *Jiaocheng-she*, the native place association of the people of Jiaocheng, centered itself upon the cult of the Mysterious Goddess of the Ninth Heaven. The female deity had neither intrinsic connection to Jiaocheng county nor any symbolic aspects linked with the leather trade, where Jiaocheng merchants were concentrated. The reason they formed their *she* around the cult of the military goddess was probably the availability of that sacrificial space in the 1720s when their *she* was created. Nevertheless, thereafter they stood by the goddess for two centuries. In this case, what was important to the merchants of Jiaocheng was the existence of a cult around which to organize their community, not the specific values of any particular cult figure nor any symbolism associated with the deity.

Merchants did not only choose existing deities to worship; more radically, they also invented new gods for the purpose of their businesses — sometimes quite consciously. The most radical move of this kind was the invention of the Sheep God. In 1837, the merchants of *Fuxing-she* 福興社 (literally, the rising fortune *she*), a guild of livestock traders, inscribed a stele to commemorate the construction of a new entrance to the Sanshengmiao 三聖廟 (Three Deities Temple), in which they spoke frankly about the seeming absurdity of their supernatural invention:

To the east of the Lord Guan Temple of the Northern Ward stood an old chapel dedicated to the gods of the stables. In the Guiyou Year of the Jiaqing Reign (1813), the esteemed members of this *she* rebuilt the chapel hall, added three statues for the Horse King, Ox King, and the Sheep God, and renamed it the Temple of the Three Deities. Speaking of these deities, for outsiders, if the reputations of the Horse King and the Ox King have been illustrious, the existence of the Sheep God sounds quite absurd. Nevertheless, these people did not understand that no god exists on his own, but rather in the hearts of men. Gods come into existence when men believe them to exist.<sup>52</sup>

This stele recounts the erection of statues for the three animal gods during the reconstruction of the temple some twenty-four years earlier, and it reveals that the sheep god had become a target of ridicule by outsiders. Indeed, as they conceded, the sheep god, who now sat alongside the long established and widely known gods of horse and ox, was somewhat of an absurdity—because he was newly invented and unheard of.

The invention of the sheep god, without doubt, stemmed from the rising power of the sheep traders. By the turn of the nineteenth century, sheep had become an increasingly important commodity in Hohhot more so than in any other time in history. If pack animals, as strategic resources for war and empire, constituted the early staple of Mongolia's exports to China proper, the rise of the sheep trade, a consumer commodity, was a product of peace. With the dawn of the Pax Manchurica on the steppe in the mid-eighteenth century, and the intensifying material exchanges between China proper and the steppe, sheep gradually took the place of horses, camels, and oxen to become the most numerous livestock in the Sino-Mongol trade. Mongol nomads bartered their sheep with the “adventurous merchants” from Shanxi for tea and other Chinese goods. As we will see in Chapter Five, during the nineteenth century, each year hundreds of thousands of Mongolian sheep were driven to Hohhot by the long distance traders in

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<sup>52</sup> Imahori, Appendix, N8.

*Jijin-she*. In Hohhot, another group of merchants who specialized in the sheep trade would take over and bring them to places around north China, most notably Beijing. The Manchu ruling elite in the capital valued the delicacy of lamb and mutton from the steppe,<sup>53</sup> especially those from the western corner of Outer Mongolia, which were considered the finest. As the French Jesuit Par Jean-Joseph-Marie Amiot witnessed at a sumptuous imperial banquet in February 1785 in Beijing, “sheep of Tartary” served as the central element in the dish of honor.<sup>54</sup> This suggests that the sheep traders of Hohhot had become a key player in the great web of Sino-Mongol material exchanges. With the increasing importance of the sheep trade, therefore, a group of merchants within *Fuxing-she* began to specialize in it and formed their own sub-group. Eventually, they created the sheep god to consolidate their trade identity and to reflect their newly acquired power and pride. With the beneficence of the god of sheep, these merchants eventually split from *Fuxing-she*, establishing the *Fuxing-yang-she* 福興羊社 (the rising fortunate sheep *she*) in the mid-nineteenth century.<sup>55</sup>

As the stele suggests, sheep merchants did not take lightly the ridicule about the absurdity of their newly created deity — otherwise they would not have noted it with resentment twenty-four years after the initial act. What is extraordinary was their defiant attitude in defense against such ridicule. In a broad stroke and in ontological terms, they argued for the mundane nature of the supernatural, not just the sheep god, but all gods. Gods exist only in the hearts of men; “they only come into existence when men believe them to exist.” In other words, since all gods are the creation of men, why

<sup>53</sup> For the details about the Sino-Mongol sheep trade, see Chapter Five.

<sup>54</sup> *Mémoires concernant les chinois*, 521. Translation provided by Alexander Statman.

<sup>55</sup> Imahori, Appendix, M5.

should the newly invented sheep god be any inferior to the deities that were invented earlier? While it is common knowledge that a utilitarian attitude toward religion was widespread in traditional Chinese society (even today such an attitude is prevalent), rarely do we find such a strong and unequivocal articulation of what borders on the revolutionary idea proposed by the contemporaneous German philosopher Ludwig Feuerbach — that God is but a projection of human desire.<sup>56</sup> The gods did not have a priori existence; rather, they were created by men to serve human purposes. The Shanxi merchants of Hohhot were fully open about this.

For all that, the merchants were not cynical about their gods. They claimed, as mentioned earlier, that worshipping gods could straighten the hearts of businessmen and anchor their communities. In the eyes of Shanxi merchants, their gods, despite being invented, occupied an essential place in “the way of the businessmen.” First of all, the merchants believed in a set of shared ethical codes that had to be followed within the commercial circle, or what they called the “way of businessmen.” In order to ensure that these ethical codes were internalized among every member of the *she*, they first projected such immanent values onto the figure of a god, a supernatural and powerful being that could dispense justice and offer protection for pious followers. By thus externalizing the way of business onto religious symbols, they created the moral authority to anchor the community. Indeed, these gods constituted a particularly efficacious form of moral authority, because they could be imagined and depicted as both awe-inspiring and fear-eliciting, and were attributed with legends of miracles and

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<sup>56</sup> Coincidentally, the German philosopher’s major work on religion *The Essence of Christianity* was published in 1841, which took place only a few years after the Hohhot sheep merchants’ stele was inscribed.

stories of divine manifestations. By worshipping such deities and absorbing the associated symbols and legends, all men of business, with or without education, could internalize the ethical codes that these deities symbolized. This was a fundamental tenet of the Chinese folk religion.

At the same time, these merchants' attempts at creating their own gods also reveal a fundamental problem facing bottom-up trade guilds: namely, the lack of a natural authority within them. Unlike clans and lineages, where authority rested on generational hierarchy and seniority, or *hang*, where the legitimacy of the organization came from state backing, the trade *she* as a horizontal organization of merchants had no option but to rely on the gods to provide a moral pivot. In other words, for the merchants, creating and worshipping gods was a critical means of community building. The deities that they worshipped and created were not the fantasy of individuals, but the articulation of a collective desire for spiritual and moral authority. Since these gods would symbolize the moral authority within the community, it could also be argued that their moral authority stemmed from the collective will of the community. And by worshipping that deity, the merchants not only subscribed to a set of ethical codes to bind their behavior, they also established intrinsic connections among three elements: a supernatural deity, moral authority, and the collective will of the community. It is just such a trinity that defined the *she* organization.

### **Trade Guilds Dominating Urban Society**

By the early nineteenth century, Hohhot's commercial and social institutions had almost uniformly taken on the organizational form of *she*. While the early form of

native place associations proliferated and continued to operate, communities in the expanding city also formed numerous neighborhood *she*, usually known as *Ping'an-she* 平安社 (literally, Peace and Safety *She*). In times of plague and fire, city dwellers offered their sacrifices and prayers through the *Ping'an-she* at the City God Temple.<sup>57</sup> Despite the proliferation of these two forms of *she*, the newly transformed trade guilds, which also adopted the *she* structure, remained the most important institutions of the city. Replacing the old *hang* in trade and expanding to encompass most lines of businesses, the trade *she* constituted an institutional hegemony.

The capability of the trade *she* was multivalent and its power often far reaching. First and foremost, while the trade *she* performed many functions in their respective industries, as previously mentioned, compared with guilds in other places, those in Hohhot boasted a particularly powerful capability to enforce regulations and decisions. To sanction rule breakers, several means of punishment were available: ranging from minor monetary fines, to fines in the form of hosting banquets and theater performances, to membership suspension, and even complete expulsion from the organization. Occasionally, for serious offenses, it was observed that the guild leaders could even resort to corporal punishment such as binding and flogging.<sup>58</sup> Trade guilds with such strong powers were not limited to Hohhot; they were even more prominent in Baotou, a commercial offshoot of Hohhot. The Grand Guild of Baotou, which consisted of nine *hang* and sixteen *she*, even set up a permanent courthouse in the form of a county *yamen* (an official court presided over by a county magistrate), which had its

<sup>57</sup> Imahori, Appendix, J20.

<sup>58</sup> While we do not have cases that involve corporal punishment, mid-nineteenth century gazetteer writer Zhang Ceng observed that in some *she* organizations, corporal punishment of rule breakers were quite commonplace. Zhang Ceng, *Gufeng shilue*, vol. 21.

own law enforcement power to penalize wrongdoers and the right to exercise corporal punishment.<sup>59</sup> Rarely can we find guilds or fraternal organizations in China that were vested with such powers.

Second, the various trade guilds constituted the primary agencies in financing and facilitating projects of public interest. As we now know, the trade guilds shaped many religious spaces in and around Hohhot, but as importantly, they also initiated and contributed to the construction of other infrastructural projects, including bridges and roads. Despite a certain level of state involvement, public services—such as praying for rain, firefighting, and city-wide self-defense during chaotic times—were often organized through the *she* structure. The trade guilds also constituted the primary force in philanthropy, not only providing financial resources, but also shouldering the responsibility for maintaining such facilities as public schools, orphanages, nursing homes, mortuaries, and burial grounds for the destitute. Their philanthropic work also included the so-call *yi-cang* 義倉 (righteous granaries), which supplemented the official granaries set up by the state for poverty and famine relief. On the basis of the guilds' public engagements, William Rowe has argued that a nascent civil society was taking shape in nineteenth-century Hankow, a national commercial center in central China. Similarly, we may argue that in the frontier metropolis of Hohhot, trade guilds became the organizational conduits through which a civil society was being created.

In addition to their predominance in the economic and social realms, the trade guilds also took up the role of the chief orchestrator of cultural activities in the city,

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<sup>59</sup> Local History Office, “Baotou gongshangye de jiuhang shiliu she,” *Baotou wenshi ziliao xuanbian* 4 (1985): 55-76. Local History Office, “Baotou shanghui yangtianjianji,” in *Baotou wenshi cuiyao* 6 (1988): 96-102.

which were often closely related to their own rituals and festive ceremonies. During most of the nineteenth century, every guild would hold a three-day festive ceremony each year, when all the members would take a break from their daily toils. Just as in the villages of Shanxi, the guilds of Hohhot conducted such ceremonies with the uttermost seriousness, competing with each other in extravagance. The festive ceremonies were known as *sai-she* 賽社 (literally, “*she* competition”), and such competition reinforced communal identity and solidarity, while also creating an air of cultural vibrancy in the city. During those celebrations, the trade *she* not only offered collective sacrifices and processions, but also held sumptuous banquets to wine and dine their members. Yet the most important festive activity was the theater. Each *she* would invite professional troupes to perform Shanxi opera at the temples as a way to show their gratitude to their patron gods. As a result, the opera scene in Hohhot became so effervescent that it led to the creation of new plays, many inspired by real-life stories from among the merchants.<sup>60</sup> Professional troupes prospered, and so did restaurants, bars, and teahouses —which constituted one of the most powerful trade *she* that was also a permanent member of the Grand Guild.

During the city’s commercial heyday in the first half of the nineteenth century, these feasts provided the primary source of entertainment for the people of Hohhot, including children and women, who would come to mingle in the audience of the

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<sup>60</sup> For the spread of the Shanxi opera in relation to the activities of Shanxi merchants on the frontier, see Shanxi sheng zhengxie wenshi ziliao weiyuanhui eds., *Shanxi wenshi ziliao: Shanxi Bangzi zai saiwai (Taiyuan: Shanxi sheng zhengxie wenshi ziliao weiyuanhui, 1994)*, 1-188. One of the best-known stories that were adapted to the Shanxi opera was the so-called “pig blood case,” which I will write about in the future.

theater. Such a phenomenon was described in Zhang Ceng's famous mid-nineteenth century gazetteer of Hohhot, albeit in a disapproving tone:

Every year, from the beginning of summer, everyone in the city from shop managers to apprentices would take turns to go to see the theater performances. With a few copper coins for tea in their pocket, they call this a break from work. Ignorant juveniles squeeze by one another, hanging out in gangs, and the entire city enters a state of madness.

These ceremonies were not limited to the summer; with dozens of *she* organizations holding independent ceremonies, their dates were carefully spaced out throughout the year. The annual calendar of the city was thus packed with various *she* festivals, one after another. In many ways, the annual calendar of these feasts resembled the calendar of the saints in Europe, or the schedules of communal festivals in modern American cities such as San Francisco. *She* feasts in Hohhot were so frequent that "in seven or eight days out of ten, there were *she* activities taking place in the city."<sup>61</sup> In short, thanks to the competition among *she*, the urban life of Hohhot was never dull, with spectacles and clamor abounding.<sup>62</sup>

Intense rivalries among these trade organizations did not detract from the internal cohesion of this prosperous urban community, however; the Grand Guild which presided over all the trade guilds in Hohhot provided an institutional mechanism that held the urban society together. While the *dahang* 大行, or Grand Guild, first took shape under the *hang* system as early as the 1720s, it was originally no more than a liaison mechanism between the state and the various trades. With the demise of the *hang* and the rise of the trade *she*, the Grand Guild was restructured into a coalition of

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<sup>61</sup> Zhang Ceng, *Gufeng shilue*, vol. 21, 197-198.

<sup>62</sup> For the annual calendar of she festivals in Hohhot, see *Guisui daozihi*, vol. 3, 120-123.

thirteen, and later fifteen, trade *she*. Despite the continued popularity of the term *dahang* in local parlance, by the mid-nineteenth century, the Grand Guild was more widely known as the “Fifteen *She*,” representing the most powerful trade guilds in the city.

Managing matters that concerned public interests of the entire city across different industries, the Grand Guild constituted the highest civil authority in Hohhot’s business circle. Admittedly, we should not naively take the Grand Guild as an unbiased representative of public interest, since it only consisted of the fifteen most powerful trades (less influential crafts guilds were almost all left out), as influential merchants were always more likely to take advantage of their power at the helm to serve their own interests. Nevertheless, since most of the Grand Guild’s functions were aimed at maintaining order in the marketplace and in society in general, we should also be cautious not to unquestioningly accept Imahori’s old-school Marxist interpretation that it was no more than a self-serving political tool of the great merchants. On the contrary, historical records showed that the Grand Guild performed many key functions which benefitted the less advantaged as well as the privileged. Moreover, it had always attempted to balance the interests of different trades in managing economic problems that plagued the entire marketplace, especially in the monetary and financial areas. On a number of occasions, for example, the Grand Guild intervened on behalf of the collective interests of all industries to curb the power of the bankers in determining the exchange rate between different currencies in the market, even though such matters were traditionally under the purview of the bankers’ guild.<sup>63</sup> As we will see in the next

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<sup>63</sup> For more details, see Chapter Six.

chapter, such interventions in the financial market could pit the Grand Guild against the bankers, which sometimes resulted in serious confrontations.<sup>64</sup> Outside the financial realm, it oversaw the application of standard measurements, especially weight balances in the marketplace.<sup>65</sup> Moreover, just like individual trade guilds that mediated disputes among their member merchants, the Grand Guild performed a similar function in mediating and adjudicating disputes among its member guilds as well as thorny commercial disputes that a single member guild was not able to arbitrate.<sup>66</sup> Only when the Grand Guild could not authoritatively enforce its decisions would the case be moved to the state court. Furthermore, the Grand Guild also served as the liaison between the state and the business community, occasionally even negotiating tax burdens and financial levies on behalf of the merchants.<sup>67</sup> Finally, in most of the infrastructure projects and philanthropic works mentioned above, while the respective *she* were the primary contributors, they often worked under the leadership of the Grand Guild.

To sum up, the dozens of trade guilds in Hohhot provided a bottom-up organizational structure of self-governance that managed many aspects of public life; on top of this structure, the Grand Guild performed a role that combined the functions of both the chamber of commerce and the city council in a modern-day city. This two-tier structure was reminiscent of the situation in large villages of Shanxi where a Grand *She*

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<sup>64</sup> For details, see Chapter Six.

<sup>65</sup> Imahori, Appendix, G8,

<sup>66</sup> For example, the dispute between the Grain Dealer's Guild and the Grain Processor's Guild that we analyzed in the previous chapter, was first mediated and adjudicated by the Grand Guild, see Imahori, Appendix, G6.

<sup>67</sup> While we do not have sources on the tax negotiation cases in Hohhot, there is a case in the neighboring city of Wuchuan, a market town of smaller scale and an offshoot of Hohhot's businesses. See Imahori, Kezhen, A20.

presided over individual neighborhood *she*, forming a de facto governing body in the village.

This two-tier system provided the basis for the state to reform the governing structure of Hohhot at the turn of the century, just as it was directly on the foundation of the village *she* that village governments were set up in Shanxi later in the Republican era. At the beginning of the twentieth century, as part of its New Policy reforms, the Qing state identified the chamber of commerce as a key institution to spur business development as well as facilitate local self-governance, and promoted its creation in cities and market towns across the empire. In other centers of commerce, such as Shanghai, Suzhou, and Hankow, to conjure up a chamber of commerce on top of the numerous independent trade guilds was an unprecedented and difficult undertaking. But in Hohhot and nearby market towns on the northern frontier, such an organization in the form of the Grand Guild had already been in place for a long time, and thus a mere change of name sufficed in the supposedly modernizing reforms. In actuality, as Imahori observed in early 1940s Hohhot, despite repeated changes in terminology, the trade *she* system was still functioning under Japanese occupation. Recently, historians have hailed the creation of the chambers of commerce as an act that galvanized the power of the growing bourgeoisie and one that played a critical role in China's troubled modernization process.<sup>68</sup> By the same token, we should not underestimate the importance of the Grand Guild in the socioeconomic transformations of the northern frontier during the Qing era.

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<sup>68</sup> The chamber of commerce in early twentieth century China, despite the brevity of its history, has been a fruitful field of historical research. A number of important monographs and dissertations were produced since the 1980s, such as Zhu Ying, Tang Lixing, Ch'iu Pengsheng,

## Sources of Authority for the Trade Guilds

The power and longevity of the trade guilds in Hohhot originated from three sources. First of all, as I already discussed, the centrality of the gods in the *she* organization provided a form of divine authority. Despite the merchants' Feuerbach-esque perception of the celestial beings' human origins, the merchants still put their faith in the gods as their protector as well as the ultimate dispenser of justice in deciding their fortunes. As the mule dealers claimed, "it is the kind persons who will get rich, as they are favored and supported by the spirit of the gods."<sup>69</sup> The merchants also believed that worshipping gods was an essential element in the way of doing business. By holding assemblies in front of their gods, the *she*'s decisions acquired the aura of the deity. The merchants also attempted to imbue sacredness to their rules and regulations by inscribing them on steles and plaques that were placed in temples—the primary sources for this chapter.

The divine authority of the *she* was particularly evident in solving the thorny issue of membership fee collection, a significant burden for the members,<sup>70</sup> but critical for the operation of the organization. Under the *hang* system, businessmen were obligated to perform *hang* duties—a fee in kind, which they resented so much that many tried to evade it in every possible way. For instance, as the *Mian-hang* 麵行 (Flour Association) found out, in order to avoid onerous duties, some owners of grain

<sup>69</sup> Imahori, Appendix, C97.

<sup>70</sup> For instance, according to an inscribed she regulation from 1845, *Jingxian-she* 敬仙社 (most likely the trade guild of cooks) charged every new member three thousand copper coins initiation fee, which is more than one month of salary (2800 coins). In addition, every month he was supposed to pay one hundred coins to contribute to the fees of *jingxian-she*. Imahori, C10.

shops took the great trouble to remove their heavy gristmills from their workshops when it was their time to perform public services, so that they would be given a reduced work quota.<sup>71</sup> In contrast, to prevent the problem of free riders, the *she* often charged their membership fees under the title of *jingshen-qian* 敬神錢, or “tribute to the gods money.”<sup>72</sup> This implied that by refusing to pay their fees, members were showing disrespect to their deities, who had the power to distribute rewards and punishments. Even fines and penalties were charged in the name of the gods. A common penalty for rule-breaking members was to pay for additional theatrical performances to entertain the gods in the temples, as well as for banquets to wine and dine other members.<sup>73</sup> By invoking the gods, the *she* elevated mundane affairs, such as fee collection and punishments, into the transcendent sphere. In other words, if the *she* as an organization was not legitimated through the charismatic authority that in Max Weber’s conception centers upon an inspiring individual leader, it still established a charismatic relationship between the members and the organization through a transcendental form of authority.

Religion was not the only centripetal force that bonded *she* members together. A second source of legitimacy for these guilds was derived from their dedication to establishing institutional mechanisms that aimed at fairness, equality, and justice. Shanxi merchants were highly conscious of the fact that legitimate power should derive from a system of legality —what Max Weber theorizes as “rational-legal authority.” As

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<sup>71</sup> Imahori, Appendix, C27. The *hang* duties were charged in kind and service, usually in line with the particular expertise of the trade. For details of the *hang* system, please refer to Chapter Three.

<sup>72</sup> Imahori, Appendix, B35.

<sup>73</sup> Imahori, Appendix, C27.

early as 1778, when the *Mian-hang* (Flour Association) was being restructured into a *she*, the tradesmen claimed:

We hear that it is a fundamental principle of the *Spring and Autumn Annals* that [organizations need to] establish institutions and create regulations in order to make sure that reward and punishment are just, which eliminates dissidents and dissatisfactions.<sup>74</sup> Only by doing so can a state be governed on the grand scheme of things, and a household managed on the smaller scale. When we establish the *she* in the Flour Association, which lies in between [the state and household in terms of scale], no matter whether our members are local or from afar, closely related or not so familiar with each other, the rules and standards should never be bent.<sup>75</sup>

Although not every trade *she* of Hohhot produced systematic by-laws to regulate its members, in the nineteenth century, many did begin to formalize their rules and create written regulations. For instance, in 1829, the *Lu-Ban-she* 魯班社 (literally, the *she* of master Lu Ban, or the Construction Guild) created an elaborate set of rules that divided the members into four categories according to their occupational status, stipulating for each group of members specific methods of membership fee collection.<sup>76</sup> At the beginning of the inscription these craftsmen suggested why they undertook the change: in the past, without formal rules, many members took advantage of the situation and evaded fees and contributions, which created unfair burdens for those who were honest, and this greatly destabilized the organization. To solve this problem, they formalized their rules in written codes, and copied them on a plaque which was placed in the Lu Ban Temple for public display and future reference. In fact, one of the main reasons why so many steles and plaques were established in the first place was that merchants used these steles to document and publicize their newly created regulations

<sup>74</sup> An ancient chronological history, and one of the five core classic texts of Confucianism, which was believed to be written by Confucius himself.

<sup>75</sup> Imahori, Appendix, C27.

<sup>76</sup> Imahori, Appendix, L6.

to the community. Without them, we would not have been able to study the history of guilds in Hohhot. Such formal institutions in the form of written rules and inscribed regulations gradually took on central importance in *she* organizations, and to a great extent, contributed to their long-lasting authority. As the boot-makers of Hohhot put it, “there must first be rules, then things could be done; there must first be standards, then enterprises could last. Rules are indispensable to everything, and standards determine how things will pan out. Our *she* has many members, and many mouths that make noises. If we do not establish rules, how can we make our members obey the authority of our *she*?<sup>77</sup>” Rules and fairness thus strengthened the authority of the *she* and ensured cohesion among its members.

At the same time, in order to create rules and enforce them, the *she* also required a third source of authority: legitimate, capable, and respected leadership. The legitimacy of the leadership was determined by how it was produced, and the procedures largely followed the precedents of the rural *she* of Shanxi. While the unit of membership in the village *she* was the family, the members of the trade guilds of Hohhot could be either firms or individual proprietors. Imahori provided a thorough and minutely detailed account of how every trade *she* of Hohhot selected their leaders, but he failed to offer a generalized analysis of the institutional mechanism across different *she*. This is outlined below based on the information he collected. Just as in the villages of Shanxi, the majority of trade *she* in Hohhot had a simple organizational structure in which a committee of several headmen (*sheshou* or *huishou*) oversaw the daily operations of

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<sup>77</sup> Imahori, Appendix, E27.

their organizations, representing their *she* in negotiating with outsiders.<sup>78</sup> But the merchant headmen were even more involved on a daily basis than their rural counterparts; they often set up a permanent office at their shrine and worked from there.<sup>79</sup> Across different trades, the tenure of the headmen was almost universally set at one year — a short-term arrangement that was surely intended to limit their power. In the case of *Jijin-she* 集錦社 (Guild of Mongolia-bound Traders), every year, a new committee of four or sometimes five headmen were elected, who would replace the incumbent on the first day of the tenth month. Over the course of the nineteenth century, in the twelve years in which we have knowledge of the names of the headmen (firms),<sup>80</sup> there were a total of fifty-five headmen appointments, distributed among fifty-three different firms. Only two firms appeared twice, and no firm held the position in consecutive years. Interestingly, the three most well-known Mongolia-trade firms, namely, Dashengkui 大盛魁, Tianyide 天義德, and Yuanshengde 元盛德, which might have been the largest firms of Qing Mongolia and possibly the entire empire, did not monopolize the headmen positions of *Jijin-she*. Rather, each of them only held the position once.

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<sup>78</sup> Some *she*, due to the sheer number of their members, were organized into a multi-layer structure. For instance, *Mawang-she* boasted a number of branches, and each branch would elect their own headmen. The branch headmen together would form the headmen committee of the entire *she*. While the members of *Mawang-she* consisted of individual persons, and their headmen were listed as such, in most of the steles created by other trade guilds, the headmen were usually noted by firm name; in a few cases, individual names were listed next to the firm they represented.

<sup>79</sup> Imahori, Appendix, E22.

<sup>80</sup> Imahori, 279-280. The twelve years are 1823, 1824, 1826, 1830, 1831, 1847, 1848 (1), 1848 (2), 1853, 1875, 1881, 1883. These years were relatively spread out across the century. These lists of firm names were carved on steles.

Such even distribution of the headmen positions among many firms was actually very common, revealing a shared principle of equality and fairness in the headmen selection process. The leaders of a trade *she*, in a way similar to the Shanxi villages, were mostly produced through a procedure that combined a consensus-seeking elective process with a method of egalitarian rotation. The *Baofeng-she* 宝豐社 (Bankers' Guild), which consisted of a few dozen banks, produced three headmen every year by rotation among all member institutions. On the fifteenth day of the second month, all members would convene to worship the God of Fortune and draw lots to decide the next headmen committee, with the banks that had already held such positions excluded from the draw. Based on the fourteen lists of headmen committees of the *Baofeng-she* from stele inscriptions dating from the end of the eighteenth century to the beginning of the twentieth century, forty-two banks had served as headmen. Not a single bank served the post twice within a given list.<sup>81</sup> Obviously the bankers used such even rotation to prevent controversies and to ensure equal participation and fairness within their *she* organization. Alternatively, the *Danghang-she* 當行社 (Pawn Shop Guild) used an election process to select their four headmen. The election took place annually when all members convened on the thirteenth day of the fifth month. As in the villages, such elections almost never involved a ballot box or actual voting; instead it was an informal negotiation and persuasion process through which a consensus was often produced prior to the general assembly of all members. The election on site usually served as a

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<sup>81</sup> See Imahori, 313-314. The fourteen years are 1797, 1830, 1831, 1839, 1846, 1849, 1853, 1876, 1880, 1882, 1893, 1896, 1898, 1905, 1911. Similar to the situation of the Jijin-She, these years were relatively spread out across the century. These lists of firm names were carved on steles.

legitimizing process. As a result of such elections, we can see that the managers of Taihengli, an old pawn shop, sat on the headmen committee three times in the five lists we have,<sup>82</sup> suggesting that the result of such a method was less egalitarian than the ones produced by equal rotation. After all, in elections, usually the managers of firms who had the right personality, leadership skills, and rich experiences would stand out.

Even in the organizations that adopted the election method, institutional mechanisms were also in place to prevent a monopoly of power. For example, in almost all *she*, appointments of the same headmen for consecutive years were extremely rare, if not strictly forbidden. This resembles the situation in the village *she* of Shanxi. Moreover, financial transparency was required of the headmen, who were tasked with overseeing collective funds — in fact usually one of the headmen was specifically entrusted with accounting. In the case of the Pawn-Shop Guild, an all-member meeting was held annually to review the accounts two months before the election of new headmen, which was intended to make sure that the incumbents had been financially responsible.<sup>83</sup> Again, despite differences in procedural details, the principle of financial transparency was consistent with the institutional arrangements in the village *she* of Shanxi. In short, institutional arrangements were in place to restrict the power of the leadership and thus contributed to the credibility and authority of the organization.

Such institutional designs, however, did not necessarily reflect how power was actually exercised. As in any modern democracy, plenty of informal channels existed through which the more resourceful individuals and firms managed to wield greater

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<sup>82</sup> Imahori, Table 14. The five years that we know the composition of the headmen committee are 1830, 1831, 1849, 1853, 1880. Taihengli was on the 1830, 1849, 1853 committees.

<sup>83</sup> Imahori, 326-327.

influence than others. However, fair and just institutions legitimated the authority of both the organization and its leadership; procedural justice mattered. It is worth pointing out that such institutions were not unique to Shanxi or Mongolia. Chinese merchants and craftsmen across the empire created their guilds based on similar principles in similar arrangements, such as yearly change of leadership, elections and rotations, and transparent financial arrangements. Nineteenth-century Western observers in the Chinese treaty ports were amazed by these guilds, which represented “almost pure democracy” in the words of the American historian H.B. Morse. Morse even suggested that the creation of such democracy derived from “deep-rooted distrust of delegated authority or agency which is constant in every Asiatic mind.”<sup>84</sup> Despite its archaic overtone, Morse’s arguments offered a crucial insight: the guilds of coastal cities and the trade *she* of Hohhot were all horizontal organizations created from the bottom up without any of the natural authority that hierarchical organizations such as clans and state bureaucracies possessed. In a horizontal organization, power had to be vested in a delegated authority, and in order to foster members’ trust in the delegated authority, there was no alternative but to create “democratic” institutions that emphasized equality, fairness, and transparency. Whereas historians of Chinese guilds hailed the “rudimentary democracy” of these urban commercial organizations,<sup>85</sup> the history of the trade *she* in Hohhot, as I have delineated here, suggests that such “rudimentary democracy” could be clearly traced back to a rural origin.

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<sup>84</sup> H.B. Morse, *The Gilds of China, with an account of the gild merchant or Co-hong of Canton*, (London: Longmans, Green and Co., 1909), 12.

<sup>85</sup> Peng Nansheng, *Hanghui zhidu de jindai mingyun* (Beijing: Renmin Press, 2003), 32-33.

If such institutional procedures provided the trade guilds a source of democratic legitimacy, the Grand Guild boasted a different source of authority. As described earlier, the Grand Guild in the nineteenth century was the collective organization of the fifteen most powerful trade guilds. In terms of its composition, it existed as the assembly of the headmen of its member guilds. Nevertheless, due to their infrequent meetings and the loose connections among them, the assembly of headmen only played a supporting role in the management of the Grand Guild. Its daily operation was actually overseen by a council of four individual merchants. It was this council that exercised power on behalf of the Grand Guild, giving its members the most eminent positions in the entire business community of Hohhot. The merchants on the council were given the title “*xiangqi*” 鄉耆, literally meaning “Local Elders,” a term of ancient origins that generically referred to respectable elderly gentlemen in late imperial China. Just like in families and clan organizations where seniority commands respect, this title also invokes the sense of seniority to buttress the privilege of these office holders. While there was no strict age requirement for the positions, the title indicates that the merchants who became “local elders” were normally of mature age and senior qualifications. The location of their office also symbolized their high status. The council held a permanent office inside the Three Sages Temple in the center of the city, a temple dedicated to the sworn brothers of Lord Guan, Liu Bei and Zhang Fei that occupied a particularly high position among businessmen. This arrangement constituted the most explicit religious endorsement of the core virtues of the merchant community, namely: trust, loyalty and the unyielding male bond – virtues that the sworn brotherhood represented. The office of the local elders had the official name of

“Chonghou-tang” 崇厚堂 (literally, the hall to promote kindness), but was also known in the local society as “Xiangqi-fu” 鄉耆府, or the government of the local elders, revealing its authoritative status.<sup>86</sup>

Similar to the headmen of the trade *she*, the term of the Local Elders was also limited to one year, and reappointments were not allowed. Yet the selection process followed a logic remarkably different from that of the individual trade *she*. They were neither elected by the assembly of headmen of the fifteen member guilds, nor collectively elected by all merchants in the city. Instead, the council was dominated by an oligarchy of major trade guilds, whose legitimacy derived from the dictation of tradition and customs – what Max Weber would call “traditional authority.” Since the Grand Guild began in the early eighteenth century, the order established in its early days was largely preserved into the nineteenth century. *Jujin-she* (the Grain Dealers’ Guild) monopolized a permanent seat on the council because of the prestige of the grain trade that was established when the grain business undergirded the military economy of Hohhot in the first half of the eighteenth century. The second seat on the council was originally occupied by the *Mian-hang* (the Flour Association). After the *Mian-hang* split, the seat became shared by the *Qinglong-she* 青龍社 (the Flour Mill’s Guild) and *Fuhu-she* 福虎社 (the Millet Mill’s guild), two successors to the Flour Guild which inherited its seat. Similarly, the *Zahuo-hang* (the Sundry Goods Association) also monopolized a permanent seat, but after its split in 1800, its two successors *Chunhou-*

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<sup>86</sup> There are a number of oral history records that noted the functions of the Council of the Local Elders, see Liu Yingyuan, “Chunhoushe yu sanyuan cheng: Guihuacheng zui laode hangshe yu zihao,” *Huhehaote wenshi ziliao* 10 (1995): 52-60. Also see Liu Yingyuan, “Guihuacheng de shengchu maoyi,” *Huhehaote wenshi ziliao* 10 (1995): 125-127.

*she* 醇厚社 (the Sundry Goods Shops Guild) and *Jijin-She* 集錦社 (the Mongolia-bound traders' guild) had to share the position. The final seat on the council was, from the very beginning, shared by *Dang-hang* 當行 (the Pawnshop Association) and *Jiufan-hang* 酒飯行 (the Restaurant and Pub Association). In the nineteenth century, after a series of institutional changes, the representative who filled this position came from one of the four trade guilds of *Baofeng-she* 寶豐社 (the Bankers' Guild), *Danghang-she* 當行社 (the Pawn Shop Guild), *Juxian-She* 聚仙社 (the Restaurant Guild), and *Xianweng-she* 仙翁社 (the Pub Guild).<sup>87</sup> Therefore, by the mid-nineteenth century, when the Grand Guild was expanded from twelve to fifteen major trade *she*, only eight of them enjoyed representation in the Council of Local Elders. Out of the eight, seven were successors to the original position holders; only the Bankers' Guild was new.<sup>88</sup> That is to say, despite the rising power of various new trade guilds, the seats of the council were dominated by the old establishment; it was the traditional prestige of these guilds that bolstered the authority of the Council. Such limited constituency notwithstanding, the council's leadership in the public affairs of the city was widely acknowledged and rarely contested during the nineteenth and early twentieth century.

## Restructuring the Relationship between State and Society

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<sup>87</sup> Each group of these guilds had their methods of selecting their representatives. Unfortunately, we do not know exactly through what institutional mechanism they selected their council representatives. Across different groups, sometimes the positions of the Local Elders were filled by elected headmen, but there were also situations where the positions were filled by merchants who were not headmen.

<sup>88</sup> We will discuss the rising power of the banker's guild and its struggle with the Grand Guild in the next chapter.

In addition to traditional authority, the power of the Grand Guild also stemmed partly from the backing of the imperial state. For one thing, the state gave the four local elders crucial symbolic acknowledgement, which buttressed their traditional authority. During their one-year tenure, these merchants on the Council were allowed to dress like a *xiucai* (秀才), a Confucian scholar who had passed the county level civil exam and enjoyed legal and status privileges as a member of the “gentry class.”<sup>89</sup> The merchant leaders could wear the entire gown outfit reserved for the Confucian gentry, including robe, boots and, most prominent of all, a hat with gilded top (金頂子) that attracted attention and communicated their privilege.<sup>90</sup> For the merchants who came to serve on the Council, such sartorial privilege was a symbolic acknowledgement of the respect they commanded. Moreover, becoming a Local Elder was nothing but an honor—the newly elected merchant often received congratulatory plaques from their fellows, which would be hung in the hall of his firm for ages.<sup>91</sup> By honoring the merchant leaders with symbolic privileges, the Qing state cleverly maneuvered the symbolic resources at its disposal to co-opt the local power structure. One of the core advantages of any successful empire is the ability to dispense symbolic capital to local power holders and thus turn the latter into useful agents of imperial rule. At the same time, by extending the status symbols associated with the gentry class of China’s heartland to a commercial society on the northern frontier, the Qing also re-affirmed the ideal socio-cultural hierarchy of the interior — one that condemned merchants to the lowest rank. (Only

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<sup>89</sup> Chang Chung-li, *Chinese Gentry: Studies on Their Role on Nineteenth Century Chinese Society* (Seattle: University of Washington Press, 1955), 25-54.

<sup>90</sup> Imahori, 234-245.

<sup>91</sup> For example, Imahori, Appendix, M1- M13.

four merchants elected out of thousands could earn the honor of wearing the gowns of the *xiucai*, the lowest level of the gentry class, and even these four could only wear them for one year.)

This co-optation seemed to have the desired effect. In return for the favor of the court, the Council of the Local Elders and the rest of the Grand Guild worked closely with various imperial agencies in managing the public affairs of the city. They served as the conduit through which public opinions were reported to the government, a consultative role that helped to embellish the local government's legitimacy: in a word, the state needed the support of local notables as much as the leading merchants needed the state. At the same time, the Grand Guild also assisted the government in passing down orders and carrying out policies. In Philip Huang's terms, they constituted the third realm between society and the state.<sup>92</sup> One of the best examples of this appears in a stele inscription from 1890, when the magistrates issued a strict ban on the sand-adulterated copper coins that had plagued the market of Hohhot for several years.<sup>93</sup> The Local Elders were first consulted by the magistrates, and thanks to their participation, the final decision was claimed to be the result of a public consultation (公議). As for the execution of the ban, it was at the office of the Local Elders' Council at the Three Sages Temple that city residents were to exchange their adulterated coins for authentic ones. While the script of this governmental ordinance began with the long official titles and name of the magistrates, the order was also reinforced by the four elders' personal names and firm names. Obviously, state backing was critical in enforcing such orders,

<sup>92</sup> Philip C. C. Huang. ""Public Sphere"/"Civil Society" in China?: The Third Realm between State and Society." *Modern China* 19, no. 2 (1993): 216-40.

<sup>93</sup> "Jin zhi sha qian bei ji," in "Jin shi zhi bu yi," ed. Zheng Zhichang, *Guisui xianzhi* (Taipei: Student Press, 1967).

providing merchant leaders with raw power. As was claimed in the stele, any criminal who continued to mint illegal coins would feel the full force of the law. In this way, government support lent the Council and the Grand Guild an air of imperial authority.

More broadly, in the nineteenth century, the Qing state acknowledged the *she* system as a definitive structure of local society that it had to reckon with. The transformation at the turn of the century in which the *she* effectively replaced the state-imposed *hang* system testifies to loosening state control over the commercial sphere, as well as a shift of power from the weakening state to a maturing local society on the frontier. However, this restructuring did not mean that the core functions of the *hang* system were lost. Rather, the trade *she* that replaced them also shouldered their traditional responsibilities toward the state, and membership in a trade *she*, just like in the old *hang*, entailed exclusive permission to practice a given line of trade in Hohhot.<sup>94</sup> Tellingly, *she* members who were originally in the *hang* were required to continue to perform *hang* duties toward the state. But the way such *hang* duties were levied was critically restructured. In the eighteenth century, merchants and craftsmen's *hang* duties usually involved direct contribution of goods and services particular to their trade, a practice that was often disruptive to the flow of business. In the nineteenth century, thanks to the growth of a monetized market economy, *hang* duties became monetized. Instead of contributing in kind and in labor, many trade *she* managed to convert such duties into a surcharge on the volume of trade, and used the amount to purchase the required goods and services to satisfy government demand.

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<sup>94</sup> For instance, the *Mawang-she* strictly prohibited carters from other towns to solicit for jobs in Hohhot. Imahori, Appendix, E23.

In this way, in addition to their many other guild functions, the trade *she* of Hohhot also became a collective tax farming agency. The benefit of *hang* duty collection through the *she* was obvious. For the merchants, monetized duties greatly reduced the uncertainties and disruptions caused by the *hang* levies. Moreover, through the mediation of the *she*, the merchants could collectively resist unreasonable demands imposed by the state and by government runners, who were often corrupt in the eyes of the public. From the perspective of the state, after a long period of peace on the steppe since the mid-eighteenth century, the military importance of Hohhot had decreased. Without the demand of war, there was neither urgency nor necessity to directly exploit materials and labor from the commercial sector, and given the growth of the market, any needed supplies and services could easily be obtained from the local marketplace. Therefore, allowing the *she* to function as tax farmers greatly reduced the cost and burden on the state. In the end, the new arrangement represented significant savings and increased tax revenue for the local government. As a gazetteer of Baotou pointed out, the transformation from the *hang* to the *she* there helped the county to save sizable funds.<sup>95</sup> So while the state conceded to the collapse of the *hang* system, and relinquished control over *hang* duties, in return it co-opted the trade *she* and turned it into an intermediary organization between the state and the merchants.

Such restructuring of the relationship between state and society was not limited to the commercial quarters of Hohhot. By the turn of the nineteenth century, the countryside adjacent to the city also went through similar changes. As mentioned earlier, responding to the calls of the Qing court, peasants from northern Shanxi had

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<sup>95</sup> *Suiyuan Tongzhigao* 綏遠通志稿, vol. 4, 234-236.

begun to migrate in droves to the great Qiantao plain outside of Hohhot starting at the turn of the eighteenth century, and helped to transform the pastures of the Tumed Mongols into grain-producing farmland. Like the merchants in the city, when faced with precarious conditions that required mutual cooperation, these peasants followed the familiar practice of their home villages and organized the *she* in the newly formed hamlets on the steppe. However, such hamlets were usually small and powerless, and so were their *she* organizations. In order to forge a greater unity to deal with the exploitations of their Mongol landlords as well as the duties imposed by the state,<sup>96</sup> in 1798, peasants from hundreds of hamlets on the outskirts of Hohhot convened in a major assembly at the Dragon King's Temple in Haiku Village,<sup>97</sup> the site on which the *Mawang-she*, the first trade *she* of Hohhot, had come to base its operations at.<sup>98</sup> Probably following the examples of the *Mawang-she*, these peasants established their own unified organization under the name of “*Sixiang-nongmin-she*” 四鄉農民社, or the “Peasant *She* of the Four Countrysides.”<sup>99</sup> What is worth particular notice is the fact that this unified *she* differed significantly from the traditional village *she* of Shanxi. While the village *she* was geographically organized, this newly united *she* was intrinsically a trade organization — one that represented all the farming population in the hinterlands

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<sup>96</sup> Imahori, Appendix, F5.

<sup>97</sup> While we do not know the number of hamlets on the outskirt of Hohhot at the turn of the nineteenth century, by 1860, the number was 312, which increased to over 500 by 1907. The former number was recorded in Zhang Ceng's *Gufeng shillue* 古豐識略, while the latter was documented in the *Guisui Daozhi* 歸綏道志.

<sup>98</sup> *Mawang-she* built a shrine in Haiku Village outside of the city and moved its ceremonies and operations there during the eighteenth century.

<sup>99</sup> This early nineteenth century event was described in a stele established in 1860 in the same temple. This stele was recorded in *Guisui Xianzhi*, the 1934 gazetteer of the Guisui County, under which the city of Hohhot was administered.

of Hohhot. It was their common occupation as peasants, no matter which hamlet they resided in, that determined their shared identity and their organizational belonging.

The creation of the unified peasant *she* altered the relationship between the state and peasantry. First, *Sixiang-nongmin-she* set up an office to coordinate the small hamlets and help peasants re-adjust the way they performed their duties to the state. Like the merchants and craftsmen under the *hang* system, Chinese migrant peasants on the frontier were assigned a myriad of duties to serve the imperial agenda—in fact, on the frontier, the state actively exploited every sector of the populace, designating specific tasks to each. Whereas the bannermen of the Tumed Mongols were required to serve in the military, frontier peasants were forced to perform so-called miscellaneous obligations,<sup>100</sup> primarily providing labor on state projects and fodder for government horses. Even their pack animals sometimes could be drafted at will by government runners in the name of supporting the official courier system. Such exploitation not only imposed heavy financial burdens on the peasants but also led to serious disruptions to their life and work. Clearly, despite the fact that the Qing emperors and ministers often boasted about the Kangxi and Yongzheng reforms that abolished the time-honored poll tax, remnants of the corvée labor system were still prevalent in North China. This was all the more pronounced on the frontier, where mandatory free labor, rather than land tax, still constituted the peasants' primary obligation toward the state well into the

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<sup>100</sup> Mi Tian, “Qing dai guihuacheng tumote di qu de tu di kai fa yu cun luo xing cheng,” *Min zu yan jiu*, no. 6 (2012): 86-99.

nineteenth century.<sup>101</sup> During the first few decades of its existence, the *Sixiang-nongming-she*, following the lead of the merchant *she* of Hohhot, negotiated with the local officials of Hohhot to reform these oppressive levies. This organization of peasants was powerful enough to persuade the local government to turn miscellaneous obligations into a regular and monetized surcharge plus a fixed amount of annual fodder provision, with the latter to be collected through the unified peasant *she* itself.<sup>102</sup>

Such a rural transformation could not transpire without involving the merchants of Hohhot, for the frontier city and its countryside had been deeply integrated from the beginning. On the one hand, many merchants leased large tracts of land from Mongol princes, invested heavily in developing the irrigation system, and then divided the land into plots for renting to migrant peasants. Such commercial land development was a major force that transformed the Inner Mongolian steppe into an agricultural area during the Qing era.<sup>103</sup> It also meant that the merchants held sway in many rural communities. On the other hand, wealthy agriculturists also invested in businesses in the city, creating a tight chain of shared interests between the rural and the urban elite.<sup>104</sup> As a result, just

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<sup>101</sup> On a side note, as recent researches show, despite the highly acclaimed Yongzheng taxation reforms of the 1730s, corvée labor still constituted the majority of the tax burdens on the peasants in the northern half of the empire.

<sup>102</sup> Imahori, Appendix, P6.

<sup>103</sup> Such a phenomenon was evident in the Qiantao plain (the flat grassland on which the site of Hohhot was situated), and became even more prominent in the Houtao plain to the west. For the study of the so-called “land merchants,” see Wang Yi, “*Transforming the frontier: land, commerce and Chinese colonization in Inner Mongolia, 1700-1911*” (Ph.D. diss, University of Chicago, 2013), 230-298.

<sup>104</sup> A significant portion of the arable land adjacent to Hohhot belonged to the Manchu court. Such land was divided into thirteen large imperial farms, and was known as the “*zhuangtoudi*” 莊頭地. Such imperial farms were developed from the early eighteenth century. They were managed by agents designated by the imperial household department who came from other imperial farms. Over time, these agents’ families became localized, and emerged as commercial landlords and also investors in the city. Cheng Huapeng, 程化鵬, a merchant of Hohhot who led

as the creation of the unified peasant *she* was inspired by the trade guilds of the city, so the reform of the peasant duties was carried out with the latter's support. After the *Sixiang-nongmin-she* successfully converted the peasants' obligations into a monetary surcharge, neither the peasant *she* nor government runners were entrusted with its collection. Rather, it was the *Jujin-she* (the Grain Dealer's Guild) that took up the responsibility: when farmers came to sell their grain at the dealers' place, the surcharge was imposed on the sale price at a fixed rate.<sup>105</sup> Then the grain dealer's guild would pool the resulting fees together into a fund, and use it to hire carters and labors when such services were demanded by the state. In this way, the trade guild not only helped to transform the relationship between the peasantry and the state, but also inserted themselves as the critical intermediary and power broker between them.

In this regard, the evolution of *she* had come full circle: from rural Shanxi, to the frontier market towns, and eventually to the newly transformed Inner Mongolian countryside. Originally built on shared cults and neighborhood ties, the *she* as an organizational form structured the rural life of Shanxi province and other parts of north China in the late imperial period. In the beginning of the eighteenth century, it was brought by peasant-migrants and peasants-turned-merchants to the northern frontier. In Hohhot, while the *she* was first adapted for urban society as a fraternal association for

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the long-distance merchants in a petition to the Qing court for permission to trade in Russia, was also a leader in the rural communities. We can see his leadership role in the merchant community from his petition to the court, which was housed in the Foreign Ministry Archives in Academia Sinica in Taiwan. His engagement in the local rural affairs can be seen in a stele inscription collected by Imahori. See Imahori, Appendix, S5.

<sup>105</sup> The fee was initially set as half a copper coin for every *dou* of grain sold, which later rose to one copper coin in the 1850s. Due to the rise in military demand, such fee was deemed insufficient to cover the cost for hiring carters, a demand from the military. And then the fee was tripled to three copper coins per *dou* in the 1860s. See Imahori, Appendix, E30.

the newly arrived businessmen from the same hometowns, it was soon embraced by carters, tailors, carpenters, and other less privileged trades-people. The bottom-up *she* structure proved so effective that all trades, including the more established and affluent ones in Hohhot, adopted it in time. By the turn of the nineteenth century, the rise of the trade-based *she* rendered the state-imposed *hang* structure obsolete, radically altering the relationship between the business sector and the state. The trade *she* provided the institutional bedrock for the self-governance of the market place and urban society of Hohhot, and at the same time, constituted the institutional foundation of the new order in the countryside. In other words, by this point, the *she* had emerged as the institutional common denominator that unified the rural societies of Shanxi, the urban society of Hohhot, and the countryside on the Inner Mongolian plain.

Inside the city, meanwhile, the *she* as an institutional form also moved beyond the confines of shared trade identities, and began to be used to organize people of different status within the same trade or across different trades—that is to say, class distinctions also came to be articulated through the *she* structure. For instance, skilled workers at wheat mills, millet mills, oil mills and distilleries together formed the *Liuhe-she* 六合社 (literally, the Six Directions *She*),<sup>106</sup> which represented their shared interests and negotiated their salaries with their employees. Because of the heavy workload at these mills, the *Liuhe-she* also made sure that their members were not over-worked, even organizing random mid-night checks on the mills. Just like every other *she*, the millers would pay tribute at the Lord Guan Temple every summer, indulge in banquets

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<sup>106</sup> Six directions, namely, up, down, east, west, south, and north.

and theaters, and share the costs.<sup>107</sup> Similarly, hired cooks in different firms formed their own union named *Xieyi-she* 協意社 (literally the Coordinating Minds *She*),<sup>108</sup> which represented the workforce in the cooks profession. In short, while *she* organizations came to articulate class distinctions, the organizational hegemony of the *she* structure was also reinforced in the same process.

The occupational unions gradually spread into areas traditionally considered outside the commercial realm. At the turn of the nineteenth century, for instance, Chinese employees and runners of various local governmental agencies in Hohhot created the *Sanyi-she* 三義社 (literally, the three righteousness *she*),<sup>109</sup> and later built their own temple.<sup>110</sup> Interestingly, government clerks with financial expertise, mostly accountants and tax collectors, split from the *Sanyi-she* and created their own association under the name of *Deyi-she* 德義社 (literally, the virtue and righteousness *she*) in the mid-nineteenth century.<sup>111</sup>

Even teachers and Confucian scholars, who were held in the highest esteem in the idealized Confucian social order, formed their own guild — the *Chongwen-she* 崇文社 (literally, the revering culture *she*).<sup>112</sup> Due to their lack of financial wherewithal, *Chongwen-she* had no option but to use the second floor of a corner building in the

<sup>107</sup> Jia Hanqing, “Guihuacheng de liu chen hang,” *Neimenggu wenshi ziliao* 39 (1990): 27-29.

<sup>108</sup> *Guisui daozhi*, vol.3, 324.

<sup>109</sup> First appearance of the *Sanyi-she* was from a plaque that was dedicated to the Lord Guan Temple in the Western Ward, in the thirteenth year of the Jiaqing Reign (1808). Imahori, Appendix, Q10.

<sup>110</sup> *Sanguan-miao* 三官廟, or the Temple for the Ministers of the Three Realm. The temple was dedicated to the three Daoist deities that were believed to be in charge of the heaven, earth, and water.

<sup>111</sup> The *Deyi-she* first shows up in the records in 1859.

<sup>112</sup> Imahori, Appendix, Q3.

Southern Dragon King Temple on the outskirts of Hohhot as their meeting venue and as a chapel for the Wenchang God,<sup>113</sup> the god who gives inspirations to writers and offers good luck to examinees. Considered one of the thirty insignificant guilds alongside the barbers and cooks, the *Chongwen-she* was very much marginalized. In other words, the idealized Confucian social hierarchy of literati-scholars, peasants, craftsmen, and merchants, in descending order, was inverted in the frontier market town. In Hohhot, the scholarly class was completely sidelined, while merchants sat at the helm of the urban society. In particular, the Grand Guild—now a coalition of fifteen independent trade-based *she*, including the guilds of sundry goods merchants, long-distance Mongol traders, grain brokers, owners of millet mills and wheat mills, pawn shops, bankers, restaurant owners, and horse dealers—sat in a commanding position. In other words, power concentrated in the hands of merchants, urban business owners, and financiers. On the frontier, Confucian values mattered little; it was the power of capital that ruled.

The organizational form of *she* went beyond the confines of the Han Chinese community. Defying ethnic and religious divides, the trade guilds of Hohhot often encompassed Han, Mongol and Hui practitioners who engaged in the same line of business. The Hui, the so-called Chinese Muslims who mostly hailed from the northwestern provinces, constituted an important trading network in the Qing empire, and many Hui businessmen plied their trade on the northern frontier as traveling merchants, animal dealers, carters, and camel drivers. While we do not have sufficient

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<sup>113</sup> The Wenchang Imperial God 文昌帝君 began as a local cult in Sichuan that originated in the early medieval period. It gained popularity among exam takers after the civil service examination system was established in the Tang. In the late imperial period when the exam system became the default ladder of success, the Wenchang God became one of the most widely worshipped cults, especially among literati, scholars, and above all, exam takers. Sometimes its popularity rivaled that of Confucius among scholars.

primary sources to know how Muslim tradesmen reconciled their Islamic beliefs with the idolatry in the cult-centered *she* organization, in Hohhot, Muslim carters all joined the ranks of the *Mawang-she*, or the carter's guild, and formed one of its branch chapters.<sup>114</sup> Similarly, Muslim as well as Mongol camel drivers formed important contingents in the *Fuqing-she* 福慶社 (literally, the celebrating fortune *she*),<sup>115</sup> or the camel driver's guild. On the other hand, competition and conflict between ethnic groups could also lead to organizational divisions. While the Han Chinese merchants who specialized in the long-distance trade between Xinjiang and Hohhot formed their *Xinjiang-she* 新疆社, the Muslim traders of the same route created their own *she* organization, known as the *Qingzhen-she* 清真社, or the *She* of Muslims.

Moreover, the popularity of the *she* was not only limited to the commercially savvy Muslim businessmen. Even Tumed Mongols adopted the organization in both urban and rural places. In the countryside, the increasingly sedentary Mongol commoners formed their own *she* as a response to the widespread hamlet *she* of the Chinese peasants.<sup>116</sup> In the city, Mongol officials also established their own association known as *Menggu-she* 蒙古社, or the *She* of the Mongols. Annually, these Mongol officials would hold two major festive ceremonies: in the third month of the year, they would convene and pay tribute at the Temple of Ksitigarbha, the old Tibetan Buddhist establishment in the city; in the ninth month, they would collectively participate in the

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<sup>114</sup> Imahori, 295-296.

<sup>115</sup> Imahori, 198-203.

<sup>116</sup> Tian Mi, “Qingdai guisui diqu de jiceng zuzhi yu xiangcun shehui,” *Zhongguo shehui lishi pinglun*, no. 1 (2008): 343-356.

rituals worshipping Lord Guan, hold banquets and stage theatrical performances<sup>117</sup> —in the same way that the Shanxi merchants worshipped Lord Guan and celebrated their *she* festivals. This suggests that for the Mongols, the *she* was adopted not only as an organizational vehicle, but also a set of social and cultural practices. While the expansion of the Qing Empire brought together a cosmopolitan medley of peoples in its frontier cities and imposed a set of administrative institutions upon them, eventually it was a grassroots Chinese social institution, initially brought to the region by peasants and lower-class merchants from Shanxi, that facilitated the socio-cultural integration of frontier society.

## Conclusion

By the time the first gazetteer of Hohhot was compiled in the mid-nineteenth century, the *she* had taken root in Hohhot, linking the market town with its countryside and constituting the default framework of social organization across different sectors of the population. Through the institutional framework of the *she*, traders, craftsmen, peasants, government runners, Confucian scholars, Mongol bannermen, and Muslim carters could all find a way to forge collective cooperation based on common interests and occupational ties. The *she* helped vulnerable migrants, sojourners, and alienated natives, among others, to establish an anchor of order in the chaos and vicissitudes of the frontier marketplace. It also constituted an institutional buffer between the local populace and the imperial state, which prioritized its own agenda and interests above the benefits of its subjects. Thanks to its multiple sources of authority, the trade *she* of

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<sup>117</sup> Zhang Ceng, *Gufeng shilüe*, vol. 21.

Hohhot provided an effective institutional structure of self-governance in the local society, which was so robust that it outlasted the heyday of the city, outlived the imperial dynasty, and survived a barrage of modernizing reforms in the early twentieth century.

For all its functions, influences, authority, and longevity, however, the *she* of Hohhot was not immune from controversies. Its most vehement critic was none other than Zhang Ceng, the author of the first and most famous gazetteer of Hohhot. As a locally groomed scholar with a serious dedication to Confucian ideals, Zhang was a rare breed in this frontier market town. In the first version of his gazetteer, written during the 1850s, he offered a scathing attack on the *she*. It was abhorrent, he argued, because the *she* created a calendar of year-around festive celebrations, banquets, and theatrical performances in the name of the gods. It encouraged a culture of lighthearted, hedonist, and carnivalistic degeneration, and thus seriously compromised the social morale of the frontier population. Moreover, the merchants' portrait of their ultimate protector Lord Guan as the social equal to his master and sworn brother Liu Bei also appalled him, as it defied the fundamental tenet of imperial ideology. In Zhang's view, the consensus-based elections of *she* leadership were usually manipulated, often by a small group of wicked merchants who rose to power not by virtue but by trickery, and then abused their authority among their fellow tradesmen. Worse still, the *she* distorted the "normal" social hierarchy where scholars, not merchants, should be at the helm of the society. Consequentially, Confucian learning and the truly worthwhile pursuit of the highest moral character had no place in Hohhot society, nor was there any success in the

esteemed civil service examination to be proud of. Prosperity is ephemeral, Zhang warned, when married to a corrupt social order.<sup>118</sup>

No matter how prosperous and vibrant, Hohhot, in the eyes of its fiercest Confucian critic, was no more than a frontier town and thus a peripheral place: peripheral not only in the political geography of the empire, but more so in the imagined cultural map of the Confucian universe. In that universe, the center lay elsewhere — in the imperial capital of Beijing, and in Jiangnan where the high culture of the scholar-literati flourished. And in that imagined center, everything that the *she* stands for should be of little consequence: A true Confucian gentleman does not engage in worshipping uncanny cults and bizarre deities. Pursuit of material opulence should be always secondary to the quest for moral integrity. “Natural hierarchies” between father and son, master and subjects, not camaraderie between strangers, are the first order of things. No matter how perfect his moral character or how sacred his celestial standing, Lord Guan was first and foremost a subject, not sworn brother, to Liu Bei, his imperial master. But for a modern scholar looking at history, Zhang Ceng’s discontent and disapproval is very much a vindication in disguise. No matter how peripheral Hohhot was in the idealized Confucian universe, grassroots entrepreneurs of north China—in their struggle for a better material life and search for trust and social solidarity—not only created a vibrant market and a thriving city, but also forged an institutional system and a socio-cultural regime on the frontier that was remarkably different from what imperial ideology upheld as the unquestionable norm. What seemed to be a deviation from the

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<sup>118</sup> Zhang Ceng, *Gufeng shilüe*, vol. 21.

norm might just lead to an alternative possibility for China's social-economic development.

Ironically, not long after Zhang's heated attacks on the vices of his hometown, he withdrew from his initial stance in an updated version of his gazetteer, not because he gave up his Confucian principles, but because he learned the news that the Taiping Rebellion had devastated nearly every prosperous and culturally superior center of the empire as he was penning his scathing criticism. The affluence and high culture of Jiangnan was shattered; the center had collapsed. Even Beijing was temporarily conquered by barbarians in the second Opium War. Such a sad and sobering reality had shaken the Confucian author. Prosperity is ephemeral, all the same, he laments. Only the clamor, the chaos, and the morally suspicious carnivals of Hohhot still remained as the testimony to a once flourishing empire. But at least the *she* continued to function in Hohhot, even though the best times may have already gone by.

*Table 4: The Trade Guilds of Hohhot at the Turn of the Twentieth Century*  
(Source: *Guisui Daozhi*)

A. The Fifteen Big Guilds

Name	Trade
醇厚社 Chunhoushe	Wholesalers of Chinese goods and clothing
集錦社 Jijinshe	Mongolia traders
聚錦社 Jujinshe	Brokers and wholesalers of grain, cloth, and paper
福虎社 Fuhushe	Wheat grinding mills
青龍社 Qinglongshe	Rice grinding mills
當行 Danghang	Pawn shops

寶豐社 Baofengshe	Bankers
集義社 Jiyishe	Vendors of boots and shoes
威鎮社 Weizhenshe	Vendors of sheepskin
仙翁社 Xianwengshe	Theaters and Restaurants
聚仙社 Juxianshe	Tea houses
榮豐社 Rongfengshe	Vendors of lambskin
衡義社 Hengyishe	Vendor of fine wool and wild animal skins
氈毯社 Zhantanshe	Makers of Felt
馬店社 Madianshe	Horse dealers

### B. The Thirty Small Guilds

Name	Trade
崇文社 Chongwenshe	Teachers
福慶社 Fuqingshe	Camel dealers
義仙社 Yixianshe	Dyeing craftsmen
興隆社 Xinglongshe	Brokers of sheep and horses
紙房社 Zhifangshe	Makers of paper
生皮社 Shengpishe	Raw sheepskin
誠敬社 Chengjingshe	Cooks in brokerage inns
公義社 Gongyishe	Shoe makers
義合社 Yiheshe	Fruit tree brokers
新疆社 Xinjiangshe	Xinjiang traders
福隆社 Fulongshe	Beijing bound sheep wholesaler
西公義社 Xigongyishe	Brokers of leather goods
成衣社 Chengyishe	Tailors
驃店社 Luodianshe	Mule brokers
意和社 Yiheshe	Boots makers
魯班社 Lubanshe	Construction workers, including masons, carpenters and others.

淨髮社 Jingfashe	Barbers
金爐社 Jinlushe	Coppersmith, tinsmith, and blacksmith
東義和社 Dongyiheshe	Leather craftsmen
協意社 Xieyishe	Cooks in firms
六合社 Liuheshe	Grain and millet grinder
公義社 Gongyishe	Paper makers
吳真社 Wuzhenshe	Painter
山貨行 Shanhuhohang	Dealers of bowls, plates, brooms and etc.
銀行 Yinhang	Silversmith
染行	Dyeing firms
蠟行	Wax firms
雜營行 Zayinghang	Dealers of wood product and etc
鐵行 (亦稱平義社)	Iron products
藥行	Dealers of medicine

## SIX

### *Creating New Nexus of Power: Money and Banking on the Edge of Empire*

In previous chapters, I have examined how Shanxi merchants developed various organizations, such as native-place associations, guilds, and trading firms to negotiate the challenges of frontier business. I have also analyzed the institutional principles that underpinned the working of these organizations. This chapter investigates another set of hitherto poorly understood institutions and organizations in Shanxi merchants' business world, namely, the financial and monetary systems that these merchants created in North China and Inner Mongolia that were central to frontier commerce. I argue that the particular monetary conditions on the northern frontier significantly constrained the development of trade, which forced Shanxi merchants to create new monetary instruments such as paper notes and bank-generated virtual currency to grease the wheels of commerce. The creation of such instruments also required new advancement in banking institutions; in particular, the rise of bankers' guilds, which offered organizational and institutional structures that enabled their monetary systems to function.

This chapter also explains how these systems actually functioned in the marketplace. While I will examine the key institutional mechanisms that facilitated the successful implementation of these new monetary instruments, my analysis goes beyond mere economic and institutional analysis prevalent in financial history scholarship. Instead, I place the social at the center of my investigation, as I see money

as not merely an economic instrument, but as a medium of social exchanges. I argue that the native-place-based, tight-knit social network among Shanxi merchants generated a regime of strong trusting relationships, which provided the social foundation for the merchants to build regulatory institutions and to mitigate risks inherent in their new monetary and banking systems. The working of their financial systems cannot be understood without understanding the specific social structure of the Shanxi commercial network.

Moreover, money and banking are instruments of power as much as tools of trade; changes in financial instruments inevitably create winners and losers and thus alter power relations among different sectors of the economy. Therefore, I aim not only to show how finance and economies work, but also to investigate the shifting landscape of power amid economic changes. In this chapter, I further suggest that, due to the emergence of new monetary instruments, private local banks became increasingly central to the Shanxi business network on the frontier, causing a shift of power from traders to bankers. In the case of Hohhot, by controlling the virtual currency system, the Bankers' Guild came to occupy a commanding position in the frontier market in the nineteenth century, which directly challenged the existing power structure within the business community and caused serious hostilities from other trade guilds. The fact that the Bankers' Guild eventually prevailed in power struggles suggests that a trend towards the financialization of the economy began to transpire on the northern frontier of the Qing Empire.<sup>1</sup>

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<sup>1</sup> Theories of “financialization” began to proliferate in the 1970s, when the rise of neo-liberalism led to the increasingly salient roles of financial institutions in the global economy. Every economist, sociologist and cultural scholar seems to have his own understanding of what

Because systematic archives with materials on private business in pre-modern China are difficult to come by, this chapter is an exercise in piecing together a jigsaw from an array of primary and secondary source materials, Chinese, Japanese, and English. In particular, I draw on four categories of hitherto underexplored materials:

*Suiyuan tongzhigao* (Drafts of the Suiyuan Provincial Gazetteer),<sup>2</sup> stele inscriptions collected by Japanese scholar Imahori Seiji during the Second World War,<sup>3</sup> oral history accounts in the *Wenshi ziliao* collections,<sup>4</sup> and newly accessible commercial documents

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financialization is. My understanding follows Greta R. Krippner's famous definition of financialization as "the pattern of accumulation in which profit making occurs increasingly through financial channels rather than through trade and commodity production." I also borrow Gerald Epstein's broader definition to suggest that financialization as a phenomenon is manifest in the increasing importance of financial markets, financial motives, financial institutions, and financial elites in the operation of the economy and its governing institutions. However, while theories of financialization have proliferated in the last forty years, the financialization of economies has occurred over a much longer time period. Giovanni Arrighi argues that financialization represents a phase of economic development that has reoccurred in different places and periods in history. While contemporary theorists almost uniformly see financialization as a global phenomenon, I would argue that in the pre-modern and early modern era, a regional economy, especially within a spatial network of commerce and trade, could also evolve toward financialization, as this chapter shows in the case of Hohhot and the northern frontier of the Qing Empire. For relevant works, see Greta R. Krippner, "The Financialization of the American Economy," *Socio-economic Review*, No. 3 (2005): 173-208; Gerald A. Epstein ed., *Financialization and the World Economy* (Cheltenham: Edward Elgar Publishing, 2006), 2-11; Giovanni Arrighi, introduction to *The Long Twentieth Century: Money, Power and the Origins of Our Times* (London and New York: Verso, 2010), 1-27.

<sup>2</sup> Suiyuan is a historical province of the Republican era (1912-1949) that included the central part of today's Inner Mongolia. Hohhot served as its provincial capital. *Suiyuan tongzhigao* is the draft of a large-scale, encyclopedic gazetteer of the Suiyuan Province that was compiled in the 1930s. However, after its completion in 1937, it remained unpublished until 2007. Unlike traditional gazetteers that often neglect industry and commerce, *Suiyuan tongzhigao* included detailed accounts of trade, industries, and the financial business. Because no archival sources related to the traditional banking industry have been preserved in north China, *Suiyuan tongzhigao* offers a rare window into understanding how money and banking worked in Inner Mongolia. However, partly due to the particularities of the local financial system, the text in the finance section is filled with financial jargon and local terms, and is expressed in an archaic style, which so far has prevented scholars to fully grasp its meanings.

<sup>3</sup> Seiji Imahori, *Chūgoku hōken shakai no kikō: Kisui (Fufuhoto) ni okeru Shakai shūdan no jittai chōsa* (Tōkyō: Nihon Gakujutsu Shinkōkai, 1955), Appendix, 697-837.

<sup>4</sup> *Wenshi ziliao* is a series of oral history and eyewitness accounts compiled and published by a state agency established in 1959. Every province, prefectural city, and county has a committee

and paper money samples from Liu Jianmin's private collection.<sup>5</sup> Due to the fragmentary nature of these sources, isolated analysis of each uncovers only snippets of history. But when carefully pieced together and compared with sources from other parts of the Qing Empire, these documents reveal a unique and integral picture of the development of money and banking on northern frontier.

My focus on Shanxi merchants' monetary and banking innovations on the frontier region marks a radical departure from the existing literature on the history of Shanxi merchants. Previous scholarship has focused almost exclusively on the *piaohao*, a form of network banks that these merchants invented in the 1820s for the purpose of providing long-distance remittance services.<sup>6</sup> Admittedly, the *piaohao* played an important role in nineteenth century Chinese economy. Headquartered in central Shanxi, dozens of *piaohao* banks and hundreds of branches spread across the empire and formed a formidable banking network that connected the financial markets of treaty ports, frontier market towns, and imperial cities through remittances. Scholars often perceive the empire-wide network of *piaohao*, numerous independent local *qianzhuang* banks (most notably the Ningpo *qianzhuang*) across the country, and foreign banks in treaty ports as the three major players in the financial landscape of Qing Empire during

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in charge of its local *Weishi ziliao*. Thanks to the strong commercial tradition in Shanxi and Inner Mongolia, *Wenshi ziliao* in these two provinces contain particularly rich information on business history and vivid depictions of commercial life.

<sup>5</sup> See Introduction to this dissertation for details.

<sup>6</sup> While still being debated among local scholars, the consensus so far is that the first *piaohao* was created in 1823 by a pigment merchant from Pingyao County in central Shanxi to facilitate long-distance trade. The business model of the *piaohao* was so successful that within a few decades, dozens of *piaohao* were established in Shanxi. Their branches spread across the empire and formed a system of remittance and long-distance financial settlement.

its final decades.<sup>7</sup> But, as I have discussed in the introduction to this dissertation, thanks to the *piaohao*'s prominence at the tail end of imperial Chinese history, it has overshadowed many other aspects of Shanxi merchants' activities and led to a scholarly preoccupation with *piaohao*'s achievements, especially in histories written by local scholars of Shanxi. Foreign researchers have also fueled this preoccupation. During the *piaohao*'s heyday, Western observers often conveniently referred to them as "Shanxi banks," a term that has been kept in scholarly writings on Chinese banking history in the Anglophone literature ever since.<sup>8</sup> Nevertheless, the term "Shanxi banks" equates *piaohao* with all forms of banking developed in Shanxi. As this chapter will illustrate, *piaohao* was far from the only important financial creation in Shanxi merchants' business history. Quite the opposite was true; starting from the mid-eighteenth century—that is to say, much earlier than the invention of *piaohao*—Shanxi merchants pioneered a series of important financial innovations on the northern frontier of the Qing Empire. These developments, in turn, paved the way for the invention of the

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<sup>7</sup> Linsun Cheng, *Banking in Modern China: Entrepreneurs, Professional Managers, and the Development of Chinese Banks, 1897-1937*, (Cambridge: Cambridge University Press, 2007), 1-37.

<sup>8</sup> As early as in the 1860s, English language reports on trade published by the Qing Imperial Maritime Customs had already begun to refer to the *piaohao* as "Shansi (Shanxi) banks." For an early example, see The Inspector General of Customs, *Reports on the Trade at the Ports in China Open by Treaty to Foreign Trade, For the Year 1865* (Shanghai: Imperial Maritime Customs' Press, 1866), 16-17. While no English language scholarship dedicated to the history of *piaohao* had been published in the twentieth century, monographs and research papers on the history of Chinese banking also referred to the *piaohao* as "Shanxi banks." For an example, see Susan Mann Jones, "Finance in Ningpo: The 'Ch'ien Chuang,' 1750-1880," in *Economic Organization in Chinese Society*, ed. William E. Willmott (Stanford: Stanford University Press, 1972), 47-77. For a recent and succinct account of the history of *piaohao* in English, see Fan Yang and Randall Morck, "The Shanxi Banks," *NBER working paper series* 15884, 2010, accessed Aug 25, 2016, <http://www.nber.org/papers/w15884>. For a recent English language dissertation on the history of Shanxi *piaohao*, see Luman Wang, *Money and Trade, Hinterland and Coast, Empire and Nation-State: An Unusual History of Shanxi Piaohao, 1820-1930* (Ph.D. Dissertation, University of Southern California, 2014).

*piaohao*. Therefore, understanding the trajectory of Shanxi merchants' business and financial history requires understanding these earlier developments in addition to the *piaohao*.

In order to understand Shanxi merchants' financial innovations on the northern frontier, I adopt a local and regional perspective, not only on traditional Chinese banking, but also on monetary history. While bank historians have generally embraced the view that traditional Chinese banking developed regionally,<sup>9</sup> money historians often take China or the Chinese empire as a whole as the unit of analysis, failing to sufficiently account for how the existence of different regional currencies influenced the socioeconomic trajectories of these places.<sup>10</sup> By focusing on Shanxi Province and the

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<sup>9</sup> There have been a number of English language monographs on the history of Chinese banking that focus on regional systems. For a study of Ningbo banks, see Susan Mann Jones, "The Ningpo Pang and Financial Power at Shanghai," in *The Chinese City between Two Worlds*, eds. Mark Elvin and G. William Skinner (Stanford: Stanford University Press, 1974), 73-96; Susan Mann Jones, "Finance in Ningpo: The 'Ch'ien Chuang,' 1750-1880," in *Economic Organization in Chinese Society*, ed. William E. Willmott (Stanford: Stanford University Press, 1972), 47-77. For the local banks of Shanghai, see Andrea Lee McElderry, *Shanghai Old Style Banks (Ch'ien-chuang), 1800-1935* (Ann Arbor: University of Michigan Press, 1976); Zhaojin Ji, *A History of Modern Shanghai Banking: The Rise and Decline of China's Finance Capitalism* (Armonk, N.Y.: M. E. Sharpe, 2003). For history of banks in Hankow, see William Rowe, *Hankow: Commerce and Society in a Chinese City, 1796-1895* (Stanford: Stanford University Press, 1984), 198-245. For the history of the banking industry in Tianjin, see Brett Sheehan, *Trust in Troubled Times: Money, Banks and State-Society Relations in Republican Tianjin* (Cambridge: Harvard University Press, 2003).

<sup>10</sup> Monetary historians have long been fascinated with the radical changes that took place in the late imperial Chinese currency systems and their impacts on the economy and society. A significant amount of scholarship deals with the inflow and outflow of silver between the fifteenth and nineteenth centuries. For exemplary works on the flow of global silver into China, see Andre-Gunder Frank, *ReOrient: Global Economy in the Asian Age* (Berkeley and Los Angeles: University of California Press, 1998); Dennis O. Flynn and Arturo Giráldez, "Money and Growth without Development: The Case of Ming China," in *Asian-Pacific Dynamism, 1550-2000*, eds. A.J.H. Latham and Heita Kawakatsu (London: Routledge Press, 2000), 199-215. For a detailed treatment of the outflow of silver from China in the early nineteenth century and its huge impact on Chinese society, Man-houng Lin, *China Upside Down, Currency, Society, and Ideologies, 1808-1856* (Cambridge: Harvard University Asia Center, 2007).

Sino-Mongol trading entrepôt Hohhot, I will analyze how the particular conditions of these places and the demands of the frontier trade contributed to the invention of new monetary instruments, which in turn affected the way Shanxi merchants conducted their business and further developed Sino-Mongol trade.

This chapter also expands the geographic scope of the existing literature on Chinese banking history, which has so far focused almost exclusively on the core regions of China proper, and the treaty ports on the coastal area in particular, but has yet to examine what happened on the fringes of the empire.<sup>11</sup> As previous chapters of this dissertation demonstrate, the northern frontier constituted one of the most commercialized and economically dynamic regions in the entire Qing Empire. Further, as I will show in this chapter, Shanxi merchants' pioneering monetary and banking innovations provided the inspirations and precedents for financial evolutions elsewhere. In other words, the landlocked northern frontier functioned as an incubator for financial experimentations and innovations. Narratives of Chinese financial history that neglect what happened on the frontier, I argue, distort the trajectory and mechanisms of historical change.

Finally, this chapter breaks new ground by bringing insights from the recent "New Qing History" scholarship into the study of Chinese financial history. Over the last two decades, historians have been moving away from the Sino-centric view of the Qing Empire and beginning to seriously take into account its ethno-cultural plurality and political and institutional flexibility, as well as the sociocultural fluidity in the

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<sup>11</sup> In addition to the aforementioned works, examples of such scholarship also include Yeh-chien Wang, *The Development of Money and Banking in China, 1644-1937* (Taipei: Institute of Economics, Academia Sinica, Studies of Modern Economies Series, 1981).

borderlands between its different constituent territories.<sup>12</sup> Unfortunately, economic historians have yet to register this perspective in their understanding of the empire's landscape of money, which, I suggest, was also defined by diversity, cross-regional fluidity, and constant evolution, rather than by a singular unified system.

Acknowledging the diversity within the Qing monetary landscape is crucial to understanding the historical contingencies that spurred Shanxi merchants' financial innovations during the latter half of the eighteenth century. On the one hand, Qing imperial expansion established channels and enabled processes of monetary flow between its different regions and incorporated the Inner Mongolian frontier into the currency regimes of China proper. On the other hand, because of the imbalances within the Chinese monetary system that favored the South and the coast, the frontier was left in a disadvantaged position where the insufficiency of specie could not satisfy the demand of trade. In turn, such conditions impelled the Shanxi merchants to create new monetary instruments in the form of paper notes and cashless payment systems. In other words, the financial history of the Shanxi merchants confirmed what this dissertation strives to illuminate: the fate of these merchants was indubitably and intricately intertwined with the Qing imperial project on the northern frontier.

The structure of this chapter is as follows: The first section offers a succinct account of the diverse monetary landscape of the Qing Empire and challenges the simplistic, Sino-centric understanding of the Qing monetary system. The second section describes the problematic monetary conditions in north China and on the northern

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<sup>12</sup> Reclaiming the diversity and plurality of the Qing Empire has been a dominant theme in the recent "New Qing History" scholarship. For a thorough review of this historiography, see Joanna Waley-Cohen, "The New Qing History," *Radical History Review* 88, No. 1 (2004): 193–206.

frontier after the Sino-Mongol borderland was incorporated into the bimetallic currency system. Section Three and Four provide detailed descriptions of the two new systems of money that Shanxi merchants invented and analyze the social mechanism of their circulation. Section Five, focusing on the case of Hohhot, illustrates how the Bankers' Guild implemented institutional mechanisms to prevent risks in their new monetary systems. Finally, I conclude by highlighting how the Bankers' Guild of Hohhot caused tensions and usurped power in the business community.

### The Landscape of Money in the Qing Empire

Scholars have characterized the currency regime of the Qing Empire as a bimetal system using silver and copper:<sup>13</sup> while low value copper coins were used in daily transactions in local markets, the more expensive silver ingots dominated large-sum transactions, long distance trade, and tax collection.<sup>14</sup> The Qing state directly controlled the mining of copper, minted standardized coins from it, and enforced the distribution of these coins. Silver, on the other hand, was primarily acquired through foreign trade, minted by private agencies, and circulated in the market in a myriad of shapes, weight units, and purity standards, over which the state had little control. In other words, the two positions on the origins of money, either as the creation of a

<sup>13</sup> For a detailed account of the Qing bimetallism, see Duanliu Yang, *Qing dai huobi jinrong shigao* (Wuhan: Wuhan University Press, 2007), 11-85. Also see Peng Xinwei, *Zhongguo huobi shi* (Shanghai: Shanghai renmin, 1958), 521-626. For a succinct account in English language scholarship, see Yeh-chien Wang, *The Development of Money and Banking in China*, 3-32. For a theoretically informed analysis, see Yan Hongzhong, *Zhongguo de huobi jinrong tixi, 1600-1949* (Beijing: Renmin University Press, 2012), 60-87.

<sup>14</sup> For the popularization of the silver as currency in long distance trade within the Qing, see Man-houng Lin, *China Upside Down*, 40-42.

centralized political community or as the instruments of trade that emanated from decentralized private deals, could each find their perfect embodiment in the Qing system.

Nevertheless, the situations on the peripheries of the empire were markedly different, and much more unstable. Each of the frontier regions boasted radically different forms of currency. For instance, the oasis cities of southern Xinjiang and the small urban areas of Tibet had their own money long before the Qing conquest. While the oasis cities mostly minted copper coins,<sup>15</sup> Lhasa's elite and monks imported silver coins from Nepal and rarely used any copper in transactions. In contrast, in the nomadic societies on the Mongolian steppe, as well as in the remote forests of Manchuria and among the herders on the Tibetan plateau, barter trade was often the norm; in these locations, money in the form of metals had never become entrenched. Even within China proper, different localities used different forms of silver and copper cash, contributing to an extremely complicated landscape of money — a landscape that baffled contemporaries and future historians alike.<sup>16</sup>

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<sup>15</sup> The oasis cities and their hinterland, being at a key node on the ancient Silk Road, had a long and complicated history in the money economy. From the seventeenth century to early eighteenth century, the Yarkand state, and later the Zunghar overlord, issued a series of copper coins that became the dominant currency in southern Xinjiang. In contrast to the center-hollowed round shape of copper cash in Chinese tradition, the copper coins of Xinjiang had a Central Asian origin and boasted a radically different design: without holes, they were cast in an irregular oval shape that mimicked the shape of a leaf. The Zunghar coins were known as *pul*, or the *pu'er-qian* 普爾錢 in Chinese sources. These coins were made almost entirely of red copper and showed a red-ish color, and thus differed remarkably from the Chinese coins. For the details of the copper coins of Xinjiang in the seventeenth and eighteenth centuries, see James Millward, *Beyond the Pass: Economy, Ethnicity, and Empire in Qing Central Asia, 1759-1864* (Stanford: Stanford University Press, 1998), 63-65. Also see Qian Boquan, “zhunga'er hanguo de pu'er qian yanjiu,” *Xibu menggu luntan*, No. 2 (2011): 3-13.

<sup>16</sup> For a detailed account of the regional differences in currency standards in China proper, see Yang Duanliu, *Qing dai huobi jinrong shigao* (Wuhan: Wuhan University Press, 2007), 1-85.

Over the course of the eighteenth century, when the Qing expansion brought many new frontiers under imperial auspices, the empire constituted a major force that transformed the monetary systems of the frontiers. Although the empire did not manage to control the currency system as forcefully as a modern nation-state, the Manchu court understood the symbolic significance of fiat money. In Xinjiang as well as in Tibet, the Manchu overlord set up official mints to make new coins to replace existing, non-official ones, in an attempt to promulgate imperial rule in these newly pacified regions.<sup>17</sup> More importantly, because the empire relied heavily on the fiscal resources extracted from the core regions of China proper to finance their conquest and control of the frontier, its fiscal state was built on the bimetallist Chinese system. To support the large troops stationed on the frontier, the Qing state also transported large quantities of silver there, which were spent on military supplies and distributed to soldiers for stipend.<sup>18</sup> Between the mid-eighteenth and mid-nineteenth century, Xinjiang alone

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<sup>17</sup> In the latter half of the eighteenth century, the Qing state took over the minting of copper coins in Yarkand and issued new ones that mixed the chemical elements of the Zunghar coins with the shape, design and techniques of the Chinese coins. More importantly, to use money as the embodiment of imperial sovereignty, these new coins were also cast with Chinese characters in the center to mark the reign name of the current emperor. See Yuan Mu. *Qingdai Xinjiang huobi shi* (Wulumuqi: Xinjiang University Press, 1994), 38-50. Similarly, in 1790s' Tibet, in order to replace the silver coins in circulation that came from Nepal, the Qing set up silver mints in Lhasa to issue the official silver coins, which also put the reign name of the emperor in big Chinese characters in the center. See Su Faxiang, *Qingdai zhizang zhengce yanjiu* (Beijing: minzu press, 2001), 155-159. As a side note, the Qing did not mint silver coins in China proper until the very end of the nineteenth century.

<sup>18</sup> The Manchu state devised a so-called *xie-xiang* 協餉, or Military Expense Coordination System that required fiscally sound provinces in the core regions of China proper to transport silver directly from their provincial coffer to the frontier regions. These funds were used to cover the exorbitant military expenses of the frontier. For the majority of the Qing era, this system not only functioned as the crucial institution that facilitated imperial expansion and control of frontiers, but also served as a main conduit for money to flow from China proper to the edge of the empire. The frontier regions, including the southern frontier areas such as Guizhou and Taiwan, were relatively poor and difficult to tax. Moreover, they were also the areas where wars and rebellions were most frequent and destructive, thus constantly requiring

received well over two million taels of silver every year from interior of China.<sup>19</sup> Such a large influx of new cash radically altered the monetary structure in these far-flung areas and also created a strong incentive to attract Chinese merchants to conduct business there. In other words, the silver tael thus became the ecumenical language of money across diverse imperial spaces, allowing inter-regional trade to prosper..

Of course, the Qing state was not the only force effecting monetary transformations; Chinese merchants constituted another potent agent of change. The plurality of money mattered most significantly for merchants who engaged in business on the frontier, as practicing long-distance trade across different regions of the empire meant not only connecting different ecological economies and overcoming cultural and language barriers, but also bridging the divides across diverse monetary zones. As the most influential participants in the frontier trade, Shanxi merchants not only learnt multiple languages spoken within the empire and familiarized themselves with local customs of different places, but also mastered the language of money: how to determine the authenticity and purity level of silver, establish exchange rate and arbitrage, recast silver in private mints, and utilize money as a unit of account or as a method of payment. Manuals on long-distance trade often contain sections that compare the various silver

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large military expenses. To deal with such expenses, the Manchu court designated each of the rich interior provinces with specific tasks and annual quotas to support the frontiers. For a most recent and detailed account of the creation and operation of the *xie-xiang* system, see, Wu Changwen, “Yi gongjia zhi cai ji gongjia zhi yong: Qingdai xiexiang zhidu de chuangjian,” *Xueshu yanjiu*, No. 1 (2013): 113-121. For a review of the literature on the *xie-xiang* system, see Guo Fangfang, “Qingdai xiexiang zhidu yanjiu zongshu,” in *Shanxi shehui kexue luncong* 2, No. 1 (2011): 59-63.

<sup>19</sup> During the hundred years prior to the Taiping and Muslim rebellions, more than 200 million taels of silver flowed into Xinjiang through the military expense coordination system. Qi Qingshun, “Qingdai xinjiang de xiexiang gongying he caizheng weiji,” *Xinjiang shehui kexue*, No.3 (1987): 74-85. Also see James Millward, *Beyond the Pass*, 58-61.

and copper standards between different locations on route (Fig.1). In fact, the ability to differentiate various kinds of silver and copper coins was considered an essential skill of a businessman, and learning such skills was a key component of business education (Fig.2). As a result of their movement and trading activities, merchants brought new vocabularies of money to new localities, established common denominators across regions, and thus transformed the monetary economies of the frontier.

The most dramatic changes took place in the Mongolian steppe. As late as the end of the seventeenth century, Khalka Mongol herdsmen had little use for money. In 1689, the French missionary Jean-François Gerbillon, passing through the area along the Great Wall on mission for the Kangxi Emperor to settle border disputes between the Qing and the Russians, noted that because the Mongols were not familiar with the concept of money, the imperial delegation had to prepare silk, cloth, tea, and tobacco to exchange for sheep and oxen along the way.<sup>20</sup> Over the course of the following century, as the nomadic society of the Mongols became increasingly integrated into the Qing imperial system, its economy also became increasingly monetized. On the one hand, as I have demonstrated in the previous chapter, the nobles of the Mongol banners were forced to take turns residing in the imperial capitals, and thus became consumers of great quantities of silver, which was financed through Chinese merchants' loans and paid back with livestock from the banners.<sup>21</sup> As a result, although silver was still difficult to come by in the steppe, this precious metal became the standard measure of value in large financial transactions in the upper echelon of the Mongol society. On the

<sup>20</sup> Jean-François Gerbillon *Zhang Cheng riji*, trans. Chen Xiafei and Chen Zexian (Beijing: Commercial Press, 1973), 10-11.

<sup>21</sup> For details, see Chapter 5.

other hand, as a consequence of the explosion of Sino-Mongol trade, tea bricks, a commodity from China, gradually emerged as the primary currency in everyday use; it became not only a measure of value, but also a medium of exchange and a store of value. In other words, while the Chinese territory of the Qing Empire boasted the bimetalism of silver and copper, it was silver and tea bricks that came to perform various functions of money on the Mongolian steppe.

The situation was different still in the inner zone of the Mongolian frontier, close to the Chinese border.<sup>22</sup> For instance, beginning as a Mongol city on the edge of the steppe, Hohhot's rapid rise as a key administrative, military, and commercial center of the Qing Empire in the eighteenth century was accompanied by its quick incorporation into the bimetallist monetary system of China proper. The Manchu court poured cash through fiscal means into Hohhot to support its military and administrative personnel. Due to the growth of trade between Mongolia and China beginning in the late seventeenth century, copper cash and silver came to dominate this increasingly vibrant market, which was best reflected in the monetization of commercial taxes. As early as 1704, the Manchu court began to allow the Tumed banner to tax the horse and pack animal trade of Hohhot in silver.<sup>23</sup> In 1761, when the volume of trade had expanded significantly, an imperial customs house was set up in the city, imposing

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<sup>22</sup> I have conceptually divided the northern frontier of the Qing Empire into the inner zone and the outer zone. The inner zone refers to the area on the southern edge of the Mongolian steppe that was transformed into a hybrid society of both nomads and Chinese agricultural migrants. Within this zone, a string of new cities began to emerge, which were dominated by Chinese businessmen and served as the key nodes in the trade network between China proper and the nomadic areas in the steppe. In contrast, the outer zone refers to the steppe areas in today's Outer Mongolia, northern Manchuria, and northern Xinjiang, where the Qing had military control and administrative outposts, yet relatively few Chinese migrants could make a home there.

<sup>23</sup> *Daqing hui dian shili*, Vol. 980, 1137-1, 1137-2.

transit taxes on the trade of various goods and animals that went through Hohhot, which were levied partly in silver and partly in copper cash.<sup>24</sup> In the nineteenth century, all kinds of corvée and *hang* duties imposed on the local population were monetized in one way or another.<sup>25</sup> Without a dynamic monetary economy, such monetized taxes would not be viable.

In summary, the monetary map of the Qing Empire was as diverse and complex as its ethnic, cultural, and institutional composition, which continued throughout the dynasty. Yet the Manchu expansion of the eighteenth century not only created institutional infrastructure and cultural practices to tie the various frontiers to the imperial core,<sup>26</sup> but also significantly transformed the monetary structure of these frontiers and opened avenues for silver and copper coins to flow between them. Such a complicated historical process was most evident in the Mongol city of Hohhot that was absorbed into the Chinese bimetallist system during the imperial expansion. The Shanxi merchants in the city, crisscrossing different currency zones in their long distance trade, not only integrated the city's fortune with that of the Shanxi province, but also helped to transform the city into one of the most dynamic monetary markets of the empire.

## The Curse of Bimetallism

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<sup>24</sup> For details regarding the creation and operation of the customs house in Hohhot, see Tan Xu, "Qingdai shanxi guihua cheng de shangye," *Zhongguo jingji shi yanjiu*, no. 1 (2000): 83-92.

<sup>25</sup> In chapter 4, we discussed how the Grain Dealer's Guild helped farmers on the outskirts of Hohhot to transform corvée duties imposed by the state into a monetary surcharge on their grain based on copper coins. Such surcharges were used to purchase services from the market to meet official demand.

<sup>26</sup> For details, see chapter 2, 3, 4.

Incorporation into the Chinese bimetallic system, however, brought new problems to the frontier. For merchants, the use of silver ingots and copper coins was inconvenient, not least because they were heavy and bulky, therefore costly to transport and difficult to carry.<sup>27</sup> Particularly in Shanxi and in Mongolia –the core regions of Shanxi merchants’ business empire—where navigable rivers were scarce, traders had to deal with difficult terrains of various sorts—mountains, valleys, grasslands, and deserts—having no option but to travel long distances on foot, on horsebacks and camel backs, or with oxcarts. Under such conditions, even silver ingots were difficult to carry comfortably and safely, let alone the cheap and much more bulky copper coins. In fact, as successive governors of Shanxi emphasized in their memorials, the reliance on land transportation through difficult terrains persistently caused problems in monetary circulation in the province.<sup>28</sup> From the perspective of monetary theory, in north China and on the northern frontier, the inconvenience of the bimetallic system decreased the velocity of money circulation, a key factor that reduced the effectiveness of the monetary regime.

More importantly, the difficulty of overland transportation exacerbated the imbalance in the Qing Empire’s spatial economy of money, which was already biased against the north. Silver and copper, as a matter of fact, both came from the south. In the eighteenth century, silver (produced in large quantities in the New World and

<sup>27</sup> Admittedly, in areas where water-transportation was viable, such a problem was less severe. For instance, it was purported that merchants in coastal Fujian even employed large quantities of cheap copper coins to pay for major transactions, thanks to the accessibility of the expansive water transportation networks there. However, most of the northern and northwestern parts of the Qing Empire were not blessed with such favorable endowments. Li Qiang, *Jinrong shijiao xia de kang qian shengshi—yi zhiquan tixi wei hexin* (Hefei: Huangshan Press, 2008), 154.

<sup>28</sup> Shen Qixian, “Qianpiao buneng jinzhi liutong zou zhe.” Quoted from Liu Chaohui, *Jiaqing Daoguang nianjian zhiquan wenti yanjiu* (Beijing: Wenwu Press, 2012), 156.

brought to Southeast Asia by European colonists and traders) was primarily imported through maritime trade in the South China Sea.<sup>29</sup> Despite its continued flow into the northern frontier facilitated through military expenditure and long-distance trade, its usage was still limited until very late in the century. Similarly, the majority of the copper was produced from the mines in the remote and mountainous southwestern province of Yunnan.<sup>30</sup> In the mid-eighteenth century, every year, the Qing state had to

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<sup>29</sup> In addition to American imports, silver used in the late imperial Chinese market also came from Japan, and, to a lesser extent, Korea, Vietnam, and Ryukyu. Scholars have argued that prior to the eighteenth century, Japanese silver played a more important role in Chinese market than its American counterpart. The situation changed in the late-seventeenth century; for the majority of the Qing era, the huge flow of silver that came to engulf the Chinese market was primarily the product of the New World, brought to Asia by the European traders across the pacific. For a detailed account of Chinese importation of Japanese silver, see Richard von Glahn, *Fountain of Fortune: Money and Monetary Policy in China 1000-1700* (Berkeley and Los Angeles: University of California Press, 1996), 113-125. For details of the history of maritime trade, see Man-houng Lin, "The Shift from East Asia to the World: The Role of Maritime Silver in China's Economy in the Seventeenth to Late Eighteenth Centuries", in *Maritime China in Transition 1750-1850*, eds. Wang Gungwu and Ng Chin-Keong (Wiesbaden, Germany: Harrassowitz, 2004), 77-96. Also see Man-Houng Lin, *China Upside Down*, 48-63.

Furthermore, over the last few decades, the flow of silver from America to China in the early modern period has become a topic of intense scholarly interest, which has played an important role in challenging Euro-centrism and reevaluating the history of global economic development prior to the rise of modern industrial capitalism. For instance, Andre Gunder-Frank sees the silver flow as the key historical process that not only attested to the dominance of Asia in the early modern world economy, but also tipped the global economic balance from China to the West. For representative works on the international silver flow, see Andre Gunder-Frank, *ReOrient: global economy in the Asian Age* (Berkeley: University of California Press, 1998). Dennis O. Flynn and Arturo Giraldes, "Born with a 'Silver Spoon': The Origin of World Trade in 1571," *Journal of World History* 6, NO. 2 (1995): 201-221. Also see Dennis O. Flynn and Arturo Giraldes, "Cycles of Silver: Global Economic Unity through the Mid-Eighteenth Century," *Journal of World History* 13, No. 2 (2002): 391-427.

<sup>30</sup> The copper used in Qing official mints came from two main sources. Prior to the Qianlong era, the majority came from Japan. The Qing court commissioned merchants who were affiliated with the Imperial Household Department to purchase copper from Japan through the existing maritime trading networks on the East China Sea. In its heyday, every year, such state-commissioned operations could bring back over two million *jin* of copper, which entered China on the shore of Fujian and Zhejiang provinces. When the Tokugawa Bakufu began to impose restrictions on copper export, the importance of Japanese copper declined sharply over the first half of the eighteenth century. As a response, the Qing state accelerated the development of copper mining in Yunnan, which came to provide the bulk of the copper that was required to maintain the official monetary system since the early Qianlong Reign. It is worth mentioning

transport thousands of tons of copper from Yunnan to Beijing and various interior provinces to mint coins.<sup>31</sup> That is to say, both kinds of metals were still relatively easy to access in the southern and coastal provinces, but much more difficult to come by in the north and northwest. From very early on, Shanxi had always been plagued by the insufficiency of hard currencies, and, in particular, the lack of copper cash.<sup>32</sup> Even after the Qing state revamped the copper transportation system, created new mints in Taiyuan, and increased the production of coins in the 1740s, it was not able to solve the problem in Shanxi.<sup>33</sup>

The situation in Hohhot was even worse. Without an official mint in the city, copper cash was mostly brought in from the outside, the majority of which came from the already cash-stricken Shanxi. Beginning in the late-eighteenth century, the shortage of copper coins became more serious. While the local population used eighty coins to represent one hundred *wen* (the standard value of one unit of copper coin in the market) in circulation during the Qianlong Reign, over the course of the nineteenth century, the number of actual coins in a hundred-wen string was progressively reduced from eighty

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that the Fan family of Jiexiu County in Central Shanxi, who played a key role in the development of Hohhot that we mentioned in chapter 1, was also affiliated with the Imperial Household Department and had been commissioned to purchase copper from Japan on many occasions. In addition to these two sources, the Qing state also tried to purchase and confiscate copper-made products from the people in order to recast them into coins.

<sup>31</sup> Interestingly, as historian Yong Lan has pointed out, a major trade and transportation route was developed between the Southwestern frontier of the Chinese empire and the economic centers in the east during the Ming-Qing era. This route channeled the outflow of wood, copper, lead, rice, and medicinal products from Yunnan to satisfy the demand of the imperial core. See Yong Lan, “Qingdai dian tong jingyun luxian kaoshi,” *Lishi yanjiu*, No. 3 (2006): 86-98. Also see Yong Lan, “Qingadi dian tong jing yun dui yantu de yingxiang yanjiu: jianlun ming qing shiqi zhongguo xinan ziyuan dong yun gongcheng,” *Qinghua daxue xuebao*, No. 4 (2006): 95-104.

<sup>32</sup> *Suiyuan tongzhigao*, vol. 4, pp.671-673.

<sup>33</sup> Guo Yingma, “1736-1911 nian jian shanxi liang jia biandong qushi yanjiu,” *Zhongguo jingjishi yanjiu*, no. 3 (2015): 117-125.

to fifty, to forty, to twenty-four, and even reaching a lowly eighteen in the most radical episode at the end of the nineteenth century.<sup>34</sup> By that time, as observers pointed out, residents of Hohhot rarely used any cash in the marketplace.<sup>35</sup> Further, although silver kept flowing into the frontier city throughout the eighteenth century, it could not keep pace with the explosive growth of the Mongol trade. The seasonal nature of the trade did not help: every early spring, when the steppe-bound merchants were preparing for their long-distance expedition, the demand for silver in the market would upsurge because all merchants needed the injection of capital at the same time – the more Chinese goods they could bring on their trip, the more profit they could make. All told, the insufficiency of the metal currencies in Hohhot represented a significant hurdle to the development of such trade.

In short, while places like Hohhot had been gradually incorporated into the monetary system of China proper during the latter half of the eighteenth century, the imbalanced system itself was not able to respond to the demand from the explosive growth of market activities and long-distance trade on the northern frontier. This tension was acutely felt in the narrow area between central Shanxi and Hohhot: while it had emerged as the epicenter of one of the most dynamic commercial economies of the

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<sup>34</sup> Throughout Chinese history, it was a common practice to use fewer than one hundred copper coins in a string to represent the value of a hundred *wen* string. The number of actual coins used in that string varied from place to place and changed over time. Strings that contained fewer than a hundred coins were known as *duanmo-qian* 短陌钱 (literally, “short of hundred money”). Despite the numerous scholarly efforts over the last century to tackle this issue, *duanmo-qian* remain one of the least understood phenomena in Chinese monetary history. The economic rationales, actual practices, socioeconomic impacts and historical changes of the *duanmo-qian* were all extremely complicated issues. For the hitherto most sophisticated analysis of the *duanmoqian* phenomenon, see Peng Kaixiang, *Cong jiaoyi dao shichang, chuantong zhongguo minjian jingji mailuo shitan* (Hangzhou: Zhejiang University Press, 2015), pp. 100-118.

<sup>35</sup> *Suiyuan tongzhigao*, vol. 4, 657-658.

empire, it was at the margins of the bimetallist system. Worse still, the system was not fit for the requirements of the strenuous overland trade. To borrow Fernand Braudel's metaphor, the merchants of Shanxi on the northern frontier faced a situation in which the "monetary language" could not adequately express the demand of the economy. As he concludes from examining the monetary changes in early modern Europe, "any active economy will in fact break away from its monetary language and innovate by the very reason of its activity."<sup>36</sup> Similarly, in Shanxi and Hohhot, new monetary instruments had to be created to supplement copper and silver as long as the development of commerce demanded it.

### **Reinventing Paper Money**

New monetary instruments did arise in Shanxi merchants' business world; by the second half of the eighteenth century, such instruments appeared in the form of reinvented paper bills. This section contextualizes the emergence of the Shansi merchant's paper money system within the longer trajectory of Chinese monetary history and presents a succinct account of how it functioned in the marketplace. I suggest the early flourishing of paper notes in Shanxi and Inner Mongolia illustrates that financial innovations first took place on the northern frontier, thanks to the imbalanced the monetary structure and fundamental flaws of the Qing Empire's currencies. At the same time, I also argue that the success of Shanxi merchants' paper money system revealed the key characteristics of their social network.

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<sup>36</sup> Fernand Braudel, *The Structure of Everyday Life: Civilization and Capitalism, 15th-18th century*, trans. Siân Reynolds (London: Collins, 1981), 439-440.

Admittedly, paper money has an early origin in China: the world's first paper currency was invented in Sichuan at the end of the tenth century. From the Song all the way to the early Ming, successive states issued various forms of paper currencies that played a key role in facilitating fiscal administration as well as the commercial economy of the empires. Nevertheless, this practice had been virtually abandoned by the early fifteenth century, largely due to hyperinflation that resulted from the early Ming state's fiscal indiscipline and over-printing.<sup>37</sup> Repeated hyperinflation destroyed public confidence in paper bills as a monetary instrument; starting from the 1430s, the Ming-Qing state largely refrained from printing them.<sup>38</sup> For the next three hundred years, Chinese society relied on low-value copper coins and the more precious and increasingly available silver from abroad to satisfy its growing demand for the monetary medium.<sup>39</sup>

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<sup>37</sup> For the early history of paper money in China, see Peng Xinwei, *Zhongguo huobishi*, 280-291, 323-344, 373-419, 429-433, 461-468. For a succinct and excellent account of this history in English, see Richard von Glahn, "The Origins of Paper Money in China," in *The Origins of Value*, eds. William N. Goetzmann and K. Geert Rouwenhorst (Oxford: Oxford University, 2005), 65-89.

<sup>38</sup> After abandoning the official paper money in 1430s, the Ming never reprinted it again. Learning from the preceding dynasties, the Qing court was quite aware of the potential dangers of relying paper money. Despite a short experiment in the early Shunzhi Reign (1644 -1661), the Qing did not try to print any paper money until the Xianfeng Reign (1851-1861), when the Taiping and other mass rebellions caused a huge fiscal and monetary crisis, which compelled the court to experiment with all kinds of unorthodox monetary and fiscal practices. It was not until the monetary modernization policies during the last decade of the dynasty that it began to explore ways of reintroducing paper currencies.

<sup>39</sup> The increasing availability of silver through the rising international trade also partly explains the abandonment of the paper currency. In contrast to the paper money that was often over-printed and depreciated according to the caprice of the state, the value of silver, as a precious metal traded on the market, could keep its value relatively stable, free from the wanton fiscal policies of the state.

Contrary to some scholars' assertion that the early Ming "raised the curtain on the final act in the history of paper money in China before modern times,"<sup>40</sup> after a long hiatus, paper money reemerged in the Chinese marketplace in the mid-Qing. No later than the latter-half of the eighteenth century, Shanxi merchants began to create new paper notes to facilitate business transactions. Although we do not know who—whether a firm or a person—first used paper bills, or exactly when, the earliest examples from the Qing that exist today date back to the Qianlong Reign (1736-1795). These notes were mostly discovered in central and northern Shanxi along the north-south trade corridor in the province—the same area where the merchants of Hohhot and Mongolia originated (Fig 3, 4).<sup>41</sup> These eighteenth century examples already boast elegant and standardized designs, suggesting a system of paper currency had already developed into a mature form. In contrast, in the commercially dynamic areas on the coast, such as Jiangnan, paper notes did not come about until the early nineteenth century. As late as the 1790s, the famous merchants of Huizhou active in the Yangtze Delta were still using sculpted bamboo slabs to stand for large units of copper cash.<sup>42</sup> Previous scholars have only noticed the prevalence of *qian-zhuang* notes (a note issued by private native banks) in treaty ports after the mid-nineteenth century, and failed to acknowledge that it was in North China and the northern frontier of the Qing Empire that the systematic use of paper currencies was first popularized. It is most likely that, from the late eighteenth

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<sup>40</sup> Richard von Glahn, "The Origins of Paper Money in China," 87.

<sup>41</sup> For details, see Chapter 3.

<sup>42</sup> Lin Man-houng, *China Upside Down*, pp. 95-97.

century onward, the use of paper money spread from the north to coastal regions of the south.<sup>43</sup>

But what emerged in Shanxi and Hohhot during the Qing differed remarkably from the paper money of previous dynasties. From the Song to the Ming, the imperial state issued paper money, backed it with taxation and specie reserves, determined its face value by decrees that made it unconvertible to cash coins.<sup>44</sup> During the Qing, however, it was the Shanxi merchants, not the state, who introduced the paper money, which began as a substitute for cash coins (Fig 3, 4). Private banks, pawnshops, and trading firms all engaged in this endeavor—thus a radically different force of human agency was involved. Whereas in Europe and America the rights to issue paper money generally went from decentralized private institutions to a central authority, in late

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<sup>43</sup> In 1838, at the inquiry of the Daoguang Emperor, provincial governors from all across the Chinese provinces submitted reports on the use of paper money in each province to the court. According to these reports, by that time, paper notes were adopted in almost every province bar Guangdong. (In Guangdong, because silver is abundant, most transactions were conducted with silver). Nevertheless, in the majority of provinces, such as Jiangsu, Zhejiang, Anhui, Jiangxi, Fujian, Guangxi, Sichuan, Yunan, Zhili, and Gansu, paper money was only occasionally used by merchants, and used primarily as a convenient and temporary substitution for cash. In these places, such paper notes had not yet become negotiable. Their use was also limited geographically; they normally could not function beyond the original city of issuance. In contrast, in a number of northern regions, such as Shanxi, Beijing, Henan, parts of Shaanxi, the Hohhot area of Inner Mongolia, and the Shengjing area of Manchuria, merchants not only saw the use of paper as indispensable and commonplace, but also developed highly complex financial schemes to take advantage of the paper currency system. In Shanxi province alone, by that time, there were at six kinds of different paper notes circulating in the market, which we will return to later. For the original texts of these reports, see Liu Chaohui, *Jiaqing Daoguang nianjian zhiquan wenti yanjiu*, 154-161. Also see Yeh-Chien Wang, *The Development of Money and Banking in Modern China, 1644-1937*, 16-22. For a table comparing the use of banknotes in different provinces in the 1830s, see *Zhongguo jindai huobi shi ziliao* (Taipei: Wenhai Press, 1974), 140-142.

<sup>44</sup> The first system of paper money, the *jiaozi*, originally issued by a consortium of wealthy merchants in Sichuan, began in the private sector. Nevertheless, only ten years after its invention, it was quickly put under strong governmental regulation. Before long, the local government took over the rights to issue the *jiaozi*, and began the long but precocious history of state-backed using paper bills as fiat money.

imperial Chinese history, the opposite trend transpired. While the earlier form of paper money was created as a state tool for fiscal administration, the reinvented Shanxi notes were a decentralized system of instruments for trade. Even the term for paper money had changed. Merchants began to call their paper notes “qianpiao” 錢票 (notes denominated in copper cash) instead of the character *chao* 鈔 (certificate of value) that was associated with the old form. “*Qianpiao*” had become a popular term across China. In fact, Chinese people today refer to paper money as “*chao-piao*” 鈔票, the combination of the two characters that denote the two categories of paper money in history. In Shanxi, merchants also called their notes *shang-tie* 商帖, or “merchant notes,” indicating that they were privately issued, intended for commercial use, and therefore distinguished from the state-issued fiat money in earlier history.

Two categories of these notes greatly enhanced the ease of doing business: *ping-tie* 憑帖 (literally, dependable note) and *fu-tie* 附帖 (literally, attached note). The *ping-tie* functioned like a typical promissory note, which represented the issuer’s promise to pay the specified amount of cash to the bearer of the note (Fig. 5). The *fu-tie* required the receiver of the note to pay the bearer the designated amount of cash on behalf of the issuer (Fig 3, 4). In this way, the *fu-tie* functioned similarly to the bills of exchange in early modern Europe.<sup>45</sup> Initially, both types of notes were created primarily for portability and convenience, but in contrast to the early forms of promissory notes and bills of exchange in Europe, neither the *fu-tie* nor the *ping-tie* were personally registered,

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<sup>45</sup> The *fu-tie* was also referred to as *dui-tie*. It is possible that the term *fu-tie* was commonly used in the Hohhot area while, in central Shanxi, the word *dui-tie* was more popular. See *Suiyuan tongzhigao*, 675-678.

and both were thus payable to whomever had them in their possession. This meant that these notes could easily change hands among different people, and thus came to function as a form of currency. They were payable immediately and had no expiration dates, which also contributed to their liquidity in circulation. In addition, they expanded the supply of money in the market, because banks and firms could always issue notes of value greater than that of their specie in hand – such notes constituted an instrument of easy credit for the issuer. As a result, in central Shanxi as well as in Hohhot, paper money became so popular that metal currencies were relegated to low-value retail transactions. Local gazetteers claimed that in Hohhot, whenever a transaction was worth more than one string of copper coins, people tended to avoid them.<sup>46</sup>

The widespread use of paper instruments encouraged merchants to develop new kinds of notes to suit different forms of transactions. In 1838, when the use of paper bills had just begun to spread into southern provinces, Shen Qixian 申啟賢, then the governor of Shanxi, reported an elaborate system at work in his province that included at least six kinds of notes. In addition to the *fu-tie* and the *ping-tie*, the *shang-tie* 上帖 (ascending note) and the *qi-tie* 期帖 (future note) are particularly noteworthy.<sup>47</sup> The *shang-tie* (ascending note) was a note requesting a bank to pay the bearer on behalf of the issuer. The emergence of the *shang-tie* as an independent category reveals the increasingly central role of banks in the marketplace; that is, businesses relied more and more on banks to mediate their financial dealings. The other category, *qi-tie* (future note), a promissory note specifying a future date of maturity, factored in the crucial

<sup>46</sup> *Suiyuan tongzhigao*, Vol. 4, 663-664.

<sup>47</sup> Shen Qixian, “qianpiao buneng jinzhi ji shanxi chaopiao liutong qingkuang.” Liu Chaohui, *Jiaqing Daoguang nianjian zhiquan wenti yanjiu*, 154-161.

element of time and became a useful tool for providing credit. While all these paper notes were readily payable and thus circulated like specie, in the mid-nineteenth century merchants also started to adopt new forms of notes that were not meant to be redeemed with coins. Such notes were still denominated in copper coins, but printed or handwritten with special terms on them to restrict their use. One such kind of notes only allowed for exchange with other paper bills—one promise dependent on yet more promises—in service of transactions across two different locations where each had its own paper currencies.<sup>48</sup> In short, with such a variety of notes that served myriad commercial purposes, Shanxi merchants not only pioneered the reinvention of paper money, but also developed the most sophisticated system of such monetary instruments in the Qing Empire.

The development of the merchant notes evinced a new form of trust that was being forged in Shanxi. It is common knowledge that paper money is ultimately about trust—because the paper itself has little intrinsic value, for it to circulate users have to believe the issuer's pledge that the denominated value will be honored. If we can say that by the Ming, people had lost confidence in the imperial state's fiscal and monetary discipline, merchants and residents in Shanxi began to place their trust in private businesses instead. Taking advantage of such trust, banks and firms in many different trades competed to issue such notes. Sometimes, even modest businesses, such as fruit dealers, meat shops, and antique stores, printed their own notes that were accepted by their suppliers and customers.<sup>49</sup> Of course, not all notes were born equal; they circulated

<sup>48</sup> Xuenong Wang and Jianmin Liu eds., *Zhongguo shanxi minjian piaotie* (Beijing: Zhonghua shuju, 1993), 40-42.

<sup>49</sup> Ibid, 30-31.

with different levels of validity and liquidity. Nevertheless, they all had one thing in common: the trust in such private notes was not forged through formal institutions. In fact, for the majority of the Qing era, there were no laws, no decrees, and no charters that entitled or deprived any merchants the privilege of issuance; paper money floated around with little governmental control or oversight.<sup>50</sup>

Without formal regulations, the inherent weaknesses of paper money should have lead to disastrous consequences. As we know, market-oriented economies that rely on unregulated paper instruments can be quite fragile. To expand operating capital, most issuers of paper money, banks or otherwise, have more notes in circulation than specie in reserves. Consequently, a particular issuer's business could collapse if a concerted bank run abruptly took place. This could cause a domino effect; one issuer's problem could easily lead to another's, resulting in a general panic in the marketplace. In Manchuria during the 1830s, such an eventuality did transpire, which paralyzed the regional economy.<sup>51</sup> Another weakness of paper money is the possibility of counterfeiting. As Stephen Mihm discovered, the prevalence and persistence of

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<sup>50</sup> It was not until the 1830s that the circulation of merchant notes caught the attention of the Qing court. While some officials proposed to outlaw such practices, the court eventually decided against such proposal because of the popularity of paper money in the north.

<sup>51</sup> In general, Manchuria's was one of the most vibrant markets in the latter half of the Qing dynasty, but also one of the most volatile. Major monetary and debt crises paralyzed the Manchurian market a number of times in the nineteenth century and early twentieth century. While the 1820s collapse of the paper currency brought the regional market into chaos, a huge bad debt crisis in 1907 even caused national panic. While the history of such monetary and debt crisis in Manchuria has yet to be studied systematically in scholarly literature, I suggest that such phenomena were related to the social composition of the marketplace there. In sharp contrast to Shanxi and Mongolia where the network of Shanxi merchants could largely monopolize the market, Manchuria attracted businessmen from different regions of the empire. While Shanxi merchants created informal institutions and social organizations to build and maintain a web of strong trust relations, in a place like Manchuria, merchants found it difficult to expand their trust across different regional networks. This subject deserves further research in the future.

counterfeiting notes was one of the most vilified vices that defined the Antebellum American market.<sup>52</sup> However, there is little evidence to suggest Shanxi merchants' paper money encountered either shocking bank runs or suffered chronic counterfeiting problems over the course of the eighteenth and nineteenth century. As a result, Shanxi merchants' confidence in the paper currency was undeterred.

The strength of the Shanxi paper money, I suggest, came from its particular limitations, which in turn derived from the social structure of Shanxi merchants' business networks. Shanxi notes were geographically confined and circulated only within one locality where acquaintance with the issuers reduced the bearer's psychological uncertainty. For transactions across places – and many local transactions as well – notes mostly changed hands between *xiangyu* 相與, Shanxi jargon for businessmen with long-existing relationships. A merchant's acceptance of a note was not necessarily dependent on his faith in the issuer of the note, but on his trust of his *xiangyu*. A merchant often wrote down his personal or firm name on the backside of the note when passing it to another person, effectively notarizing it with his own reputation at risk (Fig. 6). In this way, the circulation of a paper note connected individuals into a chain of strong trust, despite the fact that not everyone in that chain knew each other. In other words, a group of strangers were thus linked together as an extension of personal trust through the intermediation of paper money. In sharp contrast to the impersonal anonymity that increasingly prevailed in the Antebellum American market, multiple such chains of *xiangyu* formed the social foundation of strong trust that underpinned the

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<sup>52</sup> Stephen Mihm, *A Nation of Counterfeiters: Capitalists, Con Men, and the Making of the United States* (Cambridge: Harvard University Press, 2009), 1-20.

Shanxi merchants' network — an environment difficult for counterfeiters to penetrate. In fact, as I have argued elsewhere, the commercial empire of the Shanxi merchants was built on strong trust that was cultivated through many overlapping and expanding networks of shared native place identities, organizational ties, religious affinities, and many such chains of long-lasting business associations.

In Shanxi and Hohhot, the paper money system was also bolstered by a reputation mechanism –an informal institution. As economic historian Avner Greif argues in his analysis of the Maghribi traders of the medieval Mediterranean world, merchant communities built on networks of personal trust often resorted to the reputation mechanism to ensure responsible behaviors on the part of its members. Within such communities, merchants who violated communal ethics could gain bad reputations quickly, thanks to the fast circulation of information. Violators could thus be collectively punished and even excluded from the business network altogether.<sup>53</sup> In the Shanxi commercial empire, imprudent firms and dishonest businessmen with a bad reputation could end up losing not only business opportunities, but also livelihood and social standing. Such a reputation mechanism played an even more prominent role in the monetary arena, because paper money was a bona fide “confidence game.”<sup>54</sup> According to a gazetteer of Hohhot, merchants in the city were very cautious in protecting their reputation and upholding the value of their notes, which helped them to avoid bank runs and maintain their long-term financial stability through issuing notes.<sup>55</sup> Their cautious approach contributed to strong public trust in paper money;

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<sup>53</sup> Avner Greif, *Institutions and the Path to the Modern Economy: Lessons from Medieval Trade* (Cambridge: Cambridge University Press, 2006), 58-91.

<sup>54</sup> Stephen Mihm, *Nation of Counterfeitors*, 1-20.

<sup>55</sup> Suiyuan tongzhigao, Vol. 4, 664.

contemporaneous observers and gazetteers almost universally claimed that the paper notes of Shanxi were so trusted that they circulated exactly like copper cash.<sup>56</sup>

The circulation of merchant notes fueled the functioning of many a local economy. A case in point was Fengzhen 豐鎮, a city to the east of Hohhot and a center of grain trade. Every year, in early autumn, nearby farmers brought their grain to Fengzhen and sold it to their trusted grain dealers; in return they received *ping-tie*, promissory notes issued by the latter. Thanks to the dominant position of the grain dealers, these notes were widely accepted in the local marketplace, and farmers could use them to purchase other goods in various shops in the city. The merchants who received these notes would in turn either use them in transactions, or deposit them at their trusted banks. Eventually, the circulation of these notes completed a full cycle: banks would accumulate many notes, and then clear them with the issuing grain dealers. Because most grain dealers were directly backed by loans or capital investments from banks, these notes constituted only part of the more complex financial dealings between them. At the same time, not all *ping-tie* flowed into the market immediately after the grain sale; many farmers kept these notes in hand as savings. It was estimated that less than half of the total came into circulation immediately after the initial transaction.<sup>57</sup> In this way, grain dealers were able to issue notes with an aggregate value far larger than their capital, which allowed them to operate the grain business beyond their capital constraints. Paying for grain with notes, they also negotiated the imbalance in the seasonal demand for funds. From the vantage point of the local market as a whole, the

<sup>56</sup> Suiyuan tongzhigao, Vol. 4, 664; Imahori, 306.

<sup>57</sup> Qiao Xueceng, "Huiyi fengzhen xian de liangdian," in *Neimenggu wenshi ziliao*, (Hohhot: Neimenggu wenshi shudian, 1990), Vol. 39, 33-35.

circulation of these notes connected grain dealers, farmers, retailers and banks all together into a functioning system, while allowing every one of them to conduct their business in a market that was in constant shortage of specie.

But paper money also had its weaknesses; most notably, it existed primarily as a convenient substitution for the cheap copper cash in relatively low value transactions. The vast majority of Shanxi notes that exist today were denominated in copper coins, not in silver taels. These notes were mostly inscribed with face value no more than several thousand *wen* (equivalent of several taels of silver). The single most valuable note of the nineteenth century was marked at 50,000 *wen* (equivalent of 50 taels of silver), which was extremely rare.<sup>58</sup> On the other end of the spectrum, a significant amount of the notes were valued at only a few hundred *wen* (less than one tael of silver). The low value of paper notes was understandable: first, due to the limited paper making technology of the time, paper was not quite durable; second, because these notes were payable to any bearer, it was very difficult to recover lost notes, which meant high risk of carrying the notes; finally, the higher the value of the notes, the more likely they would lead to counterfeiting. As a result of such constraints, the wide circulation of all kinds of paper money could not fully satisfy the monetary demand of Shanxi merchants' frontier trade, which had grown exponentially by the late eighteenth century. Such transactions often involved not dozens, but thousands of taels of silver. To meet the demand of trade, Shanxi merchants' creation of a new monetary language in north China could not stop at reinventing paper money.

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<sup>58</sup> Xuenong Wang and Jianmin Liu eds., *Zhongguo shanxi minjian piaotie* (Beijing: Zhonghua shuju, 1993), 68-69.

## **Money of Account and The *Bodui* System**

In the latter half of the eighteenth century, Shanxi merchants also developed an unprecedented cashless monetary system that centered upon the use of bank transfer. Referred to as “*bodui*” 撥兌 (meaning “transfer”) in the Shanxi business jargon, this new system allowed financial transactions to be conducted by balancing bank accounts between two merchant firms without specie or paper notes changing hands. In this section, by combing through the archaic and jargon ridden texts in a variety of gazetteers and other local sources, I will offer the first theoretically informed and analytical account of the *bodui* system in scholarly literature. By examining the close relationship between finance and trade, I will also highlight how the *bodui* system and the virtual currency generated through it constituted a powerful force that propelled the growth of trade on the northern frontier.

Although fragmentary evidence suggests that merchants used the *bodui* methods across different locations in Shanxi and in market centers of Mongolia,<sup>59</sup> it was in Hohhot that the system was most maturely developed, consistently applied, and best documented. No surprise here: Hohhot suffered a constant and acute shortage of specie due to its marginal position in the bimetallist Chinese system of money. Nevertheless, with the rapid development of the Sino-Mongol trade, the city emerged as an entrepôt of wholesale transactions. Shanxi merchants in the city developed the *bodui* system to solve the problem of insufficient levels of money in trade.<sup>60</sup> The system functioned in

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<sup>59</sup> Xuenong Wang and Jianmin Liu eds., *Zhongguo shanxi minjian piaotie* (Beijing: Zhonghua shuju, 1993), 69.

<sup>60</sup> A comparable phenomenon occurred in the Low Countries during the early modern era, when the rapid growth of trade in an environment deprived of hard currency also led to the rise of cashless payment methods such as bilateral current accounts. See *Gelderblom, Oscar* and

Hohhot for close to two hundred years. It was so critical to the frontier market that it even survived the collapse of the Qing Empire and a series of modernizing reforms since the turn of the twentieth century. It was not until 1935, when the silver tael was finally abolished in China, that the system ceased to function.<sup>61</sup> As Hohhot's gazetteer writers claimed, *bodui* was the secret to the success of Hohhot's market economy.<sup>62</sup>

The creation of this system accompanied two simultaneous advances in Hohhot's market place. First, while many businesses engaged in the practice of issuing paper notes, the *bodui* system was made possible by the development of a network of private banks in close cooperation with each other. The bankers, who created and controlled this system, originated as moneychangers and were known as money merchants. In the early eighteenth century, when Hohhot began to be absorbed into a bimetallist monetary economy, professional moneychangers also arrived on the northern frontier. In the beginning, a number of grassroots businessmen—most likely from the central Shanxi counties of Taigu, Qixian, and Pingyao — took advantage of the demand for currency exchange services and operated money-changing tables in Hohhot's open-air marketplace. They charged a small fee for exchanging copper and silver and also profited from speculating on the ever-fluctuating exchange rate.<sup>63</sup> Before long, money merchants established permanent shops known as “*qianpu*”錢鋪, or the money shops,

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Jonker, Joost, “Enter the Ghost - Cashless Payments in the Early Modern Low Countries, 1500-1800,” Accessed on May 8, 2015 at SSRN: <http://ssrn.com/abstract=2604089>.

<sup>61</sup> *Suiyuan tongzhigao*, 673-674. *Guihuacheng jinrong shihua*, 165.

<sup>62</sup> *Suiyuan tongzhigao*, 657-658.

<sup>63</sup> Because the silver nuggets were too valuable for daily use, people had to exchange the silver nuggets into copper coins in the market. These moneychangers charged a small fee when providing such services, see *Suiyuan tongzhigao*, Vol. 4, 736. For a more detailed description of the working of the moneychangers in the marketplace of Hankow, see Rowe, *Hankow: Commerce and Society in a Chinese City*, 160.

which gradually came to assume other banking functions such as issuing paper notes, offering loans to merchants, and accepting deposits. Around the year 1730, the first *qianpu* was established in Hohhot.<sup>64</sup> In the meantime, *yinlu* 銀爐, or silver mints, that served merchants' need to recast silver ingots and fragments into standard units, also emerged.<sup>65</sup> Not unlike the way in which goldsmiths of London developed into banking institutions in early modern England, silver mints of Hohhot also evolved into financial agencies that provided banking services.<sup>66</sup> As *yinlu* and *qianpu* acquired the same set of banking functions, they became increasingly indistinguishable.<sup>67</sup> By the mid-eighteenth century, these banks had begun to coalesce into a closely coordinating consortium, which provided the organizational prerequisite for the *bodui* system to function.

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<sup>64</sup> According to Jia Hanqing's recollection in the *wenshi ziliao*, the first *qianpu* in Hohhot was named Fumaoquan 福茂泉, and was first established in the middle of the Yongzheng Reign (1723-1735), see Jia Hanqing, "Guizhua cheng jinrong shihua," in *Neimenggu wenshi ziliao*, (Hohhot: Neimenggu wenshi shudian, 1985), Vol. 18, 159.

<sup>65</sup> Ibid. The first *yinlu* of Hohhot was named "Wanfuxing" 萬福興.

<sup>66</sup> After the *yinlu* acquired many other banking functions, they were also known as *yinhao* 銀號 (literally "Silver Firm"). For a recent paper on the role of the Goldsmith-bankers in the development of modern banking in England, see Jongchul Kim, "How Modern Banking Originated: The London Goldsmith-Bankers' Institutionalization of Trust," *Business History* 53, no. 6 (2011): 939–59. For the rise of the *yinlu* business, also see Minghui Lu and Yankun Liu, *Lümenghang: shiqi zhi ershi shiji zhongyuan yu menggu diqu de maoyi guanxi* (Beijing: Zhongguo Shangye Press, 1995), pp.156-157.

<sup>67</sup> There have been significant misunderstandings of the nomenclature of the native banks in late imperial China. William Rowe mistakes the *qianpu*, *qianzhuang*, and *qiandian*, or the local banks of Hankow as "southern banks," as opposed to the northern "Shanxi banks." But in actuality, *qianpu* or *qiandian* was originally used in North China to refer to the money exchange shops, which gradually grew into small-scale local banks. The term *qianpu*, in particular, was more popular, as it suggested the small scale of their business and thus demonstrated a sense of modesty. In sharp contrast, in the south, bankers often preferred to use the term *qianzhuang*, which implied a sense of self-aggrandizement. In the nineteenth century, some northern banks also adopted the term *qianzhuang*, making it the most common term for retail banks. The scholarly consensus today is that these three terms can be used interchangeably, and they did not indicate significant differences in their businesses, see Huang Jianhui, *Zhongguo qianzhuang shi* (Taiyuan: Shanxi Economy Press, 2005), 29-30. Banking historian Zhang Guohui has the same understanding, see Zhang Guohui, *Wanqing qianzhuang he piaohao yanjiu* (Beijing: Zhonghua shuju Press, 1989), 1-2.

The second advance in Hohhot's market that lay at the core of the *bodui* system was a novel conception of money, namely, virtual currency. In the place of actual specie such as copper and silver, two forms of scriptural money, or money of account, were fashioned as their accounting replacements: *pu-yin* 譜銀, (literally “silver on account”), and *bodui-qian* 撥兌錢 (meaning “copper money in transfer”).<sup>68</sup> As their names suggest, these two currencies were purely notional. Neither had been minted, nor could any actual specie correspond exactly to their value. They were reference units of money against which all silver ingots and copper coins in circulation could be valued. In Hohhot's market, there were silver ingots in varying shapes and purity levels and copper coins in multiple sizes and metallic compositions; *pu-yin* and *bodui-qian* imposed order by providing standard units. In other words, they constituted what economic historian Carlo M. Cipolla termed “ghost money.”<sup>69</sup> Admittedly, with the development of trade, standards of currencies in the form of ghost money were taking shape across markets in China during the eighteenth century;<sup>70</sup> many commercial centers (sometimes even certain industries) standardized their unit of account in silver and in copper coins (Fig.1). But what set Hohhot apart from most other places was that the development of the *bodui* allowed merchants to use the ghost money not merely as a unit of account, but also as a method of payment. The conception of money as virtual

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<sup>68</sup> *Suiyuan tongzhigao*, 677-679.

<sup>69</sup> Carlo M. Cipolla, *Money, prices, and civilization in the Mediterranean world, fifth to seventeenth centuries* (Princeton: Princeton University Press, 1956), 38-51.

<sup>70</sup> For instance, in the imperial capital Beijing, transactions were often calculated in a virtual standard of copper currency named *jing-qian* 京錢, or “capital money.” For a thorough and analytical account of the *jing-qian*, see Peng Kaixiang, *Cong jiaoyi dao shichang*, 103-108.

currency and the use of it as a method of payment came to shape the financial structure of the frontier marketplace.

These two currencies were used in different ways. *Bodui-qian*, also known as *cheng-qian*, or “city money,” primarily took the shape of paper notes, which dominated lower value transactions in the local market. In fact, the primary form of paper notes circulating in Hohhot were issued by banks and denominated in *cheng-qian*. In contrast, *pu-yin* existed exclusively on the books of banks. It was debited and credited in financial transactions and became the primary instrument of trade in the wholesale market of Hohhot.

In particular, the creation of the *pu-yin* played a key role in the development of Hohhot as a center of wholesale trade. In the beginning of the eighteenth century, merchants bartered with each other because there was not enough silver on the frontier.<sup>71</sup> When the market of Hohhot grew increasingly complicated, merchants brought a plethora of goods from various directions, forming an interlocking web of transactions and value exchanges that could not be conducted with simple barter. Without introducing a monetary medium as the standard unit of account and a method

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<sup>71</sup> Barter trade actually constituted a primary form of business transaction in the Mongolian steppe for the majority of the Qing era. Not only the cash-short Mongols exchanged their animals for Chinese goods; even established Russian merchants bartered with their Shanxi counterpart at the annual Kyakhta trade fair, bringing fur and leather to exchange for Chinese tea and cloth. In peak years of the Kyakhta trade in the early nineteenth century, every year, products worth millions of taels of silver changed hands without the mediation of actual specie. The Sino-Russian trade at Kyakhta has been well researched in Chinese language scholarship. For recent, detailed and archive-based research on Shanxi merchants in the Kyakhta trade, see Lai Huimin, *Shi jiu shiji jinshang zai qiaketu de chaye maoyi*, in Chen Xiyuan ed., *Fu'an de lishi: di si jie guoji hanxue huiyi lunwenji* (Taipei: Academia Sinica, 2013), pp. 587-640; Also see Lai Huimin, “Shanxi chang shi zai qiaketu de chaye maoyi,” *Shixue jikan*, No. 6 (2012): 33-47.

of payment, the wheel of commerce could not be greased. *Puyin* was devised as the solution to such problems.

Although direct accounts are not available, from the descriptions in local gazetteers, I came to understand how *puyin* might have actually worked in the *bodui* system. To illustrate, imagine the following scenario: Tea merchant X brought to Hohhot a large stock of tea that he wished to exchange for steppe mushrooms to take back to the south. Supposedly, his tea was worth 10 000 taels of silver in Hohhot. When he arrived there, he could potentially barter with mushroom sellers who wanted tea in return, but that could be a difficult match to make. If there was sufficient silver in the market, Mongolia-going traders could buy the tea directly with the metal currency. Then X could use the silver to buy mushrooms. That is generally how money worked as the lubricant of commerce. Unfortunately that was not the case in Hohhot, where few firms had the cash on hand to conduct such business. Without sufficient silver, the merchant had to wait for a perfect match to take place; the wait would kill the market.

After the *bodui* system was in place, *pu-yin* replaced silver. In this newly devised system, Merchant X could use his tea as collateral to borrow around 10,000 taels in the form of *pu-yin* from Bank S. Since *pu-yin*, as scriptural money, only existed on merchant X's account at Bank S, such bank credit were not cashable. X could use this credit to buy mushrooms from Merchant Y by transferring his 10,000 taels to Y's account at Bank S. As a result, while X acquired the mushrooms he wanted, Y would have a balance of 10,000 taels left in his account. Suppose at this time, X found a buyer Z for his tea. Without cash, Z also took advantage of the *bodui* system and paid in the form of *pu-yin*. (Buyer Z's *pu-yin*, more likely than not, was obtained as a credit from a

bank with his own commodity as collateral.) Z's payment would be credited to X's account in Bank S and therefore would clear the latter's debt to the bank. If Buyer Z obtained his credit through a bank other than Bank S, then his payment to X involved a transfer of *pu-yin* between these two banks; it meant that a clearing mechanism existed between banks. In this way, a chain of transactions transpired through the intermediation of *pu-yin*, linking one merchant to another, and eventually, connecting the entire market together into a web of transactions. *Pu-yin* thus became a widely accepted currency in Hohhot.

The creation of *pu-yin* and its transfer made it possible for merchant X to sell his tea and acquire mushrooms in a timely fashion when silver was not available. It allowed business transactions to transpire and market activities to gather pace. The invisible *pu-yin* thus played two key monetary functions: measure of value and medium of payment. In this way, by providing credit to merchants in the form of *pu-yin*, the banks essentially added new money to the market. Due to the lack of primary sources, there is no way to ascertain how much leverage these banks had, but it is evident that such expansion of monetary supply allowed business to grow beyond the constraints of limited cash. Merchants in Hohhot all agreed that if not for the *bodui* system, many firms would be starved of capital, and the Sino-Mongol trade would not have prospered.<sup>72</sup>

The credit provided through the *bodui* system was essential to the Shanxi merchants in Hohhot because the operation of Sino-Mongol trade was uniquely capital-intensive. For one thing, given the long distance and difficult weather conditions, firms could only organize trade expeditions to Outer Mongolia and Xinjiang on an annual

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<sup>72</sup> Wei Yuewang, "Guizhuang cheng de baofengshe," in *Huhehaote shiliao* (Hohhot: Hohhot Gazetteer Office, 1985), 176-181.

basis, which meant the turnover was very slow. When traders prepared commodities before departure, they had to invest a significant amount of capital upfront, but could not reap profits until they returned. Because the size of the initial investment determined the size of the profits, the ability to obtain credit allowed merchants to substantially expand their operations. Moreover, because a Sino-Mongol trade involved high risks, merchants often required capital injections to survive. As my analysis of Dashengkui's business model in the previous chapter suggests, the success of its Mongol trade operations depended on Shanxi merchants' ability to extend loans to Mongol nobility and advance goods to Mongol banner-men on credit, in return for future payment in the form of livestock.<sup>73</sup> When the Mongols failed to pay their debts on schedule, which often happened in years of unusual climate and subsequent loss of livestock, the debts could accumulate into substantial figures. In such scenarios, merchants would inevitably endure enormous stress on their cash flow. Without access to credit, their business would collapse under such stress. The key to achieve success in the rapidly expanding Sino-Mongol trade was their ability to obtain credit. Ultimately, in a cash short economy, such credit only became available via the banks' creation of *pu-yin* through the *bodui* system.

While all merchants required financial backing to sustain and expand their business, the size of business entailed different credit relations. On one end of the spectrum, big trading firms like Dashengkui and Yuanshengde controlled long chains of commodity supply that extended deep into the Chinese market beyond Hohhot.<sup>74</sup> They organized large camel caravans, which carried sundry products into Mongolia, and

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<sup>73</sup> For details of such examples, see Chapter 5.

<sup>74</sup> See Chapter Five.

brought back herds of livestock among other things. In addition to operating complex trade across space and time, these big trading firms also grew into highly sophisticated financial institutions themselves. In Mongolia, they lent money to Mongol nobilities and banner administrations so consistently that in the late nineteenth century, Russian investigators would call them bankers instead of traders.<sup>75</sup> In Hohhot, some of these large trading firms also tended to hold shares in local banks, which would in turn support their trading outfits. For instance, Dashengkui invested heavily in a *qianpu* named Yushenghou,<sup>76</sup> while the famous Qiao family of Qixian, a Baotou-based Mongol trader, owned one of the most successful *qianpu* in Hohhot. On the other side of the spectrum were what Imahori termed the “adventurous traders,” namely, small firms and independent proprietors who engaged in much nimbler trade operations and often specialized in a few products.<sup>77</sup> Due to their limited capital, they were perceived to be less credit-worthy and thus found it difficult to obtain credit from banks directly. As a result, they often relied on financial support from brokers and wholesalers. For instance, brokers and wholesalers in the fur business often advanced credit to their trusted traders, who in return would provide them with a secure source of fur from their expeditions in far-flung areas of Mongolia.<sup>78</sup> But just like the grain dealers of Fengzhen that were mentioned earlier, these powerful wholesalers and brokers in Hohhot also depended on financial backing from the local banks from time to time.<sup>79</sup> In sum, all these firms, large and small, engaged in the Sino-Mongol trade and their operations zigzagged across the

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<sup>75</sup> Aleksei Matveyevic Pozdneev, *Mongolia and the Mongols*, trans. William H. Dougherty (Bloomington: Indiana University Press, 1977), vol. 1, 302.

<sup>76</sup> Jia Hanqing, “Guihua cheng jinrong shihua,” 160.

<sup>77</sup> Imahori, 310.

<sup>78</sup> Imahori, 327.

<sup>79</sup> Imahori, 308.

entire Mongolian steppe. Consequently, Mongol nobility across the steppe, roaming traders, and wholesalers, brokers, and bankers all stationed in Hohhot were woven together into a large network of credit relations, with banks at its nexus.

The use of *pu-yin* and the *bodui* system thus changed the dynamics of trade and empowered banks, because money positioned its creator at an advantageous position in a social network. That is, money is as much as a social go-between as it is an economic instrument. Whereas barter trade or a cash-based payment entailed a bi-party relationship, the use of *pu-yin* turned a business transaction into multi-lateral exchanges between buyer, seller, and their banks. Despite being designed to meet the demand of trade, when trade expanded, the *bodui* system turned the growing market into an expanding web of relationships that pivoted around banks and also generated centripetal forces that consolidated the interests and power of bankers. Eventually, the existence of the *bodui* system and the development of a powerful private banking network consolidated Hohhot's role as the capital of Sino-Mongol trade. By the end of the nineteenth century, while Hohhot had ceded its dominance in a number of commodity trades to neighboring towns,<sup>80</sup> it retained its status as the center of money and banking, where all business transactions still had to be settled and where the majority of Sino-Mongol trading firms set up their headquarters.<sup>81</sup>

### **Regulating Money through the Bankers' Guild**

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<sup>80</sup> For instance, Hohhot lost the wholesale grain trade of Mongolia to the newly emerged market town of Baotou 包頭, and ceded part of its fur and leather trade to the nearby areas like Wuchuan 武川 in the late nineteenth century.

<sup>81</sup> Pozdneev, *Mongolia and the Mongols*, Vol. 2, 99.

So far I have introduced “merchant notes” and the *bodui* system, the two monetary instruments that Shanxi merchants created to negotiate the challenges of frontier trade in a cash-short environment and analyzed how each of them functioned in the markets of Shanxi and Inner Mongolia. I have also suggested that the rise of these two instruments expanded the influence of local banks, the primary provider of new money, thus altering the power relations in Shanxi merchants’ business network. This section will shift focus to the institutional framework in which such banks operated, and explain how the nature of the social network among bankers contributed to the stability of the banking and monetary system in Hohhot.

While money that emanated from the *bodui* system ultimately provided the credit to fuel the market economy, Hohhot’s system of money and banking should not be confused with our contemporary structure. For one thing, the contemporary banking system in nations across the globe originated from the early modern British scheme. It relies on a central bank to monopolize the privilege of money creation, be it in the form of paper notes or money of account. Contrastingly, the Qing never had a central bank. The creation of bank money in Hohhot was dispersed; each private bank, no matter its size, could create money by entering book debt and issuing notes. Second, in modern capitalism, despite endless political debates over regulation and deregulation, the banking industry is always subject to many laws and governmental oversight. In Hohhot, however, the Qing state had little knowledge about the inner-mechanism of the *bodui* system and the banking business in general, let alone the ability to monitor them.<sup>82</sup> No

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<sup>82</sup> In fact, in Hohhot and elsewhere in the Qing Empire, the state did not require firms to register their capital size until the early twentieth century. For a detailed account on firm law in late imperial China and the modernization of such law at the turn of the twentieth century, see

laws were created to standardize practices of banks, nor were there regulations for risk reduction. The situation was not unique to Hohhot. In fact, across the Qing Empire, as Susan Mann Jones has rightly pointed out, banks “were remarkably free of the governmental controls that served to protect and sustain comparably sophisticated banking systems in other cultures.”<sup>83</sup>

The absence of a central bank and the lack of state-imposed regulations did not mean that every private bank of Hohhot could operate “freely” according to only the market forces of supply and demand. In Hohhot, each bank was required to obtain a *yatie* 牙帖 (broker’s license) from the local government.<sup>84</sup> In other words, they were legally categorized as a form of *yahang* 牙行, or state-sanctioned brokerage firm; they were perceived as dealers of money. Given the importance the Qing state attached to the brokerage system, the state only allowed merchants with good reputation and substantial capital to obtain such licenses. Though no details are available concerning the number of brokers licenses that were issued in Hohhot, throughout the Qing, there were no more than forty-nine banks operating at any given time.<sup>85</sup>

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William C. Kirby, “China Unincorporated: Company Law and Business Enterprise in Twentieth-Century China,” *The Journal of Asian Studies* 54, No. 1 (1995): 43-63.

<sup>83</sup> Susan Mann Jones, “Finance in Ningpo,” 77. George A. Selgin, a Hayek-inspired economist and advocate of free banking, used the history of Fuzhou’s native banks in southeastern China in the early twentieth century as an exemplary case to argue for the virtue of deregulation. See George A. Selgin, “Free Banking in Foochow”, in Kevin Dowd ed., *The Experience of Free Banking* (London: Routledge, 1992), 103-122.

<sup>84</sup> Imahori, 309. It remains to be examined whether such a legal categorization was unique to Hohhot, or universally applied around the empire. So far I have only encountered this way of categorization in Hohhot.

<sup>85</sup> Banks rose and fell. The numbers of banks in Hohhot differed from time to time. Throughout the nineteenth century, based on the limited information we have, it seems that the number of banks in Hohhot ranges between 30 and 50. In 1845, we see the largest number (49) of banks mentioned in the same document. In the late nineteenth century, the number seemed to be stabilized around 38. *Guisui Shilue*, Vol. 13, and *Guisuidaozhi*, Vol. 20.

While the state did not impose many restrictions over banks apart from the requirement of a broker's license, bankers of Hohhot still had to obey rules set up by the Banker's Guild, which was an association of bankers that governed the banking industry. The guild's history suggests that it was not entirely independent from the state; on the contrary, the rise and continuing power of the guild had much to do with state backing. This history can be divided into two phases. First appearing in records in 1762,<sup>86</sup> its early form was named *qian-hang* 錢行 (Association of Money Merchants), indicating its was organized in *hang* structure. As discussed in Chapter Two, *hang* was an extra-bureaucratic organizational form that was created by the Qing state to put merchants under surveillance and to extract resources from them. In other words, the Banker's Guild in Hohhot, which predated any other bankers' guild in the Qing Empire by almost a century, was initially a product of the state.<sup>87</sup>

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<sup>86</sup> Imahori, 302.

<sup>87</sup> In commercial centers across the imperial territory, including the most prosperous ones in the lower Yangtze, no finance guilds took shape until the mid-nineteenth century.<sup>87</sup> The fact that the Qing state had to set up an organizational structure to control the money merchants at such an early juncture intimated that the banking business on the northern frontier likewise developed very early. On the other hand, the *Qian-hang*'s creation also contributed to the further development of the financial sector; it facilitated the formation of a network of coordinated banks, which became the institutional foundation for the rise of the *bodui* system. For instance, in Hankow, the Banker's Guild that incorporated all banks in the city was only established in 1871. Suzhou, the most prosperous business center of China in the eighteen and early nineteenth century, did not have a Banker's Guild until the turn of the twentieth century. In Shanghai, where private banks were first developed by businessmen from the Ningbo Prefecture of Zhejiang Province, these bankers were still organized through the *Siming-gongsuo* 四明公所, a native-place organization that was at the turn of the nineteenth century, rather than a trade-based organization. Such native-place organizations also included merchants of other trades, and there could not be considered the equal of a banker's guild. The trade-based Shanghai Native Bankers' Guild did not take shape until 1917. To compare the founding dates of all the money guilds, please refer to Christine Moll-Morata's list of all the known trade associations (or guilds) in late imperial Chinese history. See Moll-Morata, "Chinese Guilds from the Seventeenth to the Twentieth Centuries: An Overview," *International Review of Social History* 53, Supplement (2008): 213–247.

Around the turn of the nineteenth century, the relationship between the guild and the state changed, when the Banker's Guild was restructured organizationally and acquired the new name *Baofeng-she* 寶豐社 (literally, the Treasure of Fengzhou Society).<sup>88</sup> The transformation from *Qian-hang* to *Baofeng-she* was part of a wider phenomenon in Hohhot in which state-initiated trade associations (*hang*) were replaced by merchants' bottom-up, cult-centered organizations known as *she*. As I emphasize in Chapter Four, these trade-based *she*, including the *Baofeng-she*, were coopted by the Qing state and became the prevailing socioeconomic organizations of Hohhot and held great power in the local society.<sup>89</sup> Admittedly, it is wrong to assume the reformed *Baofeng-she* was a mere extension of state bureaucracy as it represented the interests of bankers who occasionally clashed with the local government. Nevertheless, it is also a mistake to neglect the subtle influence of the Qing state that shaped and acknowledged the power of the Banker's Guild. And it was the Banker's Guild that occupied the commanding position in the financial sector and set up series of institutional mechanisms to regulate its members. Without these institutions, the monetary system of Hohhot could not function.

Of all the institutional arrangements that the Banker's Guild set up to regulate local banks, the most important was “*dingmao*” 訂卯, (literally, “periodic appraisal”). *Dingmao* was a clearing scheme devised for banks to settle accounts between them, to

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<sup>88</sup> The name “*Baofeng-she*” first appeared in records in 1804. The Banker's Guild was one of many trade associations of Hohhot that went through a major institutional reform at the turn of the nineteenth century. Merchants restructured these *hang* into the cult/temple based *she* organizations. In Chapter Five, I have analyzed in great detail this historical process and its implications for Shanxi merchants and Hohhot's local society.

<sup>89</sup> See Chapter Five.

correct errors, and to curb banks' tendency to over-issue notes and extend credit excessively. As previously described, in order for *pu-yin* and *bodui-qian* to function as currency in Hohhot's market, a mechanism had to be in place for banks to transfer funds, clear balances and exchange notes. As this mechanism, *dingmao* required all local banks to hold a three-day session to clear books with one another roughly once-a-month.<sup>90</sup> Recall, banks constantly held each other's promissory notes and had balances from inter-bank transfers of *pu-yin*. On the first day of the clearing session, banknotes were exchanged and returned to the original issuers. On the second day, banks corroborated to verify their accounts and establish balances. That is to say, on this day, each bank disentangled a complex web of debt and credit relations by engaging in bilateral corroboration with many other banks. On the third day, managers of each bank would convene at the guildhall of the *Baofeng-she* to collectively make final corroborations under the watch of the leadership of the guild. In this way, bankers were able to verify the validity of each transaction, correct mistakes and prevent fraud.

The key component in the *dingmao* scheme was that banks had to settle the resulting balances between them with actual specie, a requirement designed to rein in banking excesses and to reduce risks. To illustrate how this worked, imagine the following scenario. By the time bankers had calculated all credit and debits and completed final checks, Bank T owed Bank S a certain amount of *pu-yin*. Bank T would have to pay it off with actual silver immediately if Bank S so requested. However, if T had lent out too much money, leaving insufficient specie on hand, and therefore could

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<sup>90</sup> There were two kinds of clearing cycles in Hohhot: A major three-month cycle and a minor one-month cycle. The actual closing dates of these cycles are determined by the Bankers' Guild in consultation with merchants in central Shanxi. See *Suiyuan tongzhigao*, 669-670.

not cope with Bank S' demand, it would face punishment by all members of the *Baofeng-she*. It would be refused business by all other banks and thus lose the privilege to engage in the *bodui* system in the future. In other words, it could no longer operate credibly in Hohhot's marketplace and thus would endanger its own survival.<sup>91</sup> Such bank failures were not a rare phenomenon in Hohhot; in fact, this periodic appraisal mechanism consistently and quickly eliminated unscrupulous banks before their problems became too big to cause financial mayhem. Because of this system, bankers were forced to be cautious in planning and strategizing their lending practices to make sure they would maintain sufficient cash reserves. That is to say, while banks were still allowed to expand monetary supply by providing credit in the form of *pu-yin* beyond the available amount of specie in reserves, under the pressure of monthly appraisal of accounts they could not do so without constraints.<sup>92</sup> In short, *dingmao* provided the institutional solution to the potential risks involved in the *bodui* system; it was instrumental to the stability and development of the financial market of Hohhot.

For the *dingmao* mechanism to work, strong trust must have existed among member banks of the *Baofeng-she*, as the clearing mechanism depended on bilateral and multilateral interactions in the absence of a central authority. The operation of the *bodui* system never involved a clearing house at its nexus, nor did the *Baofeng-she* play the role of a clearing house. Although *Baofeng-she* sometimes operated as an organizational unit, its simple structure as an association of bankers kept it from developing into a bank's bank. Like many other trade guilds of Hohhot, *Baofeng-she* had a leadership committee that comprised of three member banks, one president and two vice presidents.

<sup>91</sup> *Suiyuan tongzhigao*, vol. 4, 669.

<sup>92</sup> *Suiyuan tongzhigao*, vol. 4, 669.

These leadership roles were filled by rotation, allowing each bank equal opportunity in the guild's power structure. In this way, the guild, embodying the collective will of its members, functioned as a maker of rules and a supervisor of member banks<sup>93</sup>. Ultimately, in order for the guild and its regulations to function, bankers had to establish strong trust among them. This was especially true in the working of the *dingmao* mechanism, which required bankers to have faith that other banks would pay off their debts, submit their books to collective auditing, and maintain truthful records. In the end, they also had to believe that all members would coordinate in the collective punishment when a member bank failed to settle its debt with silver. In short, the interconnectedness of the banking business required a particularly strong trusting relationship among bankers.

Trust is a form of social capital that is generated through institutional structures and social networks.<sup>94</sup> In the case of Hohhot, bankers' trust derived from two sources: the trade guild and native-place-networks. As I have explained in previous chapters, centered upon shared religious devotion, the *she* organization provided a spiritual core and many socio-cultural opportunities for its members to create and solidify their bond.<sup>95</sup> However, for such a bond to be effective, *Baofeng-she* also set up strict boundaries to limit membership and to create a tight-knit community. Not all financial institutions could participate in the Banker's Guild; only fully-fledged local banks, namely, *qian-pu* and *yinhao*, could become members of *Baofeng-she*. In Hohhot, in addition to *qian-pu* and *yinhao*, there were two other kinds of financial institutions in

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<sup>93</sup> Imahori, 314.

<sup>94</sup> For a systematic study of trust as a form of social capital, see Francis Fukuyama, *Trust: The Social Virtues and The Creation of Prosperity* (New York: Free Press, 1995).

<sup>95</sup> Imahori, 323.

the market: *dangpu* 善鋪 (pawnshop) and *zhangju* 賬局 (loan company). Whereas *dangpu* was a time-honored business that offered small loans to people with personal items as collateral, *zhangju* was a newly developed form of institution that specialized in providing large sum loans to officials and merchants.<sup>96</sup> That is to say, both *dangpu* and *zhangju* functioned as loan agencies, but neither were allowed to become members of the *Baofeng-she*, and thus did not participate in the *bodui* system. In contrast, *qian-pu* and *yin-hao* took on banking functions (such as accepting deposits, managing current accounts for clients, issuing paper note) and facilitated cashless payments through the *bodui* system. By restricting the access to the *Baofeng-she*, the *qian-pu* and *yin-hao* were able to guard their shared interests in monopolizing the *bodui* system.

Although the Banker's Guild maintained strict limitations on its membership, it did allow new banks to join provided they meet certain requirements. In order to become a member of the guild, a new bank not only had to possess substantial capital and commit to pay membership fees, but also had to find an existing member of the

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<sup>96</sup> *Zhangju*, sometimes was called *zhangzhuang* 帳莊. Its humble form was known as *fangzhangpu*, 放賬鋪. Despite fragmentary primary sources, it can be established that *zhangju* was first developed by Shanxi merchants on the northern frontier in service of the Sino-Mongol and Sino-Russian trade and became popular in Beijing for satisfying the financial need of the newly appointed officials. *Xiangfayong* 祥發永, the first known *zhangju*, was established in 1736 in Zhangjiakou (Kalgan). Though *zhangju* was an important financial institution of the Qing era, the research on *zhangju* is still quite weak. The first scholar to seriously notice the importance of *zhangju* is Huang Jianhui, who argues that *zhangju* was an early form of native-banks of China. See Huang Jianhui, “Zhongguo zaoqi de yinhang—*zhangju*,” *Shanxi caijing xueyuan xuebao*, No. 6 (1984), 125-126; Huang Jianhui, “Qingdai *zhangju* chutan,” *Lishi yanjiu*, No. 4 (1987): 111-125. Also see Huang Jianhui, *Zhongguo yinhangye shi* (Taiyuan: Shanxi Economics Press, 1994), 29-34. Recently, historian Liu Qiugen began to use newly available account books of *zhangju* from private collections to study the business models and organizations of *zhangju*. See Zhen Yang and Qiugen Liu, “Ming qing jingzhai jingying zhe shehui goucheng: jian lun *zhangju* ji *fangzhang pu*,” *Hebei daxue xuebao* 36, No. 2 (2001): 13-19. Also see Qiugen Liu, “Qingdai qianqi *zhangju* *fangzhangpu* yanjiu: yi wuzhong *zhangju* *fangzhangpu* de qingdan jiedu wei zhongxin,” *Anhui shixue*, No. 1 (2015): 58-66.

guild to act as a guarantor. This requirement was an example of trust functioning as a form of social capital insofar as a strong trust must have existed between the managers of these two banks for one to give guarantee for the other. At the time, strong trust also existed between the guarantor and the other members of the guild. In this way, the guaranteeship constituted an institutional bond that extended the trust between guild members to incorporate the newcomer. In fact, the importance of the guarantor was not limited to Hohhot's banking sector; it was a widespread business practice in late imperial Chinese commercial circles.<sup>97</sup> Not only the Bankers' Guild required a guarantor for a newcomer; for any youngster who aspired to become an apprentice in these banks, a guarantor was also mandatory. The prominence of the guarantor in the banking system reaffirms that Shanxi merchants' business network was built by connecting short lines of strong trust into long chains of confidence.

Native-place ties constituted the second source of the bankers' trust, which buttressed the institutional setup of the *Baofeng-she*. Whereas these Shanxi merchants of Hohhot mostly hailed from the central and northern parts of the province,<sup>98</sup> the city's bankers came from counties such as Qixian, Taigu, Xinzhou, Daixian, Wenshui and Jiaocheng, all located in a more concentrated area of central Shanxi. In particular, financiers from the two neighboring counties of Qixian and Taigu in the Taiyuan Prefecture had long been the leading force, which made the banker's network even more tight-knit.<sup>99</sup> Because these bankers shared places of origin, they often had pre-existing and intertwining social ties; before they were business associates, they were

<sup>97</sup> Sybille Van Der Sprenkel, "Urban Social Control," in *The city in late imperial China*, ed. William Skinner (Stanford: Stanford University Press, 1977), 624-625.

<sup>98</sup> See Chapter Four.

<sup>99</sup> Imahori, 312.

often friends, neighbors, or acquaintances, making mutual trust and mutual cooperation much easier to establish and sustain than among a group of total strangers.<sup>100</sup> The already-existing social trust among bankers was instrumental in the *Baofeng-she*'s ability to design and implement institutional mechanisms such as *dingmao* to regulate the practices of its member bankers. In turn these institutional mechanisms were crucial to maintain stability in Hohhot's financial market even in the absence of state regulation.

What happened in other major commercial centers of the Qing Empire during the nineteenth century provides counter-examples that illuminate the importance of native-place ties. In the early nineteenth century, thanks to the rapid development of commerce and long-distance trade, the financial innovations that Shanxi merchants pioneered in the north began to spread across the empire. Paper notes emerged as popular monetary instruments, while local *qianzhuang* banks mushroomed in cities, funneling funds into commercial ventures in the form of bank credit. In the Yangtze Delta region, bankers of Ningbo developed a well-known *guozhang* 過賬 (literally, “passing accounts”) method that was reminiscent of the *bodui* system of Hohhot.<sup>101</sup> Recently, economic historians also unearthed a similar system named *guoluyin* 過爐銀

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<sup>100</sup> Moreover, Shanxi merchants' control over finance in Hohhot was unaffected even when foreign capital and European-style banks intruded into the Chinese financial market through their presence in the treaty ports such as Shanghai, Hankow, Tianjin and Yingkou in the latter half of the nineteenth century. Hohhot was never opened as treaty port, and its frontier location distant from the coast also meant that the penetration of foreign banks could barely reach it. Russian traders and financiers did arrive on the Mongolian frontier at the end of the nineteenth century, but their influence in Hohhot was also inconsequential—they were more forcefully encroaching the market of Outer Mongolia and Manchuria to the north and east. In other words, Hohhot firmly remained an essential part of the Shanxi business and financial network throughout the Qing era. Throughout the Qing era, not only Chinese traders, but also Muslim merchants who plied trade across the desert and Mongol residents had to rely on the banking and monetary system operated by the Shanxi merchants to conduct business transactions.

<sup>101</sup> For details, see Susan Mann Jones, “Finance in Ningpo,” 48-77.

(literally, “silver passing through furnace”) that functioned in Yingkou, a treaty port on the southern Manchurian coast where Shanxi merchants had a strong influence.<sup>102</sup> The nineteenth century Chinese commercial revolution, if we borrow Hao Yen-p’ing’s term, was fueled by these native financial innovations as much as by Western influences. That being said, these new financial instruments also turned out to be a source of instability. As a result of hasty and unregulated development, over-issuing paper notes and over-extending credit emerged as the two major underlying causes for financial crises across the Qing. As early as the 1820s, the regional economy of southern Manchuria was paralyzed by an excessive supply of paper notes in its trading hub Gaiping: soon after that, Gaiping lost its status as a market center.<sup>103</sup> In the interior provinces, major commercial centers such as Hankow, Shanghai, and Tianjin each had their fare share of serious banking crises. In the case of Hankow, as William Rowe points out, irresponsibility in credit management, along with the interlocking credit relations between banks, posed serious threats to market stability. Runaway debtors and unscrupulous bankers frequently brought down entire chains of banks, and the resulting panic almost became a fact of life in that city.<sup>104</sup>

The volatility of financial markets across the empire can be partly attributed to the fragmented geographic composition of bankers in these commercial centers that hindered cooperation across the banking industry. In places like Hankow, Shanghai (treaty port era) or Yingkou where businessmen from different parts of the empire gathered and no single group of bankers could dominate the financial sector, bankers

<sup>102</sup> For details, see Fang Wang, Hongzhong Yan and Yu Gao, “Wanqing quyu huobi shichang fazhan yanjiu— yi yingkou guoluyin wei zhongxin,” *Lishi yanjiu*, No.3 (2016): 97-112.

<sup>103</sup> Chaohui Liu, *Jiaqing Daoguang nianjian zhiqian wenti yanjiu*, 154-162.

<sup>104</sup> William Rowe (1984), 203-209.

often tended to divide themselves into different geographic groups, who found it difficult to overcome their differences in local dialect, cultural practices, and social institutions. Consequently, it was difficult for cross-industry collaboration to be established, nor was it easy to form a banking-guild that could transcend native-place divides. In an environment like the Qing Empire where neither formal laws nor governmental oversight was in place, without a powerful guild to regulate banking practices and implement mechanism of risk control, zealous bankers faced no constraints to blindly expanding their businesses, and thus sowing perilous seeds of future financial disasters. According to the prescient economist Hyman Minsky, in a market economy, banks and commercial lenders inevitably engage in high-risk lending practices and over-expand credit in euphoric times, which breeds the possibility of financial collapse and economic recession. In totally unregulated, uncoordinated financial markets like in the cities of nineteenth century China, the Minsky cycle took place even more frequently than in our contemporary period. A case in point was Hankow, where bankers from Shanxi, Jiangxi, Zhejiang, and Huizhou coexisted without much confidence and knowledge of each other's institutions, practices, and personalities.<sup>105</sup> While Hankow had become the most important entrepôt in the empire since the turn of the nineteenth century, it did not have a unified Banker's Guild until 1871. Despite Rowe's claim that Hankow's Banker's Guild brought about rationality and control in the financial sector in the 1880s, it could not exert as much control in the market as *Baofeng-she* in Hohhot: overexpansion of credit and bad loans in Hankow caused a series of massive bank failures in the decades preceding the end of the Qing

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<sup>105</sup> William Rowe (1984), 203-215.

rule in 1912. In fact, a bankrun in Hankow in late 1908 turned out to be the trigger for one of the most damaging and most widespread financial crises and economic recessions in Qing history, which contributed significantly to the final demise of the Qing Empire.<sup>106</sup> Only Hohhot, the frontier city where the financial market was dominated by a tight-knit network of bankers from Shanxi, escaped the fateful Minsky cycle.

Thanks to its instrumental role in coordinating the banking business and maintaining financial order, the Bankers' Guild became increasingly powerful in Hohhot's economic and social hierarchy. Initially, when its early form *qianhang* was established in the mid-eighteenth century, it was a later comer to the commercial scene of Hohhot and remained on the periphery of the city's power structure. At the time, the *dahang*, or the "Grand Guild," which governed the business community as a collective organization of the city's most important guilds, did not include the *qianhang* among its twelve members. However, the situation began to change when the *qianhang* was transformed into the *baofeng-she* at the turn of the nineteenth century. In 1812, the new organization joined the expanded *dahang*, and became one of its fifteen constituent guilds. Thereafter, the importance of the Banker's Guild kept rising; by the Daoguang reign (1821-1850), it emerged as one of the seven leading merchant guilds.<sup>107</sup> By the late nineteenth century, it was hailed as "the nexus of finance", which was "depended

<sup>106</sup> For the most comprehensive and convincing research on the banking crisis and economic recession between 1908 and 1911 that contributed to the collapse of the Qing Empire, see Takaharu Kikuchi, "Qing mo jingji konghuang yu xinhai geming zhi lianxi," in *Guowai zhongguo jindaishi yanjiu*, eds. Modern History Institute (Beijing: Social Sciences Press, 1981), 66-124.

<sup>107</sup> Within the fifteen she, seven of them were considered the more powerful, and were known as the *qidashe*, 七大社, or the "seven big guilds."

by hundreds of industries.”<sup>108</sup> In sum, the Banker’s Guild’s gradual ascendance in the hierarchy of power echoed the growing influence of the money and banking business in the marketplace.

### **Epilogue: The Tyranny of Money**

In the summer of 1860, Grain Dealers’ Guild, the traditionally most powerful guild of Hohhot, orchestrated a major lawsuit against bankers, accusing *Baofeng-she* of manipulating the exchange rate and distorting the monetary order for their own profits. According to the plaintiff, *Baofeng-she* purposefully debased the virtual currency *cheng-qian*, which led to overall inflation that affected the livelihood of local residents. Drastic debasement of *cheng-qian* caused strong reactions in society, particularly among farmers and grain dealers whose business was primarily conducted through copper-denominated notes.

As this episode demonstrates, the Bankers’ Guild’s ability to sustain close cooperation within the banking business proved to be a source of instability and tension as much as a guardian of order. The fact that Hohhot escaped the Minsky cycle does not mean that its market was free of unrest: the problem of money continued to plague this frontier city, but in a different manner. Because they were backed by specie reserves, no matter how popular the paper notes and money of account became, bankers still had to establish the exchange rate between the ghost money and the actual specie. Thanks to the existence of the guild organization, all banks of Hohhot were able to coordinate with each other and collectively determine a uniform exchange rate in the market. But

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<sup>108</sup> *Suiyuan tong zhi gao*, vol.4, 675-688.

permutations in the exchange rate inevitably cause friction in all societies, and Hohhot was not an exception to this rule. In particular, because there was a limited quantity of copper coins in Hohhot, the more banks issued notes and created bank credit, the less likely it was that the bankers could maintain a stable exchange rate between copper coins and *cheng-qian* without increasing the level of risk. While the development of commerce demanded an increasingly large supply of *cheng-qian*, bankers had to keep debasing the copper currency, in effect lowering the exchange rate by using fewer copper coins to stand for the same unit of ghost money. As a result, beginning in the late Qianlong era, recall, the number of coins (actual specie) in a one-hundred-*wen* string (a base unit of *cheng-qian*) in Hohhot's market was radically reduced. While a one-hundred-*wen* string contained ninety-six coins in the eighteenth century, by the mid-nineteenth century, the number was decreased to roughly fifty coins.<sup>109</sup>

Responding to the lawsuit, the city magistrate ruled in favor of the grain dealers and ordered *Baofeng-she* to gradually return the exchange rate to ninety-six coins per string. The grain dealers carved a stele that documented the lawsuit and its resolutions and placed it at a temple to mark their victory.<sup>110</sup> For a short while, *Baofeng-she* cooperated with the court ruling, gradually increasing the exchange rate to sixty coins per string. But soon afterwards, bankers regained control over the monetary market, and the magistrate's order became obsolete within a mere few months. Even the Grain Dealers' Guild seemed to have lost interest in pursuing the case further. Unhappy with the situation, the Farmers' Guild on the outskirt of the city—traditionally a staunch ally of the grain dealers—took matters into its own hands. Chen Dezhi, a headman of the

<sup>109</sup> *Suiyuan tongzhigao*, vol. 4, 657-658.

<sup>110</sup> “Zheng li qian fa xu.” Imahori, Appendix, E28, 744-745.

guild attempted to launch another lawsuit directly at the Suiyuan General's office, the highest authority of the Qing Empire in Inner Mongolia. But a dramatic turn of events aborted any hopes of monetary reform: Chen Dezhi was soon accused of unlawful activities, convicted and flogged in court, nearly to death. The punishment did not end with his person either; it even led to the temporary abolishment of the Farmer's Guild. Their altar was destroyed, their steles and plaques confiscated. It was not for another year that farmers were able to rebuild their organization. Most surprisingly, the person who accused Chen was an abbot of a temple—the very temple in which Grain Dealer's Guild placed their stele to mark their victory against the bankers.<sup>111</sup>

Unfortunately, primary sources do not reveal why the original court ruling became obsolete, nor do we know for what reasons Chen Dezhi's pursuit of the case led to such disastrous consequences for himself and for the Farmer's Guild, though the drama of these events hint at behind-the-scenes machinations, negotiations, confrontations, bribes, and maybe even backstabbing. What is obvious, however, is that the *Baofeng-she* emerged the eventual winner, a victory that demonstrates the muscle of the bankers; even the combined power of the Grain Guild, Farmer's Guild, and magistrate's mandate was not enough to challenge its dominance in the monetary market. *Baofeng-she*'s dominance in Hohhot's market thus became unassailable and, as a result, the exchange rate plummeted even further over the remaining decades of the Qing. By the 1890s, a one-hundred-wen string contained no more than eighteen copper coins. Tensions between the bankers and the rest of the business community also became ever more intensified. During the 1880s and 1890s, the Grand Guild, backed by

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<sup>111</sup> “Chong zhen si xiang nongminshe beiji,” Imahori, 759-760.

the power of provincial governor of Shanxi and the Suiyuan General, launched more reform attempts to stabilize the exchange rate and to curb the power of the bankers. Nevertheless, because the market had its own logic, such political interventions could not tame the power of money. It was the *Baofeng-she* that always emerged victorious.<sup>112</sup>

Finally, the nasty struggles between the *Baofeng-she* and the Grain Dealers' and Farmer's Guilds reveals how much tension and hostility bankers caused in the frontier society by manipulating monetary arrangements. Ironically, the Banker's Guild, which was instrumental in maintaining order and stability in the banking business, proved to be a source of great instability for the local society. While the Banker's Guild was built on the social foundation of strong trusting relationships within the tight-knit network of bankers, its activities ripped apart the larger business community of Hohhot and expanded its chasms.

Money is a social go-between; one of the reasons Shanxi merchants were able to reinvent paper-notes and create the *bodui* system was the large web of trusting relationships that they built through sociocultural and institutional mechanisms. And yet, the tension and hostility in Hohhot, a key node in Shanxi merchants' business network, betrayed the political impacts of money: money divides people, corrupts relations, and erodes trust. If we read this episode allegorically, it reveals that it was the development of the money economy itself that dissolved the foundations of trust in the social network of the Shanxi merchants, and thus sowed the seeds of destruction for the Shanxi business empire.

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<sup>112</sup> For examples of such actions, see *Suiyuan tongzhigao*, vol. 4, 660-662. Also see Imahori, 315-316.

## 茶路平色規底

祁縣公平 每平 北口子平 小

太谷公平 每平 北口子平 小

漢口錢平 每平 北口子平 小

契城錢平 每平 北口子平 小

縣鎮子平 每平 告子平 大

舞渡子平 每平 告子平 小

張市錢平 每平 告子平 小

道口子平 每平 告子平 小

天津子平 每平 告子平 小

天津洋平 每平 告子平 小

張唐相子平 每平 告子平 小

運冊相子平 每平 告子平 小

西錢平 每平 告子平 小

西貨平 每平 告子平 小

Illustration 6: A table comparing the various silver and copper standards between different locations on the tea trade routes from Hubei to Hohhot in a mid-nineteenth century (date unspecified). It is from a manual that provides detailed instructions on every step of the tea trade from quality differentiation, to packaging, to all phases of transportation, and the issue of money. This manual was discovered in central Shanxi, and is currently in Liu Jianmin's Private Collection. Image courtesy of Liu Jianmin.



Illustration 7: The first page in a hand-written manual on how to differentiate and authenticate silver ingots. It is dated the sixth month of the sixth year of the Daoguang Reign (1826). This forty-page manual contains sixty-seven rhymed lyrics, including five lyrics that list the key standards and general methods of identifying different kinds of silver and sixty-two lyrics that each describe the characteristics of a particular kind of silver ingot. It was hand-written by Feng Zhuoxing of Baixiang County in Zhili Province, but was discovered in central Shanxi. It is very likely that it was used by Shanxi merchants both as a manual of reference and also as educational material –the rhymed lyrics suggests it was supposed to be memorized by prospective merchants. From Liu Jianmin's private collection. Image courtesy of Liu Jianmin.

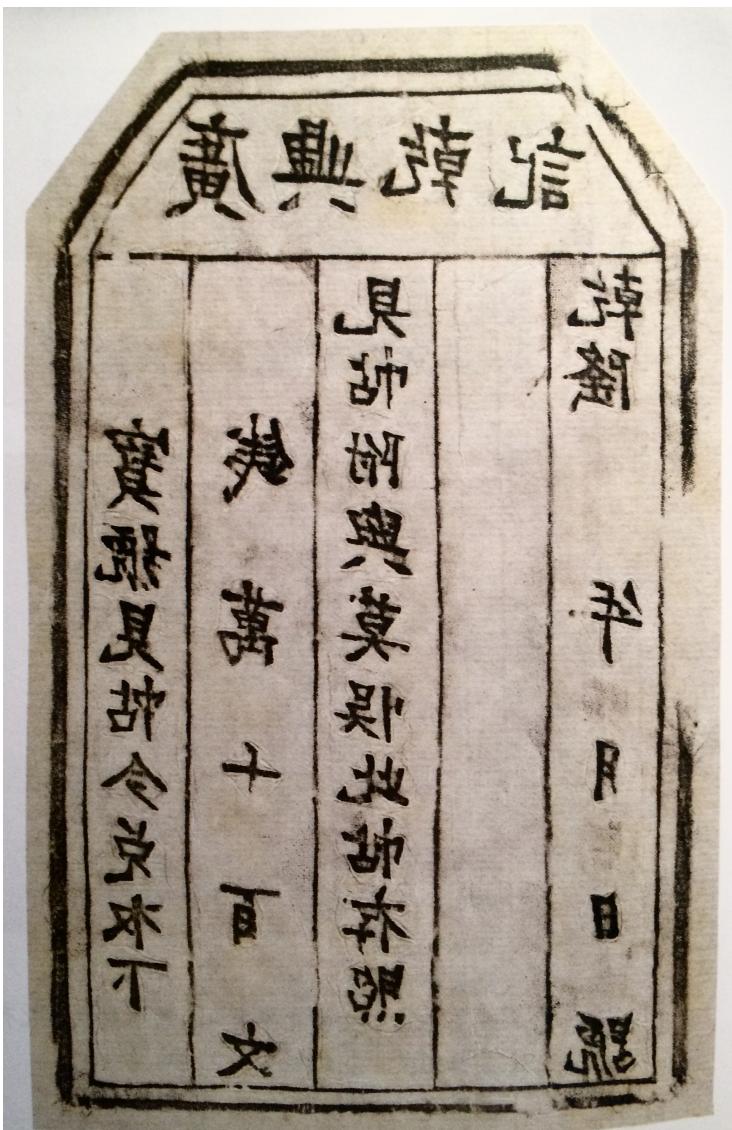


Illustration 8: A wood plate of a qianpiao, made by a firm named Guangxingqian from the Qianlong Reign (date unspecified). Discovered in contemporary Jinzhong, it is the earliest sample of paper notes from the Qing that is known today. The text indicates that the issuer requests the receiving firm (name to be filled in by hand) to pay the bearer of this note a certain amount of copper cash (to be filled in by hand). The simple, elegant and formulaic design of this plate indicates a relatively mature system of paper notes at work; in other words, the paper notes of Shanxi must have originated prior to its creation. Image from Liu Jianmin and Wang Xuenong eds., *Zhongguo Shanxi min jian piao tie* (Beijing: Zhonghua shuju, 2001), 674.



Illustration 9: This is one of the earliest qianpiao that exist today, dated to the eighth day of the eighth month of the fifty-second year of the Qianlong Reign (1787). It was issued by a grain dealership named Xinglong-sudian (The Prosper Grain Dealership) in Yuanding County in the Xinzhou Basin. The denominated value is written by hand in the second column from the right, indicating one thousand wen. This sheet is a typical *futie*, indicating the issuer requests the receiver Guangfeng firm (most likely a qianpu) to pay any bearer 1000 wen cash. From Liu Jianmin's private collection. Image courtesy of Liu Jianmin.

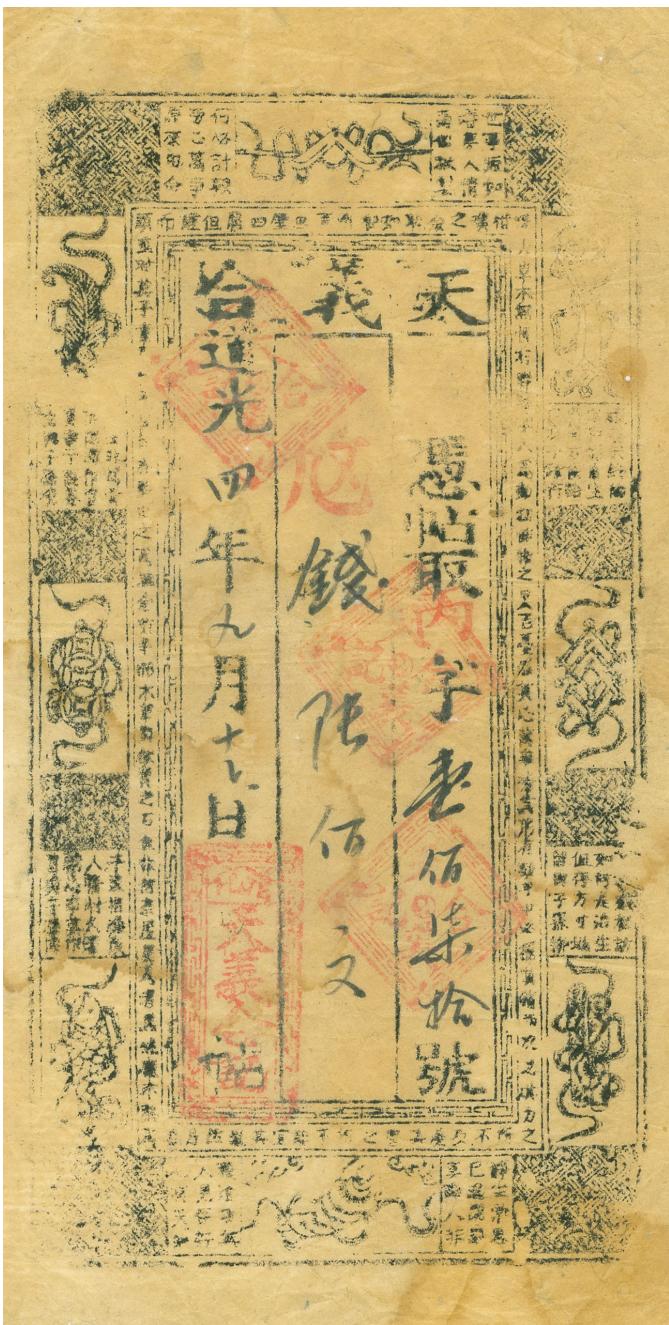


Illustration 10: A piece of *qianpiao* issued by a firm named *Tianyihe*, most likely a *qianpu* (a form of native-bank). It dates to the sixteenth day of the ninth month of the fourth year of the Daoguang Reign (1824). This *qianpiao*, with an elaborate design, is typical of a mature form of *ping-tie* from the early nineteenth century. The issuer of this note promises to pay the bearer six hundred wen in copper coins (based on the standard of 96 coins in a 100 wen string, as indicated by the red-stamped special character on top of the hand-written character *qian 錢*). This note bears a serial number, indicating that it is No. 170 of the *bing* series. The serial number, multiple stamps, and elaborately adorned frames of printed maxims and patterns were all employed to prevent forgery. Generally speaking, the *ping-tie* circulated most freely among all forms of paper notes in the market, and therefore was usually printed with the most elaborate and delicate designs. This note was discovered in central Shanxi and archived in Liu Jianmin's private collection. Image courtesy of Liu Jianmin.



Illustration 11: The front and back sides of a heavily used and partially damaged ping-tie. Dated to the eleventh year of the Xianfeng Reign (1861), this note was issued by Fengyuqing (most likely a qianpu). As printed on the note, Fengyuqing was located on the south street of Pingyao (a center of the Shanxi banking business) in central Shanxi. This note has a face value of 1000 wen on the base of the standard of 96 coins in a 100 wen string. Both the front and back sides of the note contain the names of the people that have passed the note onto someone else. In addition, the dates of the transactions are indicated, suggesting the speed of the note's circulation. Issued on the sixteenth day of second month of that year, by the nineteenth day of the fifth month, it had passed through at least ten different people. From Liu Jianmin's Private Collection. Image courtesy of Liu Jianmin.

## CONCLUSION

From the beginning of the eighteenth century to the mid-nineteenth century, Shanxi merchants emerged as a leading force in the rapidly changing commercial landscape of the Qing Empire. As this dissertation has shown, the rise of the Shanxi merchants during this period was a quintessential Qing phenomenon, a phenomenon directly associated with the Qing imperial project in the Inner Asian steppe. While the empire's westward expansion afforded them an unprecedented opportunity to explore the frontier markets on the steppe, Shanxi merchants penetrated these far-flung, newly conquered areas with extraordinary speed and great efficacy, creating commercial links and networks that tied the empire together and enabled it to function. By facilitating the Qing imperial expansion through businesses across the steppe, Shanxi merchants amassed great fortunes that were demonstrated in the vast architectural heritage of their home region; they also obtained an entrepreneurial reputation that came to overshadow that of their contemporaneous counterparts in the empire, such as the ubiquitous Huizhou businessmen in the Yangtze Delta region and the Hong merchants of Canton.

Shanxi merchants were no mere accumulators of wealth; their commercial activities brought about new modes of business and developed a distinctive institutional culture. For one thing, they created an unprecedented long-distance trading network that spanned the entire territory of the Qing Empire that no other merchants could rival. With the development of this network, the firm Dashengkui could eventually source tea from Fujian and Hankou, transport it to Hohhot, and use caravans to sell it in banners located in the far western corner of Mongolia; an independent merchant from Shanxi,

such as Zhang Luan, could take advantage of personal connections and business associates within the Shanxi network to smuggle jade from Yarkand to Suzhou. Second, to conduct trade in frontier regions and across long-distances, Shanxi merchants developed a form of partnership firms that did not rely on family members to operate, but instead designed a set of institutions to entrust their business to non-family managers who were recruited through native-place networks. Third, because lineage and clan organizations were not developed in Shanxi, to facilitate cooperation among fellows from the same native-place, these merchants adapted the institutional principles of rural Shanxi's temple organizations to their sojourning market towns, such as the Inner Mongolian city of Hohhot, and created native-place organizations and a set of sociocultural practices to construct strong trust within the Shanxi merchant network. Moreover, based on such an institutional foundation, the Shanxi merchants established powerful guild structures that not only regulated business, but also functioned as autonomous governance structure in the merchant communities. Finally, the strong level of trust that existed among merchants within the Shanxi network also enabled them to pioneer innovations in monetary instruments and banking institutions, experimenting with the circulation of paper money and the application of virtual currency.

The development of this institutional culture culminated in the creation of the Shanxi *piaohao* industry in the nineteenth century. In 1823, Lei Lütai 雷履泰, a native of Pingyao County and general manager of Xiyucheng 西裕成, a multi-branch pigment trading firm, established a new business for the firm, utilizing its branches across the empire to provide remittance services for other long-distance traders, which led to the creation of Rishengchang 日昇昌, the first *piaohao*. Rishengchang became so

successful that it soon inspired other Shanxi merchants to follow suit. Within a few decades, merchants in the three central Shanxi counties Pingyao, Qixian, and Taigu created more than twenty *piaohao* firms, gradually knitting a web of five hundred branches located in market centers both within China proper and out on the frontiers. These *piaohao* all adopted the partnership structure of Shanxi trading firms and despite intense competition they together created mechanisms for business cooperation and collective punishment of rule-breakers. In the late nineteenth century, the Shanxi *piaohao* dominated the long-distance remittance market and emerged as the most powerful banking institutions in the Qing Empire.

If the rise of the Shanxi merchant network in the eighteenth century went hand in hand with the expanding power of the Manchu Empire, the ascent of the Shanxi *piaohao* was, ironically, closely associated with imperial decline. The first boom of the *piaohao* took place in the mid-nineteenth century, when the Taiping rebellion disrupted the transportation of tax silver from southern provinces to Beijing so that those provinces resorted to *piaohao* remittance services in order to forward tax revenue to the capital. Another boost to the *piaohao*'s fortune was the large quantity of indemnities that the Qing state had to pay to western powers in the late nineteenth century, which resulted from successive military defeats and diplomatic failures. The burden of the indemnities also fell onto the provincial governments, who used *piaohao* to transfer their dues to Shanghai, contributing to a great boom for *piaohao* industry that lasted into the first decade of the twentieth century. The *piaohao* became so dependent on doing business with the Manchu state that the sudden collapse of the Qing Empire in 1912 also led to the ruin of the *piaohao* industry.

Ultimately, it was the disintegration of the Qing imperial order, more than anything else, that spelled the end of the Shanxi merchants' business empire. War, warlordism, and banditry during the Republican era laid waste to the existing trade networks in China proper, while inter-ethnic tensions, secessionist movements, and the ensuing social chaos on the frontiers endangered the livelihood of sojourning Chinese merchants. Most notably, the independence movement and soviet revolution in Outer Mongolia terminated Shanxi merchants' debt-centered business practices, cut off the trade routes through the Mongolian steppe, and led to the collapse of trading firms like Dashengkui. In the cities and villages of central Shanxi, merchants returned home empty-handed. Prosperity turned into despair. The only reminders of the glorious past were the increasingly dilapidated but still astonishing architectural remains of the Qing era.

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