

**THE RISE AND DECLINE OF SHANXI PIAOHAO IN  
LATE QING DYNASTY CHINA, 1820-1911**

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## Summary

Shanxi *piaohao* (Shanxi Remittance firms) existed from 1820s to 1910s. During that time, the business of Shanxi *piaohao* prospered quickly yet declined in a sudden. The previous scholars ascribed *piaohao*'s sudden decline to their over-reliance on Qing government: when Qing collapsed in 1911, *piaohao* could not survive as well. However, this thesis will argue that the decline of *piaohao* was already latent since *piaohao* began their business in 1820s and the demise of Qing dynasty was in fact a catalyst only.

The most fundamental reasons for *piaohao*'s decline lie in their innately defective business styles. Specifically, *piaohao* could not accumulate abundant floating capitals for remittance businesses due to their family-style capital raising mode. Besides, they did not attach great importance to the public deposits and the effects of such neglect became more fatal after Qing took back *piaohao*'s rights to access to official treasuries and repositories since 1895. Furthermore, *piaohao* could not effectively get the financial supports from their counterparts, for the thirty Shanxi *piaohao* only loosely connected with each other and had never formed coherent financial communities either inside their residential counties or in places where they set up branches. Lastly, their bookkeeping method and their dependency on outdated chaotic bimetallism currency system also hindered their further business survival and expansion in a gradually unified and modernized Chinese financial market.

Moreover, Shanxi *piaohao* did not gain numerous benefits through conducting official remittance for Qing government. They suffered greatly from the latter's frequent financial appeals since 1850s. *Piaohao* eventually formed a frightened

sentiment towards the Qing government. Thus, *piaohao* refrained from collaborating with Qing government when financial transitions began in 1895 and lost the chance to catch up with the modernization process of the Qing government in the realm of banking and finance, which further accelerated their decline.

In sum, *piaohao* did not carve out their business niches in the Chinese remittance market since 1820s. They had constantly faced the remittance competitions from their counterparts, *qianzhuang*, modern Chinese and foreign banks. Besides, *piaohao* did not provide basic financial services such as deposit and loan to common people as what local *qianzhuang* would do, and they could neither extend credits to government and modern industries as what the modern banks and foreign banks did. Their decline was thus predestined at day they were born.

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## Chapter 1: Introduction

In early 1820s, the first Shanxi *piaohao*, named *Rishengchang* (literally, Prosperity after sunrise) began its operation in Pingyao County, Shanxi province. The premises of *Rishengchang piaohao* was a dyestuff firm named *Xiyucheng* with its head office in Pingyao County and main distribution center in Beijing. During the 1820s, the Qing dynasty was politically unstable and not well policed that faced frequent internal rebellions. These rebellions rendered the transferring of silver taels between Beijing and Shanxi at stake. Thus, Lei Luetai, the Beijing manager of *Xiyucheng* dyestuff firm, adopted an alternative method to transfer silver. His method was to hold the silver in local repositories, and rely on certificates of exchange for long-distance communication. For example, if the Beijing distribution center wanted to transfer 100 silver taels back to Pingyao County, Lei Luetai would first give the actual amount of money to a firm located at Beijing, which had an agency in Pingyao County. After that, the head office of the dyestuff firm in Pingyao would reclaim the 100 silver taels from the local holdings of the Pingyao agency.

Such method saved both time and cost. Henceforth, numerous firms in Beijing frequently requested Lei Luetai to help them to transfer silver taels through such mechanism, and were willing to pay commissions for this. Lei Luetai later found that dealing with such remittance services was more lucrative than operating the dyestuff firm. Hence, he persuaded the investors to focus primarily on the remittance business. The *Rishengchang piaohao* officially began to conduct inter-provincial remittances around the 1820s and it soon opened many branches in main cities over China. In 1851, *Rishengchang* owned as many as seventeen branches in China.<sup>1</sup>

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<sup>1</sup> Huang Jianhui ed., *Shanxi piaohao shiliao* [Historical Materials on Shanxi *Piaohao*, hereafter, SPS], revised edition (Shanxi: Shanxi jingji chubanshe, 2002), 43. Those branches were at: Beijing, Zhangjiakou, Suzhou, Hankou, Guangzhou, Changsha, Changde, Bianliang, Jinan, Xi'an, Chengdu, Chongqing, Yangzhou, Qingjiangpu, Hekou (Jiangxi province), Sanyuan and Tianjin.

After the first Shanxi *piaohao* started its operations, other Shanxi firms were impressed by the profits gained through the remittance business, and they subsequently opened other *piaohao* in the region. In 1851, ten *piaohao* were already in operation.<sup>2</sup> All of the head offices of the newly-established *piaohao* were located at Pingyao, Qi or Taigu counties in the Shanxi province.

*Piaohao*'s role in the Chinese financial market was greatly reinforced during and after the Taiping Rebellion (1851-1864). They were needed to provide remittance services for Qing provincial bureaucracies. Before the rebellion, the provincial financial quotas were submitted to the central government in Beijing by transferring silver taels escorted by provincial troops. However, during the Rebellion, the previous transfer routes were blocked by the rebels, and silver taels were also frequently plundered along the way. Thus, in order to submit the financial quotas to Beijing on time, the provincial officials resorted to the remittance services provided by Shanxi *piaohao*. They continued to do so even after the end of the Taiping Rebellion in the 1860s, because submitting provincial quotas via remittance saved much time and money. Consequently, *piaohao* achieved great development during the 1860s period under the supports of the various provincial bureaucracies. In 1895, twenty-three Shanxi *piaohao* were in operation.<sup>3</sup> However, this success was short-lived. After the Qing dynasty fell in 1911, the influence of *piaohao* on the Chinese financial market gradually diminished and most of them were closed down. By 1921, only four Shanxi *piaohao* were still in operation.<sup>4</sup>

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<sup>2</sup> SPS, 21. The ten *piaohao* were Rishengchang, Weitaihou, Weifenghou, Tianchengheng, Weishengchang, Xintaihou, Zhichengxin, Rixinzhong, Heshengyuan and Xiehexin.

<sup>3</sup> SPS, 466.

They are: Rishengchang, Weitaihou, Weifenghou, Weishengchang, Xintaihou, Tianchengheng, Xiehexin, Xietongqing, Baichuantong, Weichanghou, Qianshengheng, Yongtaiqing, Qichangde, with head office located in Pingyao. Heshengyuan, Dadetong, Dadeheng, Sanjinyuan, Cunyigong, Changshengchuan, Dashengchuan, with head office located in Qi xian. Zhichengxin, Xiechengqian, Dadeyu, Shiyixin, with head office located in Taigu; also refer to Table 1.

<sup>4</sup> The four *piaohao* were: Dadetong, Dadeheng, Dashengchuan and Sanjinyuan. SPS, 1280.

This thesis recounts the history of China's native remittance firms—the Shanxi *piaohao*—from the 1820s to 1911, and attempts to analyze the reasons for their decline. It will demonstrate that the decline of Shanxi *piaohao* is a long-term process and has already latent long before the demise of Qing dynasty. Specifically, it suggests that since the first day when Shanxi *piaohao* began to provide remittance services to various provincial bureaucracies of the Qing government, it had never carved out their unique niches in the Chinese financial market. On the one hand, they had to compete with various counterparts in official remittances. On the other hand, they could neither provide basic financial services as *qianzhuang* could do nor offer financial supports to modern industries; extend credits to the governments and coordinate the whole financial market as foreign banks and modern Chinese banks could do. Therefore, the fundamental reason for *piaohao*'s decline was determined by their innately defective business styles.

### **1. The significance of studying *piaohao***

It is important to note the difference between *piaohao* and banks. English-language literature often refers to *piaohao* as “Shanxi banks” or “Shanxi remittance banks”.<sup>5</sup> However, although Shanxi *piaohao* handled money and deposits, *piaohao* were not the modern banks as we know them today. Hence, this thesis will retain the term “*piaohao*” referring exclusively to the remittance firms which originated from Shanxi province, instead of using the term “Shanxi banks”. Consequently, the people who invested and managed the *piaohao* would be rendered as “Shanxi *piaohao* merchants” rather than “Shanxi bankers”. The term “bank” in this thesis will only refer to modern

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<sup>5</sup> See Yang Lien-Sheng, *Money and credit in China: a short history* (Cambridge, Harvard University Press, 1952), 81-84; Frank H. H. King, *Money and monetary policy in China, 1845-1895* (Cambridge, Harvard University Press, 1965), 91-94; Frank M. Tamagna, *Banking and Finance in China* (New York, Institute of pacific relations, 1942), 19; Andrea Lee McElderry, *Shanghai old-style banks (chien-chuang) 1800-1935: a traditional institution in a changing society* (Ann Arbor, University Microfilms International, 1975), 18-20.

financial institutions like the foreign banks and modern Chinese banks such as the Imperial Bank of China, Bank of the Board of Revenue and later the Great Qing Bank which were organized and operated following the principles and patterns of the banks in the western world.<sup>6</sup>

While previous scholars have dealt with subjects on other Chinese financial institutions such as the *qianzhuang*, modern Chinese banks and foreign banks in China, no single book written in English provides a comprehensive research on the rise and decline of *piaohao*. Specifically, Andrea McElderry studied on how Shanghai *qianzhuang* adapted to the rising prominence of foreign trade after 1840 and its role as intermediaries between foreign banks and Chinese traders and markets.<sup>7</sup> Cheng Linsun illustrates the evolution of modern Chinese banking from their birth in the late Qing dynasty until 1937, and examines their business practices and their adaptability to China's changing circumstances during that period.<sup>8</sup> Brett Sheehan works on how modern Chinese banks in Tianjin tried to develop impersonal trusts on banknotes by ordinary people during 1916-1937.<sup>9</sup> Ji Zhaojin deals with the rise and fall of native banks, foreign banks, and modern style Chinese banks in Shanghai in a linear framework from 1840 to 1952.<sup>10</sup> In contrast, using the latest historical materials on *piaohao* such as the Qing official documents and business correspondences, this thesis is the first English-language study on the rise and decline of *piaohao*.

The importance of studying *piaohao* in the context of Chinese banking history lays in its unique development trajectory, which is different from that of *qianzhuang*

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<sup>6</sup> Cheng Linsun, *Banking in modern China: entrepreneurs, professional managers and the development of Chinese banks, 1897-1937* (New York, Cambridge University Press, 2003), 17; Yang, *Money and Credit in China*, 115.

<sup>7</sup> Andrea McElderry, *Shanghai old-style banks (chien-chuang) 1800-1935: a traditional institution in a changing society* (Ann Arbor, University Microfilms International, 1975).

<sup>8</sup> Cheng Linsun, *Banking in modern China: entrepreneurs, professional managers and the development of Chinese banks, 1897-1937* (New York, Cambridge University Press, 2003).

<sup>9</sup> Brett Sheehan, *Trust in troubled times: money, banks, and state-society relations in Republican Tianjin* (Cambridge, MA, Harvard University Press, 2003).

<sup>10</sup> Ji Zhaojin, *A history of modern Shanghai banking: the rise and decline of China's finance capitalism* (New York, M.E. Sharpe, 2003).

and modern banks. *Qianzhuang* did not have much contact with the Qing government; they either mainly served the local financial markets such as absorbing deposits and extending credits to ordinary people and petty merchants, or had frequent contact with foreign banks and foreign trade firms such as those large *qianzhuang* in Shanghai. Modern Chinese banks had strong connections with the Chinese central government from the very beginning; some gained exclusive privileges and some suffered as a result of extraction from the government. Unlike them, *piaohao*'s development is more eclectic, for it was neither independent from the Qing government like *qianzhuang* nor was it closely connected with the Qing government like modern Chinese banks.

Since *piaohao*'s development did not occur in a political vacuum, the study of *piaohao* would also shed some light on the transition of Qing's financial policy during its last half century from 1860s to 1911. Before the Taiping Rebellion (1851-64), the Qing government was less interested in extracting revenues from the various provinces. Thus, there was an absence of state involvement in setting the rules for financial organizations such as *piaohao*. During and after the Taiping Rebellion, *piaohao*'s remittance business greatly expanded due to the increasing revenue demands from the central government to meet the needs of pacifying internal rebellions and promoting its self-strengthening movements. At this time, the Qing government utilized the services provided by *piaohao* and frequently extracted extra money from them, without providing them with protections. After 1895, the Qing government launched a series of campaigns in the realms of finance and banking. It set up its own national banks to handle provincial remittances and manage treasuries and silver repositories, which seized the business niches of *piaohao*. It even promulgated unprecedented rules to regulate the business and operation of *piaohao*.

Thus, the evolution of *piaohao* is also a good reflection of the financial policy and transitions of the Qing government.

*Piaohao* are also important to our understanding of Chinese business history. Unlike modern Chinese banks that were set up under the influence of western banking mechanisms and principles, *piaohao*'s business organizations and operations were more similar to that of indigenous Chinese family firms in the late imperial period. Through analyzing *piaohao*'s capital raising modes, its internal relationships among their counterparts, its book keeping methods and so on, this thesis offers another insight on Chinese business history in the late Qing period.

## **2. Chinese scholarship on *piaohao***

Since the early Republican period, Chinese scholars began to collect information and wrote books and articles on Shanxi *piaohao* soon after its decline in the 1910s. There are two very representative books. One is *Shanxi Piaozhuang Kaolue* (A Study of Shanxi *Piaohao*) written by Chen Qitian in 1936, who was then a professor in the Department of Economics at Yanjing University. The other is an edited volume entitled *Shanxi Piaohao Shi* (A History of Shanxi *Piaohao*). It was edited in 1944 by Wei Juxian, a famous historian, under the authorization of H. H. Kung (Kong Xiangxi). These two books offer a general and narrative history of the *piaohao*. They were methodologically based on the fieldworks conducted in the Shanxi province and interviews of the former staffs of the *piaohao*. Wei's book also includes correspondences and ledgers left by some of the *piaohao*.<sup>11</sup> Since the primary purpose of their research was to reconstruct the development of *piaohao*, both of them only spent about five pages to analyze why *piaohao* declined after the collapse of the

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<sup>11</sup> The correspondences belong to Weitaihou, Rishengchang, Yuanfengjiu, Xietongqing and Dadetong. The ledgers belong to Rishengchang and Weitaihou. See Wei Juxian, *Shanxi piaohao shi*, 173-306.

Qing dynasty.<sup>12</sup> Their main arguments on the decline of *piaohao* will be mentioned in the literature review part.

Li Hongling (1847-1918), who was the manager of Weifenghou *piaohao*'s Beijing, Shanghai and Wuhan branch respectively since 1862, compiled and published two booklets at his own expense in 1917 in Taiyuan. The two booklets were *Tongzhou Zhonggao* (Admonitions to Fellowmen) and *Shanxi Piaoshang Chengbaiji* (The Success and Failure of Shanxi *Piaohao* Merchants).<sup>13</sup> *Tongzhou Zhonggao* was a compilation of part of Li's letters to the *piaohao* proprietors from 1890 to 1912. The main contents were Li's concerns with the possible internal *piaohao* reforms, such as reducing the tenure of the *piaohao* staffs who worked outside Shanxi province from three to two years.<sup>14</sup> *Shanxi piaoshang chengbaiji* collected the correspondences written by the various *piaohao* branches to persuade the proprietors in the head office in Pingyao County to endorse the formation of a united Shanxi Remittance Bank (*jincheng huiye yinhang*) in 1908. However, such innovative proposal was eventually turned down by the *piaohao* proprietors from the head office. Li also wrote a prologue introducing the background and the outcome of the 1908 reform; his careful observations and comments in the prologue also disclosed the institutional transformations of the Qing Dynasty during the last half nineteenth-century. These two books are now important primary sources in studying the decline of Shanxi *piaohao*.

After the founding of the People's Republic of China in 1949, scholars from mainland China began to compile first-hand documents on *piaohao* since the 1960s. Although their studies on *piaohao* were briefly interrupted during the Cultural

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<sup>12</sup> Wei Juxian, *Shanxi piaohao shi*, 18-22; Chen Qitian, *Shanxi piaozhuang kaolue*, 39-44.

<sup>13</sup> See reprinted edition, Li Hongling, *Tongzhou zhonggao*[Admonitions to fellowmen] and *Shanxi piaoshang chengbaiji* [The success and failure of Shanxi *piaohao* merchants] (Taiyuan, Shanxi Jingji Chubanshe, 2003).

<sup>14</sup> Li, *Tongzhou zhonggao & Shanxi piaoshang chengbaiji*, 137.



Revolution (1966-1976), numerous works on *piaohao* were published in the 1980s. In 1982, a symposium on Shanxi *piaohao* was held in Taiyuan, Shanxi province. Subsequently, two symposium proceedings were published.<sup>15</sup> However, most of the articles were now outdated. These papers mainly focused on the issue whether the business of *piaohao* was feudal or capitalist.<sup>16</sup> Published soon after the Cultural Revolution, the authors' academic perspectives in the proceedings appeared to be very much influenced by the Marxist–Leninist–Maoist paradigm.

The most prominent monograph by mainland Chinese scholars is *Shanxi Piaohao Shi* [The History of Shanxi *Piaohao*] by Huang Jianhui published in 1992. It provides the most comprehensive narrative history based on voluminous official Qing documents, correspondences and ledgers of various *piaohao*.<sup>17</sup> Other works include *Wanqing Qianzhuang he Piaohao Yanjiu* [Studies on *Qianzhuang* and *Piaohao* in Late Qing Period] by Zhang Guohui, *Jinrong Piaohao Shilun* [Historical Reviews on *Piaohao*] by Kong Xiangyi, and *Piaoshang Xingshuai Shi* [The Rise and Decline of *Piaohao* Merchants] by Shi Ruomin.<sup>18</sup> All of them shed some light on the decline of Shanxi *piaohao*; their main ideas will also be further developed in this thesis.

The recent studies on *piaohao* by mainland Chinese scholars do not rely on new primary sources. Instead, most of them rely too heavily on the western economic theories such as the institutional change, and models such as demand and supply, to

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<sup>15</sup> Shanxi *piaohao* yanjiu zu [Team of Shanxi *piaohao* studies] ed., *Shanxi piaohao yanjiu ji* [Symposia on Shanxi *piaohao*], vol. 1, (Taiyuan, Shanxi caijing xueyuan keyanchu, 1982); Shanxi *piaohao* yanjiu zu [Team of Shanxi *piaohao* studies] ed., *Shanxi piaohao yanjiu ji* [Symposia on Shanxi *piaohao*], vol. 2, (Taiyuan, Shanxi caijing xueyuan keyanchu, 1984)

<sup>16</sup> From 1949 to 1976, PRC scholars were keen on analyzing the character of a certain historical subject as whether it was capitalist or feudalist. This was mainly due to the discussion of whether China had the sprout of capitalism itself without the western influence since the late imperial time. As a native financial institution which dealt with remittance, the financial nature of *piaohao* was definitely of high importance. If it was capitalist, it would be a good proof for Chinese historians that China had the capitalist sprout in the respect of finance during the nineteenth century.

<sup>17</sup> Huang Jianhui, *Shanxi piaohao shi* [The history of Shanxi *piaohao*] (Taiyuan, Shanxi jingji chubanshe, 1992). A revised edition is published by the same publisher in 2002.

<sup>18</sup> Zhang Guohui, *Wanqing qianzhuang he piaohao yanjiu* [Studies on *qianzhuang* and *piaohao* in late Qing period] (Beijing, Zhonghua Shuju, 1989); Kong Xiangyi ed., *Jinrong piaohao shilun* [Historical reviews of *piaohao*] (Beijing, Zhongguo jinrong chubanshe, 2003); Shi Ruomin, *Piaoshang xingshuai shi* [The rise and decline of *Piaohao* merchants] (Beijing, Zhongguo Jingji chubanshe, 1992).

explain the decline of *piaohao* without referring to abundant primary sources.<sup>19</sup> In fact, those works using western economic models are not any more useful than the earlier Marxist works in explaining the decline of *piaohao*. Without referring to the numerous available primary sources on *piaohao*, their understandings and analyses will never be convincing. Thus, their research made little contributions to explain and analyze the decline of *piaohao*

### 3. English scholarship

Compared with the relatively comprehensive Chinese language studies on *piaohao*, the English scholarship on *piaohao* is rather scarce. No single book deals specifically on the topic on Shanxi *piaohao*. Scholars only made very brief studies on the Shanxi *piaohao* with no more than a chapter. Often, *piaohao* was brought out to provide a general background when the scholars attempt to study financial figures and economic phenomena in the late Qing period. The limitations of the western scholarship on *piaohao* might be due to the limited availability of primary sources. In fact, comprehensive primary sources on Shanxi *piaohao* were not published until 1990, and the most recent edition with the newly compiled *piaohao*'s business correspondence only appeared in 2002.<sup>20</sup>

The earliest English language study on *piaohao* was done by Joseph Edkins, a missionary in Shanghai. In his book *Chinese Currency and Prices in China* which was published posthumously in 1905, Edkins only spent one page on Shanxi *piaohao*. He briefly mentioned that the function of *piaohao* was to remit silver from one province to another with a very low commission. He also suggested that the origin of Shanxi

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<sup>19</sup> Liu Jiansheng, *Ming Qing jinshang zhidu bianqian yanjiu* [A study on institutional change of Shanxi merchants during Ming-Qing period] (Shanxi, Renmin chubanshe, 2005).

<sup>20</sup> See Shanxi *piaohao* shiliao bianxiedu [Team of the compilation of primary sources on Shanxi *piaohao*], *Shanxi piaohao shiliao* [The historical materials on Shanxi *piaohao*] (Taiyuan, Shanxi jingji chubanshe, 1990); Huang Jianhui ed., *Shanxi piaohao shiliao* [Historical Materials on Shanxi *Piaohao*], revised edition (Shanxi, Shanxi jingji chubanshe, 2002).

*piaohao* was between seventh to tenth centuries. However, this was presumably a misunderstanding with the fiat money, also known as the flying money (*feiqian*), circulated during that time.<sup>21</sup>

Srinivas R. Wagel published *Chinese Currency and Banking* in 1915. He praised the Shanxi *piaohao* for being the first financial institution in China to transfer money using financial instruments instead of silver. With regards to the origins of *piaohao*, Wagel held the same opinion with Edkins.<sup>22</sup> Both Edkins and Wagel's studies on *piaohao* were pretty much similar to Marco Polo's *Travel* and contributed very little to the academic understanding of the subject. In fact, their accounts were probably based only on their cursory observations and even on hearsay.

Frank Tamagna published his book *Banking and Finance in China* in 1942. The purpose of the book was to study the banking and money market from 1927 to 1940 and to propagate the financial development in China during that time. This was clearly revealed from the preface written by T. V. Soong (Song Ziwen), the then Minister of Finance.<sup>23</sup> As a result, the narratives of Shanxi *piaohao* only took up one page as part of the background of Chinese banking before 1927. It only noted that the founder of Shanxi *piaohao* was Lei Luetai around the turn of the nineteenth century, and mentioned that the collapse of Shanxi *piaohao* came with the fall of Qing dynasty in 1911.<sup>24</sup>

Yang Lien-sheng's book *Money and Credit in China* published in 1952 provided a general history of Shanxi *piaohao* as one of the old-style banks in China. His four-page discussion of the *piaohao* was mainly based on the Chinese works done by earlier scholars such as Chen Qitian and Wei Juxian. However, he also utilized the

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<sup>21</sup> Joseph Edkins, *Chinese currency and prices in China* (Shanghai, Presbyterian mission press, 1905), 24.

<sup>22</sup> Srinivas R. Wagel, *Chinese currency and banking* (Shanghai, North China Daily news and herald, 1915), 153-57.

<sup>23</sup> Frank M. Tamagna, *Banking and Finance in China* (New York, Institute of pacific relations, 1942), xiii-xiv.

<sup>24</sup> Tamagna, *Banking and Finance in China*, 19-20.

Decennial Reports, 1882-91 by Imperial Maritime Customs in his study. While his work offered a brief description on the origins and general business functions of *piaohao*, it lacked profound analysis on the reasons behind the decline of *piaohao*.<sup>25</sup>

Frank King's book *Money and Monetary policy in China*, published in 1965, dealt mainly with the various monetary systems in the period from 1845 to 1895. He referred briefly to Shanxi *piaohao* only in the section on the general background of Chinese banking system. King argued that "Shanxi banks made little direct contribution to the money supply" and thus they were out of the scope of his book.<sup>26</sup> In fact, his recounts on Shanxi *piaohao* were almost entirely based on Yang Lien-Sheng's earlier book without any new discoveries.<sup>27</sup>

Andrea Lee McElderry's path-breaking study on Shanghai *qianzhuang* in 1975 also referred to some basic facts on the *piaohao*.<sup>28</sup> Besides, she asserted that "Shanxi banks retained close connections with the central government, and in 1911, when the dynasty fell, Shanxi banks all but disappeared."<sup>29</sup> Moreover, she suggested that Shanxi *piaohao* transferred funds over long distances, while *qianzhuang* moved funds over shorter distances.<sup>30</sup> McElderry made the above arguments based on Chen Qitian's book and some other secondary works by Chinese scholars such as Yang Duanliu.<sup>31</sup>

In the book *Banking in Modern China: Entrepreneurs, Professional Managers, and the Development of Chinese Banks, 1897-1937* by Cheng Linsun in 2003, *piaohao* was again introduced in the background section as one of the institutions of

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<sup>25</sup> Yang, *Money and credit in China: a short history*, 81-84.

<sup>26</sup> Frank H. H. King, *Money and monetary policy in China, 1845-1895* (Cambridge, Harvard University Press, 1965), 94.

<sup>27</sup> King, *Money and monetary policy in China*, 91-94.

<sup>28</sup> Andrea Lee McElderry, *Shanghai old-style banks (chien-chuang) 1800-1935: a traditional institution in a changing society* (Ann Arbor, University Microfilms International, 1975), 17-20.

<sup>29</sup> McElderry, *Shanghai old-style banks*, 19.

<sup>30</sup> McElderry, *Shanghai old-style banks*, 19.

<sup>31</sup> Yang Duanliu, *Qingdai huobi jinrong shi* [A history of money and finance in the Qing dynasty] (Beijing, Sanlian shudian, 1962), 130, 136.

the Chinese financial market before the emergence of modern Chinese banks. Cheng only spent four pages to briefly narrate the general profile of *piaohao* based on *Shanxi Piaohao Shi* by Huang Jianhui published in 1992, since the main contents of his book were on modern Chinese banks.<sup>32</sup>

#### **4. Issues remain unsolved by the past scholarship concerning the decline of *piaohao***

The previous scholarship on *piaohao* introduced the development and operations of *piaohao*, but did not address the question of why they declined. In order to analyze the underlying reasons why *piaohao* declined after 1911, this thesis attempts to explore three important issues.

##### ***Piaohao's relationship with the Qing government***

The first important question that remains unanswered is the relationship between *piaohao* and the financial needs of the Qing government, and the impact of the Qing collapse on the *piaohao's* viability. Scholars were inclined to blame *piaohao's* over reliance on the remittance opportunities provided by the Qing government since 1860s. Thus, when the Qing collapsed in 1911, and the Republican government no longer employed *piaohao* to transfer their funds, *piaohao* were inevitably declined with the last dynasty of China. Specifically, the Republican scholar Chen Qitian had contended that since *piaohao* mainly served the Qing court and its officials, therefore, after Qing dynasty collapsed in 1911, *piaohao* followed immediately.<sup>33</sup> The mainland Chinese scholars such as Kong Xiangyi, Sheng Mujie and Song Huizhong also accepted such opinion on the final decline of *piaohao*. They contended that *piaohao* were the financial agents and props of the Qing dynasty, and they had gained great benefits

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<sup>32</sup> Cheng Linsun, *Banking in modern China: entrepreneurs, professional managers and the development of Chinese banks, 1897-1937* (New York, Cambridge University Press, 2003), 11-14.

<sup>33</sup> Chen Qitian, *Shanxi piaozhuang kaolue*, 162.

through serving the dynasty.<sup>34</sup> Kong Xiangyi even concluded that Shanxi *piaohao* merchants had established a notoriously intimate relationship with the Qing government and its officials.<sup>35</sup> The western scholars such as Yang Lien-Sheng, Frank King, McElderry and Cheng Linsun also held the same idea that *piaohao* fell with the Qing dynasty that they served.<sup>36</sup> However, they all failed to consider that if *piaohao* had relied heavily on the Qing government, and gained great benefits through serving them, why they declined their offers to take part in the establishments of modern Chinese banks in 1896 and 1904.

Conversely, some other scholars denied that *piaohao* depended heavily on the remittance services by the government. Huang Jianhui, Zhang Guohui and Shi Ruomin argued that although the *piaohao* did serve the Qing government, they were never the financial institutions. Instead, *piaohao*'s main business concern was to serve the needs of commercial trades during the late imperial times.<sup>37</sup>

In analyzing the relationships between *piaohao* and the Qing government, this thesis contends that both differing perspectives held by the previous scholars have some truth in them. On the one hand, there is no doubt that the rise of Shanxi *piaohao* after the 1860s was greatly indebted to the remitting services endorsed by the Qing government. On the other hand, the relationship between the *piaohao* and the government was not as pleasant and intimate as the previous scholars had assumed. On the contrary, *piaohao* suffered greatly from the interactions with government after

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<sup>34</sup> See Kong Xiangyi, "Shanxi *piaohao* chansheng de beijing he gaolilai xingzhi [The background of the origins of Shanxi *piaohao* and its usurious character]", in *Shanxi piaohao yanjiu ji*, vol. 1, 13; Sheng Mujie, "Wo dui *piaohao* qiyuan he xingzhi de kanfa [My opinions concerning the origins of *piaohao* and its business characters]", in *Shanxi piaohao yanjiu ji*, vol. 1, 4-9; Song Huizhong, "Shanxi piaoshang he guanliao de fei zhengshi guanxi [The informal relationship between the Shanxi *piaohao* merchants and Qing officials]", in Zhang Zheming et al ed., *Zhongguo Jinshang yanjiu* [Studies on Shanxi merchants, China], 88-126, (Beijing: Renmin chubanshe, 2006).

<sup>35</sup> Kong Xiangyi, "Shanxi *piaohao* yu qing zhengfu de goujie [The notorious collaborations between Shanxi *piaohao* and Qing government]", first published in 1994 and reprinted in Kong Xiangyi ed., *Jinrong piaohao shilun* [Historical reviews on *piaohao*] (Beijing: Zhongguo jinrong chubanshe, 2003), 288-303.

<sup>36</sup> Yang, *Money and credit in China*, 84; King, *Money and monetary policy in China*, 94; McElderry, *Shanghai old-style banks*, 19; Cheng, *Banking in modern China*, 37.

<sup>37</sup> Zhang Guohui, *Wanqing qianzhuang he piaohao yanjiu*, 101-2, 113; Huang Jianhui, *Shanxi piaohao shi*, 530; Shi Ruomin, *piaoshang xingshuai shi*, 371-2.

the 1850s and formed a frightened sentiment which prevented them from further collaborating with Qing after its financial transitions took place.

### ***Piaohao* and their contemporary financial institutions**

The second issue on analyzing the decline of *piaohao* is related to the service niche occupied by *piaohao*, and how their business differed from their contemporary financial institutions—*qianzhuang*, foreign banks and modern Chinese banks. Previous scholars had assumed that the roles of *piaohao* in the Chinese financial market were indispensable in terms of conducting official remittances after the 1860s. Specifically, Huang Jianhui argued that after the 1860s, there were three dominant figures with their distinct niches in the Chinese financial market: *qianzhuang* served local businesses; foreign banks supported the foreign trades in China and handled war indemnities from the Qing government; and Shanxi *piaohao* dealt with inter-provincial remittances for both the Qing government and merchants.<sup>38</sup> Scholars such as Chen Qitian, Huang Jianhui, Zhang Guohui and Kong Xiangyi also asserted that *piaohao* provided financial supports to local *qianzhuang* wherever they set up branches with their floating funds. The relations between *qianzhuang* and *piaohao* were thus harmonious and they never competed with each other.<sup>39</sup>

In fact, what the past scholars had all ignored is that *piaohao*'s decline in the 1910s was predestined as soon as their roles in the Chinese remittance market were reinforced gradually after the 1850s, when they began to conduct a considerable portion of official remittances. The truth is that *piaohao* never carved out their unique business niches in the Chinese financial market from the very beginning. Since *piaohao* did not have the ability to monopolize the government's remittance business,

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<sup>38</sup> Huang Jianhui, *Shanxi piaohao shi*, 216.

<sup>39</sup> See Chen Qitian, *Shanxi piaozhuang Kaolue*, 156-7; Huang Jianhui, *Shanxi piaohao shi*, 216-221; Zhang Guohui, *Wanqing qianzhuang yu piaohao*, 111; Kong Xiangyi, "Qianzhuang yu waishang yinhang he piaohao de guanxi [Paohao's relationships with qianzhuang and foreign banks]", in Kong Xiangyi ed., *Jinrong piaohao shilun* 97-101.

they not only have to compete with one and other for business, but also need to compete with other remittance firms and *qianzhuang*, which were also conducting official remittance business. This greatly intensified the competition.

Moreover, with regards to the relations between *qianzhuang* and *piaohao*, *piaohao* were not always the patrons for *qianzhuang*. Generally speaking, *piaohao* were the local patrons of *qianzhuang* in Northern China, such as in Beijing and Tianjin. However, in the South, especially in provinces such as Hunan, Guangdong and Fujian, *qianzhuang* usually provided the necessary floating funds for *piaohao* branches since they could not penetrate into the local financial markets. Thus, in southern China, *qianzhuang* supported the daily operations of *piaohao*.

The previous scholars often attributed the decline of *piaohao* to the stiff competitions from the modern Chinese banks established after 1897, which were granted monopoly rights and privileges by the Qing government. For example, Huang argued that after the Imperial Bank of China was established in 1897, it memorialized the Qing government. This gave them first priority to remit inter-provincial remittance, which seized a considerable part of *piaohao*'s remittance business. After the Bank of the Board of Revenue was set up in 1905, it was given more privileges to handle provincial remittance, silver repositories and so on, which was a further blow to the survival of *piaohao* as well.<sup>40</sup> Other scholars such as Chen Qitian, Shi Ruomin also held the same idea as Huang.<sup>41</sup>

There are two problems to this assertion. First, *piaohao* could continue to enjoy governmental privileges even after 1897 if they agreed to collaborate with those modern banks in which they were invited to do so. However, they turned down such offers. It was *piaohao*'s determination not to collaborate with those modern banks.

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<sup>40</sup> Huang Jianhui, *Shanxi piaohao shi*, 418-443, 524-5.

<sup>41</sup> Chen Qitian, *Shanxi piaozhuang kaolue*, 39-40; Shi Ruomin, *Piaoshang xingshuai shi*, 311-2.



Second, modern Chinese banks were not set up until 1897. Until then, *piaohao* had already operated in China over 70 years. If *piaohao*'s role in the Chinese financial market became indispensable after 1850s as those scholars once assumed, how can it be possible that they easily lose to modern Chinese banks soon after their establishments?

In fact, the establishment of modern Chinese banks is not the major factor in the decline of Shanxi *piaohao*. As mentioned earlier, *piaohao* never carved out their business niche in the Chinese remittance and financial market before the generation of modern Chinese banks in 1897. In addition, as Cheng Linsun and David Faure have argued, the birth of modern Chinese banks is the response to China's new financial demands from modern industries, infrastructures and other modernization programs which both *qianzhuang* and *piaohao* could not meet.<sup>42</sup>

Some scholars such as Shi Ruomin suggested that the decline of *piaohao* was due to the competitions from foreign banks in terms of remittance business.<sup>43</sup> His assertion is also problematic. Foreign banks began to operate in China since the 1840s, while *piaohao* gained remarkable development in the 1860s. If foreign banks were *piaohao*'s rivals in remittance businesses, why *piaohao* were able to develop in parallel to the foreign banks? As a result, the existence of foreign banks was not the fundamental reason for the decline of *piaohao*. As will be analyzed in Chapter Three, while the financial niche of foreign banks was unique, *piaohao* did not have a distinct financial function.

### ***Piaohao*'s defective business styles**

The third issue concerning the decline of *piaohao* is related to their business styles and characteristics, such as their capital raising methods, the sources of their working

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<sup>42</sup> Cheng Linsun, *Banking in modern China*, 22. David Faure, *China and Capitalism: a history of business enterprise in modern China* (Hong Kong: Hong Kong University Press, 2006), 25.

<sup>43</sup> Shi Ruomin, *Piaoshang xingshuai shi*, 291-3.

funds for remittance business, their internal relationships with each other, bookkeeping methods, and manipulations on the different kinds of silver taels. However, previous Chinese scholars, such as Huang Jianhui, did not pay enough attention to such issues. They only introduced some basic facts on the organizations and managements of *piaohao*.<sup>44</sup>

As for the capital raising methods of *piaohao*, none of the previous works written in Chinese had noted the limitations on the capital raising methods of *piaohao*. David Faure is the first scholar who has ever raised such issue. He argues that the reason that *piaohao* lost to modern banks did not lie in the difference in their managerial methods. Rather, it could be attributed to their different ways of absorbing capitals. Specifically, regardless of how extensive the family networks were, *piaohao*'s family style of capital raising was still circumscribed within the sources from relatives and kinships, which depended heavily on personal trust and credits. On the contrary, the capital raising method based on limited liability adopted by modern banks would absorb capitals from a much larger scale beyond the family scale. Besides that, modern banks had the rights to issue banknotes and government bonds, which immensely extended and mobilized their capital. Because of such a huge capital pool, modern banks could compete with Shanxi banks on remittance businesses, which *piaohao* were not able to.<sup>45</sup> While Faure's argument is too brief and without any actual primary source supporting it, he provides a particular yet fundamental angle to analyze the capital structures and characters of *piaohao*. This thesis would utilize Faure's framework to content that a defective capital raising mode and structure leads to the decline of *piaohao*.

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<sup>44</sup> Huang Jianhui, *Shanxi piaohaoshi*, 58-80.

<sup>45</sup> David Faure, "Shanxi *piaohao* zai zhongguo yinhang shi de zuoyong [The historical significance of Shanxi *piaohao* in the Chinese banking history]", in Zhang Zhengming et al ed., *Zhongguo jinshang yanjiu* [Studies on Shanxi merchants in China] (Beijing, Renmin chubanshe, 2006), 29-32.

None of the study in Chinese had drawn the link between the decline of *piaohao* and their limited working funds for remittance as well. *Piaohao* did not attach great importance to absorb every possible deposit from the public. This problem did not become fatal when *piaohao* were still able to gain available funds through dealing with official remittances and official silver repositories. However, this defect would eventually drain out their available capital sources and lead to the contraction of their remitting business after the Qing government gradually took control of its provincial treasuries and repositories after 1895.

With regards to the internal relationships among those thirty Shanxi *piaohao*, only the Republican scholar Chen Qitian speculated that unlike the *qianzhuang* which had a guild, the decline of *piaohao* was due to the lack of a comprehensive guild that could provide multiple supports inside the *piaohao*.<sup>46</sup> However, Chen's argument was too brief to make it a convincing one. Other scholars such as Huang Jianhui and Shi Ruomin just simply divided the thirty *piaohao* into the Ping clique (*pingbang*), Qi clique (*qibang*) and Taigu clique (*taigu bang*), each according to the locations of their head offices, and assumed that the cliques had close internal contacts in terms of business operations.<sup>47</sup> In reality, what Chen had previously noted was not the real case of *piaohao*'s internal contacts and is another factor attributing to the final decline of *piaohao*. Neither these thirty *piaohao* from Shanxi province nor those originated from the same county had ever formed a coherent financial community. Instead, they competed with each other in governmental remittance businesses, and did not own internal networks in their residential counties or external ones in their sojourning places where their branch offices were set up.

This thesis also argues that the defections lied innately in the defective

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<sup>46</sup> Chen Qitian, *Shanxi piaozhuang kaolue*, 43-44.

<sup>47</sup> Huang Jianhui, *Shanxi piaohao shi*, 107-113; Shi Ruomin, *Piaoshang xingshuai shi*, 84-5.

bookkeeping methods used by *piaohao* had resulted in their decline. Such method adopted by them is known as the *sizhufa* (four-column accounting). It was a common method which was also employed by other native Chinese firms such as the Ruifuxiang cloth shop during the Qing period.<sup>48</sup> David Faure argues that the “traditional Chinese accountants lacked the mechanics to keep track of capital”. Therefore, in the absence of capital accounting, “the annual profits as calculated from standard practices would have balanced income and expenditure but would have made no provision for bad debts or depreciation.”<sup>49</sup> What Faure has contended would be very helpful for analyzing the drawbacks of *sizhufa* and its influence on the decline of *piaohao*.

Finally, this thesis suggests that the evolution of the monetary system during the last few decades of the Qing dynasty is also a fatal blow to the survival of *piaohao*. *Piaohao*’s business foundation lied in the use of silver taels as the main currency in government revenue payments as well as other wholesale transactions. Thus, the frequency of using the remitting services provided by *piaohao* was inevitably decreased, when the Qing government began to mint silver dollars of their own, which made the transportation of money much easier than before. Moreover, using silver dollars made the profits of the *piaohao* from exchanging various fineness of the silver decreased. Thus, the monetary evolution and currency unification in late Qing China also contributed to the decline of the Shanxi *piaohao*.

## 5. Notes on sources

The primary sources used in this thesis are taken mainly from a sourcebook entitled *Shanxi Piaohao Shiliao* (Historical Materials of the Shanxi *piaohao*), published by the

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<sup>48</sup> Chan, “The organizational structure of the traditional Chinese firm and its modern reform”, *The Business History Review*, Vol. 56 (1982): 227.

<sup>49</sup> Faure, *China and capitalism*, 36-7.

*Shanxi jingji chubanshe* (Shanxi Economic Publishing House) in 2002. The chief editor is Huang Jianhui, who studies *piaohao* for over forty years. This A4-size sourcebook has more than 1,200 pages, and has collected almost all the available sources on *piaohao*. It is an eclectic collection of documents on the operation and evolution of *piaohao* from 1820s to 1911.

This sourcebook mainly consists of three parts. The first part provides a government-centered perspective of *piaohao*'s development. It consists of almost all the available memos from the central government and provincial bureaucracies, which recorded the official interactions with *piaohao* since 1840s. These documents are compiled in chronological order and further sub headed by topics, such as debates on whether adopting remittance as the primary method for provincial bureaucracies to submit their financial obligations to the central government during 1860s.

The second part is a compilation of documents related to the institutions and organizations of *piaohao*. The sources for this section are rather diverse. Some of the documents are the oral recollections of people who had participated in some activities related to *piaohao*. These oral accounts were transcribed by mainland Chinese scholars during the 1960s.<sup>50</sup> Other documents come from excerpts of the research works by Republican scholars such as Wei Juxian and Chen Qitian.<sup>51</sup> It also includes excerpts from articles published by Republican scholars on newspapers or banking journals, such as on *Yinhang Zhoubao* (Bankers' Weekly).<sup>52</sup> Other sources come from the journals and ledgers left by *piaohao*.<sup>53</sup> All these documents are important in understanding the capital and institutional structure, the staff recruitment and

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<sup>50</sup> See an example on a interview on Zhang Jinghao for the capital structure on *piaohao* in 1961, who once worked for subsidiary firms of Sanjingyuan *piaohao*, see SPS, 581.

<sup>51</sup> For an example on the study of *piaohao*'s bookkeeping categories, this sourcebook excerpted paragraphs from Wei Juxian and Chen Qitian's book, see SPS, 615-6.

<sup>52</sup> For example, it excerpted from an article on the business scope of each *piaohao* by Donghai: Ji Shanxi *piaohao* [Notes on Shanxi *piaohao*], *Yinhang zhoubao* [Banking Weekly], Vol. 1, No. 7, 1917, see SPS, 635.

<sup>53</sup> For an example of a ledger made by Rishengchang *piaohao*'s Qingjiangpu branch in 1852, see SPS, 617.

management, the bookkeeping methods and the business operations of *piaohao*, and so on.

The third part offers a *piaohao*-centered perspective of their development. It includes the business correspondences left by Rishengchang and Weitaihou *piaohao*. Among them, the ones left by Rishengchang *piaohao*, which take up more than 200 pages of the sourcebook, are the most comprehensive. These letters cover the period from 1841 to 1900, and consist of correspondences between the twenty branches to their head office in Pingyao.<sup>54</sup> In fact, since Rishengchang *piaohao* was the earliest and the most prosperous *piaohao* as compared with their thirty counterparts, this letter collection would be the most representative one to reflect the long-term transition of *piaohao*'s business trajectory. Letters left by Weitaihou *piaohao* dated from 1840s to 1850s, and were correspondences between its Suzhou and Beijing branches.<sup>55</sup> They are useful for understanding the early development of *piaohao*.

## 6. Thesis overview

This thesis has five main chapters. Chapter One, the introductory chapter, begins by defining the key terms, and providing the literature review and the origins of primary sources of this thesis. Chapter Two provides a detailed picture of the business management and operations of *piaohao*. Since *piaohao*'s operation has to be understood in the context of the entire Chinese financial market, this chapter will also offer some background information on other Chinese financial institutions such as *qianzhuang* and modern Chinese banks.

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<sup>54</sup> See the whole collection on letters by Rishengchang *piaohao*, see SPS, 833-1078. The correspondences left by Rishengchang includes the letters sent by Pingyao head office to its Beijing, Chongqing (Sichuan), Chengdu (Sichuan), Changsha(Hunan), Guangzhou(Guangdong), Guilin(Guangxi), Hankou(Hubei), Hangzhou (Zhejiang), Kaifeng (Henan), Qingjiangpu (Jiangsu), Shanghai, Suzhou (Jiangsu), Shashi (Hubei), Sanyuan (Shaanxi), Tianjin, Wuzhou (Guangxi), Xi'an (Shanxi), Xiangtan (Hunan), Yangzhou (Jiangsu); Zhoujiakou (Henan) branches, and letters sent by those branches to its head office.

<sup>55</sup> See the whole collection on letters by Weitaihou *piaohao*, see SPS, 1109-1212.

Chapter Three points out that the Taiping Rebellion (1851-64) provided a rare opportunity for the development of *piaohao*, because it provided them the chance to handle considerable amount of official remittances for various provincial bureaucracies of the Qing government. However, after discussing the place of *piaohao* in a network of local financial institutions, including *qianzhuang*, foreign banks, and remittance firms that were opened by non-Shanxi merchants, this chapter suggests that *piaohao*'s business niche was not carved out even after it served the Qing government. Thus, their roles in the Chinese financial market were hardly indispensable.

Next, Chapter Four demonstrates that although *piaohao* developed rapidly for serving various provincial bureaucracies since 1860s, they did not gain as much benefits as what people had thought previously. Instead, they suffered from their interactions with the Qing government and were refrained from collaborating with them during its financial transition after 1895. However, the unprecedented financial transitions of Qing effected negatively on the survival of *piaohao*, which in fact accelerated their eventual decline.

Finally, Chapter Five interprets the fundamental reasons for the decline of *piaohao*. Particularly, their limited and scattered capitals circumscribed their business scales, and further prevented them from competing with both the local *qianzhuang* and the modern banks. Their incoherent financial communities either inside or outside their residential localities in Shanxi further circumscribed their available capital sources. In addition, their problematic bookkeeping methods and their reliance on the chaotic bimetallic currency system also attributed to their final decline. This thesis concludes that the decline of *piaohao* was primarily due to their innately defective business styles instead of their over-reliance on the Qing government.

## Chapter 2: The Profile of Shanxi *piaohao* and Other Contemporary Financial Institutions

This chapter will begin by giving a business profile of *piaohao*. This refers to how they were organized, what their capital structures were like and how they operated and managed their remittance business. The basic facts on other financial institutions which co-existed with *piaohao* in late Qing dynasty China will also be introduced, such as remittance firms run by merchants other than those from the Shanxi province, *qianzhuang*, modern Chinese banks, and foreign banks. Such information is essential for constructing a comprehensive history of Shanxi *piaohao*, because the evolution of *piaohao* should be analyzed in the context of the whole Chinese financial market in the late imperial era.

### 1. Capital source and structure of *piaohao*

*Piaohao*'s capital structure was not different from *qianzhuang* and other native Chinese firms in the late Qing dynasty.<sup>56</sup> All Shanxi *piaohao* were family businesses with single proprietorship or partnerships of two or more persons. The founding capitals were raised based on kinship and native-place ties, which depended heavily on personal trust. Each *piaohao* was initially started up from 100,000 to 300,000 silver taels and each branch would not gain more than 10,000 silver taels as its working capital. This is with the exception of the head office in Shanxi province and some primary branches such as those located in Beijing, Tianjin and Shanghai, which would get 30,000 silver taels as their founding capital.<sup>57</sup>

*Piaohao*'s founding capital had two types. One was the basic capital (*zhengben*)

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<sup>56</sup> For the capital structures of *qianzhuang*, see McElderry, *Shanghai old-style banks*, 43; and other capital structures of Chinese family firms, see Wellington K. K. Chan, "The Organizational Structure of the Traditional Chinese Firm and Its Modern Reform", *The Business History Review*, Vol. 56, No. 2, East Asian Business History (Summer, 1982): 219-22.

<sup>57</sup> SPS, 326, 581-2; also refer to Table 1.



or silver shares (*yingu*). It was the original funds put up by the founders of the *piaohao*, and the profit sharing was mainly based on those basic capitals. The actual amount of each share varied from *piaohao* to *piaohao*. For example, according to a founding contract of Zhichengxin *piaohao* in 1873, their basic capital was 34,000 silver taels, with every 2,000 taels as one share. Another renewed contract by Weitaihou *piaohao* in 1879 revealed that their basic capital was 121,000 silver taels, with every 5,000 taels as one share.<sup>58</sup>

The other type of *piaohao*'s founding capital is the supplementary capital (*fuben*) or protection capital (*huben*). It was added to the original capital by the owners, either in the form of deposits or as additional capital set aside. Though the basic capital was usually fixed, the supplementary part was highly variable since the owners of *piaohao* could withdraw their supplementary capital at any time. Thus it was difficult to determine the actual available capital for the running of the *piaohao*.

Apart from the two types of capitals, personal shares (*shengu*) or man-power shares (*renligu*) were usually assigned to the senior staffs of *piaohao*. The personal shares did not contribute any actual amount of money to *piaohao*, but they shared the profits according to the percentages agreed upon in a contract like the basic shares. The supplementary capitals are not included during profit sharing processes.<sup>59</sup>

## **2. Business operations of *piaohao***

The essential function of *piaohao* was to deal with inter-provincial remittances. *Piaohao* initially provided remittance services for merchants who conducted interregional trades such as tea, silk and other cash crop trades. It later began to facilitate the purchase of degrees, ranks, posts from Beijing for people of various

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<sup>58</sup> SPS, 585-8, 590.

<sup>59</sup> SPS, 581-5; Yang, *Money and credit in China*, 83; Huang, *Shanxi piaohao shi*, 58-59.

provinces from 1840s. During and after the Taiping Rebellion (1851-64), *piaohao* gradually dealt with transmitting revenues and expenditures for various provincial bureaucracies of the Qing government. As a result, remittance commissions gradually became the primary source of *piaohao*'s profit.

In addition to remittance charges, *piaohao* also gained a certain portion of profit by manipulation of the different scales and grades of silver. This was a unique source of profit brought by the highly nonuniform currencies of China. At times, *piaohao* also derived their incomes from loans and deposits of big merchants and firms. However, placing their primary reliance on government business and remittances, they did not involve themselves too closely with fortunes of the communities in which they had branches and considered ordinary banking business as marginal.<sup>60</sup>

*Piaohao* transferred their remittance funds by using a financial instrument called *huipiao*, literally a draft, which could be cashed at any of their branches or by their correspondences throughout the country. For example, a person who wished to send money from Shanxi province to Tianjin would obtain a draft from the head office of *piaohao* in Shanxi. Such a draft would be stipulated for encashment only after a certain period of time, the time it took to remit money from one place to another. Then the person would take the draft with him and proceed to the Tianjin branch of the *piaohao* to redeem for cash.

*Piaohao* invented many methods to avoid counterfeit of the draft. The most common one was the printing of watermarks such as the name of the *piaohao* on it. Sometimes *piaohao* had to mail the drafts to its other branches to inform them in advance. Since such drafts were carried by private mail delivery services, *piaohao* would then use codes in their drafts to avoid both the counterfeit and the disclosure of

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<sup>60</sup> SPS, 628-30; King, *Money and monetary policy in China*, 94.

business secrets. For example, Dadeheng *piaohao* used ten Chinese characters as a code. It composed a sentence to correspond to the numbers from one to ten. Those characters were “zhao shi lian cheng bi, you lai tian xia chuan” (literally “a priceless fine jade from the Zhao family, was handed down by numerous generations”). Here, the character “zhao” refers to the number “1”, and “shi” refers to the number “2”, so on and so forth. As a result, if 385 silver taels were to be remitted, Dadeheng *piaohao* would write down the amount in the draft as “lian tian bi”. Those codes were only known by the staff of the *piaohao* and would be changed after a certain period of time, so their business information would not be intercepted by outsiders.<sup>61</sup>

Abundant floating funds were the prerequisites for the smooth transactions of *piaohao*’s remittance business. Their funding capital was definitely one of the sources for these funds. A second source was from funds deposited for future remittance by merchants who dealt with interregional wholesale trades. A third source was gained from the surplus silvers of local *qianzhuang*. The fourth source came from handling various official repositories of the Qing government, such as those of the Board of Revenue, the various Maritime Customs and so on.

Specifically, the funds from interregional merchants facilitated a smooth transaction for official remittance for the government. In addition, utilizing their original founding capitals, gaining funds from local *qianzhuang* and handling various official repositories enhanced other remittance business for *piaohao* as well. However, the mechanisms of the two were different. Thus the following Figure 1 and Figure 2 will demonstrate respectively how floating capitals from various sources enhanced the remittance business of *piaohao*. This would further illustrate the importance of

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<sup>61</sup> SPS, 681.

various floating capitals to their remittance business.

**Figure 1: A sample of how the floating capitals from merchants to facilitate the provincial remittance**

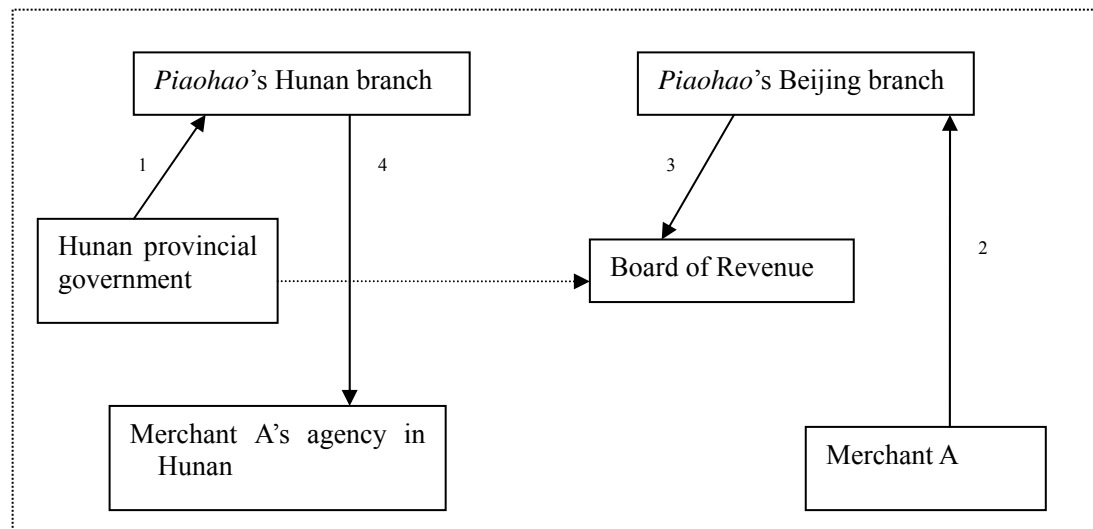


Figure 1 reveals the importance of floating funds gained from merchants for *piaohao* to conduct official remittances. The steps are as follows. Step one, a branch of a certain *piaohao* in Hunan province received 10,000 silver taels from the provincial government to remit to Beijing. Next, step two, its Beijing branch looked for merchant A in Beijing, who coincidentally needs to remit their money back to Hunan province at the same time. Step three, after gaining the actual amount of money from merchant A, the Beijing branch of *piaohao* had to submit the stipulated amount on behalf of the Hunan provincial government to the Board of Revenue. Finally, step four, the *piaohao's* Hunan branch returned the 10,000 silver taels to merchant A's agency in Hunan with the money they accepted from the Hunan provincial government previously. Through such flow of funds, this certain *piaohao* gained remittance commissions both from merchant A and the Hunan provincial government.

However, if the Beijing branch was unable to find enough silver taels from

merchants to meet the stipulated amount by its Hunan branch to submit to the Board of Revenue, it had to write to the head office in Shanxi to transfer the real silver sycees to Beijing in order to submit the provincial taxes on time. Thus, *piaohao* sometimes had to turn down remittance business offers from provincial governments because the silver transfer from Shanxi to Beijing usually took more time and money than the commissions paid by the provincial government. Since each *piaohao*'s ability to obtain floating funds from merchants was limited, the provincial government usually utilized more than one *piaohao* and some other *qianzhuang* to remit their financial quotas. Hence, each *piaohao* had to share a single bill of official remittance business with other financial institutions and was unable to monopolize it.

In fact, whether *piaohao* could accept a bill from the provincial government depended heavily on how many floating funds they could obtain from merchants and mercantile firms. If they or the branch at the expected destinations did not have enough funds, they could not deal with such remittance. For example, in 1887, the Governor-General of Fujian and Zhejiang raised 100,000 silver taels as the relief funds for the floods in Henan. However, due to the recession of the local economy which strained the flow of local silver taels, all the branches of *piaohao* in Henan turned down such remittance demands, because they could not get the stipulated remittance amount to submit to the Henan government. Eventually, those relief funds were first encased and then transferred overland to Qingjiangpu at Jiangsu province, and were later picked up by the Henan officials.<sup>62</sup>

**Figure 2: A sample of how dealing with official treasuries and repositories facilitate *piaohao*'s remittance transfer**

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<sup>62</sup> SPS, 95.

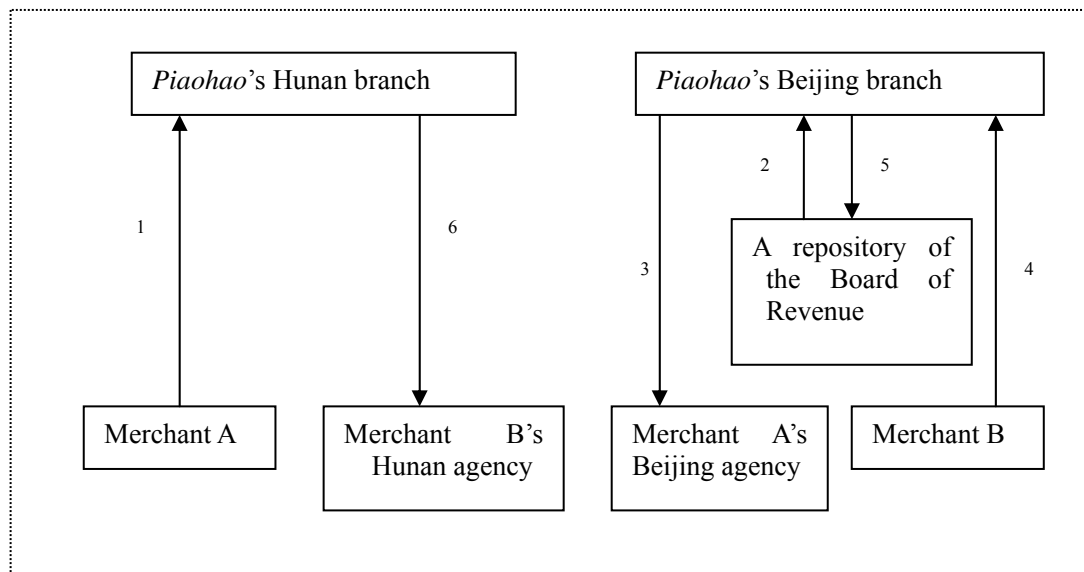


Figure 2 shows that utilizing the funds from various provincial treasuries and Maritime Customs would also enhance *piaohao*'s remittance businesses for the merchants. The mechanism could also be applied to explain how abundant funds from *piaohao*'s own funding capital or gaining support from local *qianzhuang* would facilitate *piaohao*'s remittance business. Specifically, as step 1 shows, merchant A wanted to remit 5,000 silver taels from Hunan province to Beijing. He thus delivered his money to *piaohao*'s Hunan branch. If *piaohao*'s Beijing branch did not handle part of the silvers from the repositories of the Board of Revenue, and there was no merchant B who coincidentally wanted to remit his money back to Hunan, then most of the time, *piaohao*'s Hunan branch would not conduct the remittance for merchant A. This is because its Beijing branch had no floating funds to pay the stipulated amount to merchant A's Beijing agency. Otherwise, *piaohao*'s Beijing branch would have to write to its Shanxi head office to transfer real silvers to Beijing which might cost more than commissions earned from merchant A. In that case, *piaohao* had not conducted remittance business and thus no profit to obtain at all.

Fortunately, the *piaohao*'s Beijing branch handled some silvers from repositories of the Board of Revenue. It could then utilize the currently unused 5,000 taels from

the repository and pay merchant A's Beijing agency, as shown in step 2 and 3. The *piaohao* could then wait until a merchant B in Beijing wanted to remit 5,000 taels back to Hunan, this is shown in step 4. In step 5, *piaohao* would be able to return the 5,000 taels which it had previously "embezzled" from the repository of the Board of Revenue. In the meantime, merchant B's Hunan agency would cash its draft, and *piaohao*'s Hunan branch would achieve this by using the money previously received from the remittance money of merchant A. With the assistance of the floating money gained through handling the repository of the official bureaucracies, *piaohao* thus conducted two remittance transactions and gained commissions twice from merchant A and B. This process explains why the original founding capitals, floating funds from *qianzhuang* and various official repositories were important for the remittance business expansion of *piaohao*.

### 3. Management of *piaohao*

The head offices of *piaohao* were located in the three counties of Qi, Taigu and Pingyao. In the heyday of *piaohao*'s operation during 1890s, about thirty *piaohao* existed within the Shanxi province. They were loosely organized into three groups corresponding to the three districts. They were sometimes known as the three groups of Ping, Qi and Tai County (*pingqitai sanbang*).<sup>63</sup> Their actual internal relationships among those thirty *piaohao* would be delineated in Chapter Five.

The *piaohao*'s branches throughout the country were administered by a centralized system under the supervision of their head offices. Such supervision was realized through the intensive reporting system through frequent business correspondences between head offices and its various branches.<sup>64</sup> In addition, every

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<sup>63</sup> Huang Jianhui, *Shanxi piaohao shi*, 107; Yang, *Money and credit in China*, 82.

<sup>64</sup> For an example, see the comprehensive correspondences collection by Rishengchang, see SPS, 833-1078.

branch had to report their business transactions both on a monthly and yearly basis, known as the Monthly Clearance (*yueqing*) and Year-end Summary (*nianzongjie*) respectively. Each branch would also report to each other their monthly business conditions.<sup>65</sup>

The shareholders of *piaohao* usually did not involve in the daily operation of *piaohao*. Instead, they appointed managers (*zhanggui*, literally “holder of counter”) to run their head offices and branches. Besides the managers, both the head office and the branches had accountant, street runner, cashier, amanuensis and apprentices. The managers supervised the daily business of the head office or the other branches and took the sole responsibility over the operation of the *piaohao*. He hired assistants, selected and supervised apprentices, and thus established a sense of paternal authority over his staff.<sup>66</sup> However, no matter how powerful the manager was, he did not have the final decision in making fundamental changes to the *piaohao*’s business styles. This could be further illustrated in Chapter Four when it discusses the reforms proposed by Li Hongling in 1908, a manager of Weifenghou *piaohao*. As Wellington Chan once commented: “[T]he Chinese managers, though still maintaining their full authority in running the business, could not turn their man-labor shares into regular capital, much less increase them. Their social status was still dependent on the owners.”<sup>67</sup>

As for the staff recruitment, *piaohao* employed only the natives of Shanxi province. Once selected, those staffs had to stay at the various branches located outside their residential villages for up to three years. The branch staffs were not

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<sup>65</sup> SPS, 616; Huang, *Shanxi piaohao shi*, 65.

<sup>66</sup> SPS, 591-3.

<sup>67</sup> Chan, The organizational structure of the traditional Chinese firm and its modern reform, *Business history review*, vol. 56, No. 2, (1982): 226.



allowed to visit their families during the course of their three-year appointment. In addition, when a man was assigned to a post at one of the branch offices, his family is taken charge of by the *piaohao* and held as hostage to ensure his fidelity and good behavior.<sup>68</sup>

#### **4. Other financial institutions co-existed with *piaohao***

##### **Remittance firms owned by non-Shanxi merchants**

After Shanxi *piaohao* began to conduct provincial remittance, their business scales expanded greatly since 1850s. Rich merchants from other provinces also opened up financial firms which could handle inter-provincial remittance. Those firms also established branches in the major cities of China. Fukang and Hutongyu remittance firms were opened in 1860s by the prominent Zhejiang gentry-merchant Hu Guangyong (Hu Xueyan). The Tianshunxiang remittance firm was invested by Yunnan merchants with its head office in Kunming, the Yunnan province, around the 1870s. It focused primarily on the official remittances for the Yunnan government. In addition, in 1883, Yan Xinhou, a native Jiangsu gentry-merchant, established the Yuanfengrun remittance firm with its head office in Shanghai.<sup>69</sup> These remittance firms owned by non-Shanxi merchants had the same business functions as Shanxi *piaohao*. In addition, they had some characters of *qianzhuang*, including making loans to support the local financial market, absorbing deposits, financing local wholesale merchants, and so on.

As for the appellation of the remittance firms owned by non-Shanxi merchants, it was discursive and not unified from the very beginning. For instance, according to the official Qing documents, such as the memos from the Board of Revenue, they

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<sup>68</sup> SPS, 610-1; Yang, *Money and credit in China*, 83-4.

<sup>69</sup> Huang Jianhui, *Shanxi piaohaoshi*, 206-9.

regarded the Fukang remittance firm opened by Hu Guangyong as silver house (*yinhao*).<sup>70</sup> Li Hongzhang also considered Fukang as *yinhao*.<sup>71</sup> However, in the contemporary newspapers, the appellation of Fukang was rather confused. In a report by *Shenbao* on 9 December 1883, it regarded Fukang as a *yinhao*, while its report on 26 December 1883 considered Fukang as a *piaohao*.<sup>72</sup> The mainland Chinese scholars also had differing opinions towards the official names of those remittance firms owned by non Shanxi merchants. Huang Jianhui preferred to call them “Southern Clique *Piaohao*” (*nanbang piaohao*).<sup>73</sup> However, the comprehensive sourcebook on Shanghai *qianzhuang* compiled by the Shanghai branch of the People’s Bank’s in 1961 categorized Fukang remittance firm as *qianzhuang*.<sup>74</sup>

In this thesis, in order to avoid confusion and to distinguish them from the *piaohao* owned by Shanxi merchants, although those remittance firms such as Fukang or Tianshunxiang could be call as “Southern Clique *Piaohao*”, they were named as “remittance firms owned by non-Shanxi merchants” instead. Thus, the term “*piaohao*” would be retained to call *piaohao* which originated from Shanxi province only.

### ***Qianzhuang***

The initial rise of *qianzhuang* was a response to the changing demands between money exchanges caused by the emergence of a bimetallic currency system of copper coins and silver taels during the late imperial time. The business scopes of *qianzhuang* were complementary to that of *piaohao* but distinct from it. *Piaohao* specialized in the remittance of funds by draft between branches of the same bank, while local

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<sup>70</sup> SPS, 180-1.

<sup>71</sup> SPS, 197.

<sup>72</sup> SPS, 197.

<sup>73</sup> Huang Jianhui, *Shanxi piaohao shi*, 207.

<sup>74</sup> Zhongguo renmin yinhang shanghai fenghang jinrong yanjiusuo (Institute of finance, Shanghai branch, Chinese people’s Bank), ed., *Shanghai qianzhuang shiliao* [Historical materials on Shanghai’s cash shops] (Shanghai, Shanghai renmin chubanshe, 1961), 47-8, 80-1, 88.

*qianzhuang* did not have branches, and they mainly conducted local money exchange, accepted deposits, made loans, issued cash notes, exchanged bills and notes, and discounted for the local business community.<sup>75</sup> *Qianzhuang* were not of the same sizes. The paid-up capitals of *qianzhuang* could vary from 50,000 to only 500-1,000 silver taels. Generally, they were initially capitalized about 5,000-10,000 silver taels.<sup>76</sup>

*Qianzhuang* existed in almost every part of China. However, their names varied in different parts of the country. For example, in Beijing and Tianjin, *qianzhuang* were known as *yinhao* or *qianpu*, unlike in Shanghai and Hankou where they were called *qianzhuang*.<sup>77</sup> Though the appellations of “cash shops” were different between Northern and Southern China, their operational characters were essentially the same. As a result, this thesis would adopt the term “*qianzhuang*” as a universal appellation for firms and shops which dealt with the businesses stated above.

### **Foreign banks**

The earliest foreign bank in China was the Oriental Banking Corporation, a British bank, opened in Shanghai in 1848. Since then, the British enjoyed forty years of virtual monopoly over the foreign banking business in China. Later in the 1890s, German, Japanese, Russian and French banks pushed into the China market as part of their growing international rivalry for spheres of interest. American banks entered China in 1902.<sup>78</sup>

The foreign banks operated entirely freely from the Chinese laws. They were also largely free from their own national regulations. The largest part of their credit business was the financing of foreign trade. After 1895, they began to offer loans to

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<sup>75</sup> Yang, *Money and credit in China*, 84-5. Cheng, *Banking in modern China*, 15. For more details, see McElderry, *Shanghai old-style banks (chien-chuang) 1800-1935*; King, *Money and monetary policy in China*, 94-103.

<sup>76</sup> King, *Money and monetary policy in China*, 95.

<sup>77</sup> Yang, *Money and credit in China*, 84, 86.

<sup>78</sup> Some of the dominant foreign banks during that time were the Oriental Banking Corporation (1848), The Chartered bank of India, Australia, and China (1858), Hongkong and Shanghai Banking Corporation (1865), Deutsch-Asiatische Bank (1889), Yokohama Specie Bank (1893), see Yang, *Money and credit in China*, 88, and Ji, *A history of modern Shanghai banking*, 38-66.

the Qing government to pay war indemnities. Thus, they were able to handle a considerable amount of money from the Chinese customs and salt revenues which had become pledges against foreign loans. They also issued bank notes which were circulated freely in the country. However, this practice later declined along as a result of the improvement in the Chinese national currency.<sup>79</sup>

### **Modern Chinese banks**

The birth of the first modern Chinese bank was the result of China's new financial demands. The existing financial intuitions such as *qianzhuang* and *piaohao* could not meet China's new financial demands, such as support the modern industries and the construction of infrastructures, which needed large amounts of capital for long periods of time. Besides, consciousness of foreign banks' intrusion into the Chinese financial market was another factor which contributed to the appearance of the first modern Chinese bank.<sup>80</sup>

In 1897, the Imperial Bank of China (*Zhongguo tongshang yinhang*) was established in Shanghai based on the principles of modern western banks; it received a 1,000,000-tael loan from the Board of Revenue as part of its founding capitals. It marked the beginning of China's modern banking history. Since it was backed up by large capital sources and official patronage, this bank quickly earned its reputation in the Chinese financial market.<sup>81</sup>

In 1904, the Bank of the Board of Revenue (*Hubu yinhang*) was set up with a capital of 4 million silver taels. It reorganized and upgraded into the Great Qing Bank (*Daqing yinhang*) in 1908, and its founding capital was increased to 10 million silver taels, which would be subscribed by the government and the public respectively. The

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<sup>79</sup> Yang, *Money and credit in China*, 88; Cheng, *Banking in modern China*, 17-8; Tamagna, *Banking and finance in China*, Chapter II, The foreign banks, 24-34.

<sup>80</sup> Cheng, *Banking in modern China*, 20-5.

<sup>81</sup> Cheng, *Banking in modern China*, 25-9; Yang, *Money and credit in China*, 90.

Great Qing Bank was the first central bank that was ever established in China. It was granted many exclusive privileges to control the China's financial market, such as issuing banknotes which would gradually replaced all existing banknotes, handling the state treasury, assuming inter-provincial remittance business previous conducted by *piaohao*, transferring and managing foreign loans and state revenues, and so on.<sup>82</sup>

## 5. Conclusion

This chapter demonstrates the organization and management of the *piaohao*. It also describes how they utilized the various sources of funds to facilitate their remittance business. In addition, this chapter examines the other financial institutions that co-existed with *piaohao* during the late Qing period. They serve as the background for understanding the following chapters, especially for Chapter Three and Four, which would focus on the roles played by the *piaohao* in governmental remittances and in the whole of Chinese financial market from the 1840s to 1911.

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<sup>82</sup> Cheng, *Banking in modern China*, 29-32.

### Chapter 3: The Origins of *piaohao* and their Operations Before 1895

Shanxi *piaohao* were first established to cater to the remittance needs of the overland mercantile trades conducted by Chinese merchants, such as tea trades from Hubei, Hunan provinces to Russia and inner/outer Mongolia, and other cash crop trades within the hinterlands after 1820s. This occurred during the period when transferring of large sums of silver became more dangerous and costly due the increasing internal insurgencies. However, such trades declined after 1850s when the foreign merchants could conduct the hinterland trades directly with privileges gained from series of treaties with Qing government. This forced *piaohao* to seek more remittance business opportunities.

The Taiping Rebellion (1850-64) provided such chance for *piaohao*, during which the traditional method of transferring silver bullions overland from various provinces to Beijing were blocked by the rebellious army. Hence, those provinces had to resort to the remittance services provided by *piaohao* as an alternative method. Moreover, during and after the Taiping Rebellion, the central government called for more national revenues from the provincial governments and customs than before. This also generated more remittance chances for *piaohao* in terms of the total money they could remit. Consequently, *piaohao* seized the opportunities for official remittance business and their roles in the remittance market were greatly reinforced and gradually prospered after the 1850s.

Nevertheless, the *piaohao* never carved out their unique niches in the Chinese financial market even in the realms of remittance market. In fact, from the very beginning, latent challenges went through the course of the development of *piaohao*. Stiff remittance competitions came not only internally from *piaohao*, but also from other remittance firms owned by non-Shanxi merchants, competent *qianzhuang* and

foreign banks. Moreover, these financial institutions established their own unique niches in the Chinese financial market which the *piaohao* did not possess.

### **1. The rise and decline of Shanxi *piaohao*'s original remittance business for indigenous traders**

Shanxi *Piaohao*'s initial purpose was to serve the remittance needs of the indigenous traders, including those who conducted tea trades between Hubei, Hunan and border towns in Mongolia and Russia, and other inter-provincial cash crop trades such as silk, cotton, dyestuffs and tung oil. *Piaohao*'s early stages of development from 1820-1850 relied heavily on these traders. Particularly, Rishengchang, the earliest and biggest Shanxi *piaohao*, depended on the overland trade of brick tea from the production centers in the south to the northern distribution centers, and onwards to their final markets in Russia. A letter from the Pingyao head office to its Guangzhou branch in 1861 revealed that in order to facilitate the tea trades between Hubei, Hunan and Zhangjiakou, as known as the Eastern Gateway (*dongkou*), the main distributing tea center of tea trades with Russia and Mongolia, they planned to resume their remittance business there and decide to set up a branch again.<sup>83</sup> Its Pingyao head office also arranged the remittance business for the tea traders doing business between Shanxi and Hubei, Hunan province in advance as well. It predicted that the tea trades in the next year would prosper, and this would earn them a considerable commission from the tea traders by cashing their remittance drafts in Hankou. Thus, the Pingyao head office had tried to arrange more funds flowing to its Hankou branch in order to meet its intensive encashment needs in the following year.<sup>84</sup>

Weitaihou *piaohao* also depended on trades such as silk, tea and tung oil. In fact,

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<sup>83</sup> SPS, 848.

<sup>84</sup> SPS, 32-3.

the predecessor of it was a silk firm dealing with silk trades between Suzhou and Beijing.<sup>85</sup> According to a letter dated around 1844-45 written by its Suzhou branch, during the early years of its operation, one of its service centers was in Suzhou. It was there to meet the remittance needs of the silk traders from Beijing.<sup>86</sup> Besides, it also provided remittance services to tea, cotton, tung oil and grain shipment traders during the years from 1844 to 1852.<sup>87</sup>

However, the development of foreign firms resulted in the collapse of Chinese distance trades in commodities since the 1850s. After the free-trade treaty system gradually established after 1842, foreign mercantile houses prospered and rivaled intensively against the upcountry purchase of tea and silk for export. Such upcountry purchase system soon became institutionalized after 1856.<sup>88</sup> Furthermore, after 1870s, both the Chinese tea and silk trades were incorporated into the larger world economic market, which prices fluctuated according to the world market and responded quickly to changes in demand and supply.<sup>89</sup> To make matters worse, Chinese tea lost the ground on the world market, encountering stiff competition from Japan and Ceylon after the mid-1870s. Silk also its lost ground in the world market during the last quarter of the nineteenth century. By the turn of the century, it was Japan that rapidly overtook China and became the leading supplier of silk in the world market.<sup>90</sup>

Numerous reports from the Qing officials would evidence this deteriorating situation of the Chinese cash crop traders. For example, Liu Kunyi noted in 1881 that after Russian merchants gained the trading privilege, they opened up tea firms in

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<sup>85</sup> SPS, 19.

<sup>86</sup> SPS, 1116.

<sup>87</sup> SPS, 1157, 1162, 1168.

<sup>88</sup> See Hao Yen-p'ing, *The commercial revolution in nineteenth century China—the rise of Sino-Western mercantile capitalism* (Berkeley, University of California Press, 1986), Chapter 6: The commercialization of agricultural products: the upcountry purchase of tea, 138-162; Chapter 7: The intensification of competition, 163-211.

<sup>89</sup> *Ibid.*, 187, 289.

<sup>90</sup> *Ibid.*, 185-87.



Hankou directly, loaded their steamships with black tea and brick tea and shipped them first from Hankou to Tianjin and then directly to Russia. This greatly reduced the transportation costs and overshadowed the tea trades dominated previously by Chinese merchants.<sup>91</sup> The inspector of Zhangjiakou Customs further reported on 26 September 1897 that the previous customs revenue came mainly from tea transported from southern provinces to be exported, and hides, leather and livestock to be imported from Kyakhta, both of which were mainly conducted by Chinese merchants. However, after the Russian merchants gained the tax-free trade rights which allowed them to buy and sell the tea in bulks without paying taxes in China, most of the indigenous Chinese merchants who dealt with such trades before went out of business, and the Customs revenue of Zhangjankou decreased dramatically as well.<sup>92</sup>

In sum, after the 1850s, the indigenous Chinese merchants who conducted inter-provincial trades on tea, silk and other cash crops were negatively impacted due to the stiff competitions from the foreign mercantile firms. They further passively suffered from the fluctuations through the integration of the world cash crop market. The decline of Chinese overland trade further contributed to the decline of *piaohao*'s remittance business, whose initial development heavily relied on serving them. *Piaohao* thus have to seek other opportunities to make more profits from then on.

## **2. *Piaohao* began to conduct official remittances since 1860s**

With the increase in internal and external chaos in China after 1850, *piaohao* seized the chance to expand their remittance business scale, shifting their market base from Chinese overland wholesale merchants to the Qing government. These business

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<sup>91</sup> Liu Kunyi, "Yifu huangshang yuncha fu'e, huachuan yunhuo chuyang pian 议覆华商运茶赴俄, 华船运货出洋片 [Discussions of issues on Chinese merchants transport tea to Russia and Chinese ships trade overseas]", in *Zhongguo kexueyuan lishi yanjiusuo disansuo ed., Liu Kunyi yiji* [The compilations of Liu Kun's left-behind documents], vol. 2, (Beijing, Zhonghua shuju, 1959), 607-9.

<sup>92</sup> Huang Jianhui, *Mingqing Shanxi shangren ya jiu*, 142.

opportunities had two connotations. On the one hand, various provinces gradually replaced the overland method of transferring silver by remitting the money via *piaohao* due to various safety concerns after 1850. On the other hand, after 1850s, the Qing central government appealed for more money from respective provincial bureaucracies either to pacify the internal rebellions or to promote the Self-Strengthening Movement, which greatly expanded the available amounts that could be conducted by the *piaohao* as well.

Before the Taiping Rebellion, the prevailing method of submitting Capital Acquisition (*jingxiang*) to Beijing and Assistance Funds (*xiexiang*) to various provinces adopted by Qing government was as follows. Every 1,000 silver taels were packed and fastened into a wooden sharp box with iron hoops, known as the Encasement of Silver (*xianyin zhuangqiao*). Each encasement weighed about 31.5 kilograms. It was then submitted to Beijing escorted by provincial appointees and troops.<sup>93</sup>

Qing government firmly adhered to such method until the early times of Taiping Rebellion. No one had the right to alter this method of transferring silver without endorsement from the government. In 1848, the appointee of the silver escort from the Zhejiang provincial treasury remitted 4,600 silver taels to Beijing without official authorization. After his misdemeanor was uncovered, the appointee was removed from his post.<sup>94</sup>

However, such method of submitting the allocated money was soon in jeopardy in the final stage of the Taiping Rebellion. In May 1860, the rebellious army besieged Nanjing, and later battled with Qing troops in Hubei, Jiangxi, Anhui and Zhejiang. In addition, the Nian Army harassed Jiangsu, Anhui, Hubei, Hunan, Shandong, Shanxi

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<sup>93</sup> Huang Jianhui, *Shanxi piaohao shi*, 230, 265; Zhang Guohui, *Wanqing qianzhuang he piaohao yanjiu*, 83.

<sup>94</sup> SPS, 74-75.

and Hebei provinces. These internal insurgencies severely blocked the previous overland routes for transferring money to Beijing.<sup>95</sup> Thus, the submission of the Capital Requisition to Beijing was disastrously delayed due to the fear of the rebellious army and to the penalty for altering the fixed submission method. Finally, because Board of Revenue desperately needed the national revenues from various provinces, they had no other choice but to lift the ban on submitting the Capital Requisition through remittance firms in 1862.<sup>96</sup>

Several polarizing debates happened between the censors and provincial governors after the Board of Revenue lifted the ban on submitting Capital Requisition via remittance. In 1864, Censors in Beijing opposed it for the reason that remitting silver to submit provincial quotas would cause a strain in the silver market of the Capital because no actual silvers were transported to Beijing. On the contrary, various Governor-Generals and provincial governors, especially the ones from Guangdong, Guangxi, Fujian provinces, ignored such appeals with the practical concerns that submitting provincial quotas through the previous Encasement method was at high risk due to the continuous internal rebellious. Moreover, sometimes they could not raise the allocated quota before the due date. As a result, they needed the *piaohao* and other remittance firms to remit the quota in advance and repay them later.<sup>97</sup> Besides, the appeals on banning the remittance also reiterated in 1876, 1883, and 1899 either by censors or the Board of Revenue with the same reason listed above. However, all such appeals were also ignored by the various provinces. Those reversions did not shake the dominant role of submitting Capital Requisitions and other provincial funds through remittances after 1862.<sup>98</sup>

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<sup>95</sup> Zhang Guohui, *Wanqing qianzhuang he piaohao yanjiu*, 83. Huang, *Shanxi piaohao shi*, 231-32.

<sup>96</sup> SPS, 75-6.

<sup>97</sup> SPS, 166-74.

<sup>98</sup> SPS, 174-88.

As mentioned earlier, one reason for *piaohao*'s business expansion was due to the military insecurity of the late Qing period. Another reason was because of the central government's increasing needs for more money from each province as the Capital Requisition during and after the Taiping Rebellion, which generated more remittance business chances for *piaohao*.

As soon as the ban on submitting provincial quotas via remittance was lifted in the 1860s, various provinces and customs quickly resorted to Shanxi *piaohao* and other remittance firms to remit allocations such as the Capital Requisition, Assistance Funds, Expenditures for the Self-Strengthening Movements, relief funds, and other temporary allocations to the various designated destinations according to the central government's appeals.<sup>99</sup> Among them, Fujian, Guangdong, Sichuan and Zhejiang provincial governments and their respective customs relied much more heavily on the remittances services than other provinces, because they had to submit larger amounts of money to Beijing. For example, according to the remained sporadic data, the provincial government of Fujian and Guangdong asked the *piaohao* and other remittance firms to remit 1,304,526 and 1,446,790 silver taels respectively in 1880, while in the same year, the amount remitted by Shandong provincial government was only 10,000 taels.<sup>100</sup> It might probably because those Southern provinces were the most important sources of revenue for the Qing government.

After the conclusion of the Treaty of Shimonoseki in 1895, it further increased with the payment of indemnities to the foreign powers. Since then, the Qing government had to borrow money from the banking consortiums, consisting of Russia, France, British and Germany, to pay the war indemnities to Japan. The total amount

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<sup>99</sup> SPS, 80-109.

<sup>100</sup> SPS, 127-131. This is a statistic table on amount remitted by various provincial governments and Customs from 1862-1893. Though it was based on sporadic data remained currently, it still provides convincing evidence and a brief yet comprehensive picture on the remittance business situations. However, one point needed to be noted here that those data not only includes the amount conducted by Shanxi *piaohao*, it also already consisted the amount dealt by other remittance firms and even local *qianzhuang*.

repaid to those consortiums was 12,000,000 silver taels per annum. The Board of Revenue assumed to pay 2,000,000 taels from its own revenues, such as the Capital Requisitions, and the remaining 10,000,000 taels were then allocated to the various provinces and customs.<sup>101</sup> Particularly, Guangdong province and Guangdong Maritime Customs (*yuehaiguan*) were assigned totally 2,180,000 silver taels; Hubei province and Hubei Customs (*jianghanguan*) was assigned 1,000,000 silver taels altogether; Fujian and its Maritime Customs were assigned 740,000 silver taels; Shanghai Maritime Customs (*jianghaiguan*) was assigned 1,000,000 silver taels and Zhejiang province and its Customs (*zhehaiguan*) were assigned 1,000,000 silver taels, and Jiangsu province and Zhenjiang circuit (*zhenjiangdao*, in the south of Jiangsu Province) were assigned 1,060, 000 silver taels.<sup>102</sup>

All such loan repayment had to be submitted to the Shanghai Maritime Customs, and the latter would gather them all, and remit the repayment to the foreign banking consortiums.<sup>103</sup> Thus, *piaohao* and other remittance firms assumed the duty to remit the repayments for indemnity loans on behalf of the provincial governments to Shanghai then.<sup>104</sup>

After 1900, the Qing government was burdened with another indemnity, having to pay the compensation for losing to the Eight-Power Allied Forces (*baguo lianjun*) following the Boxer Uprising. The Board of Revenue again allocated the loan repayments to the respective provinces and Customs.<sup>105</sup> *Piaohao* and other remittance

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<sup>101</sup> Hubu [Board of Revenue], “Yizou gesheng tanpai chouhuan yangkuan shu 议奏各省摊派筹还洋款疏 [The memorandum on the repayments of foreign loans by respective provinces]”, in SPS, 221.

<sup>102</sup> See the statistic table for the particular assigned amounts that each province and Customs needed to assume, in SPS, 222.

<sup>103</sup> Hubu [Board of Revenue], “Yizou gesheng tanpai chouhuan yangkuan shu 议奏各省摊派筹还洋款疏 [The memorandum on the repayments of foreign loans by respective provinces]”, in SPS, 221.

<sup>104</sup> SPS, 223-5.

<sup>105</sup> Hubu [Board of Revenue], “Zou xinding peikuan shuju, qi ying heli tongchou shu 奏新定赔款数巨期急应合力通筹疏 [The memorandum on the imperative duties to repay the indemnities collectively]”, in SPS, 233-4.

firms again provided remittance services to meet such the official remittance needs.<sup>106</sup>

Moreover, the chaos of the time increased the government's dependence on the *piaohao* in other ways. During the 1900, the Empress Dowager Cixi and the Emperor Guangxu were forced to flee from the besieged Beijing to Xi'an, Shaanxi province. Thus, the Capital Requisition had to be remitted to Shaanxi alternatively. *Piaohao* were then the only appropriate firms which could assume such duty since they were adjacent to Xi'an. Thus they could gain access to various sources of funds to meet the official remittance needs.<sup>107</sup>

The letters left by Rishengchang *piaohao* could further evidence that the *piaohao*'s remittance business gained a remarkable development through serving various provincial bureaucracies after the 1860s. Before that, Rishengchang mainly served the inter-provincial cash crop traders. Their letters of the year 1841-42 and 1851-61 revealed that during that period, business of its Zhangjiakou and Guangzhou branch was still mainly focused on serving tea trades.<sup>108</sup> However, its correspondences during the Guangxu reign (1875-1908) disclosed that their primary business scope has shifted to primarily conduct official remittances for various provincial bureaucracies.<sup>109</sup> Three characteristics concerning Rishengchang's remittance service for the provincial government need to be pointed out here.

In the first place, as compared to Rishengchang's other hinterland branches, its branches in Guangzhou, Shanghai, Hangzhou, and Chongqing handled more remittances for provincial bureaucracies, such as Provincial Treasury in Guangdong (*guangdong fanku*), Brokerage tax Bureau (*yaliju*) in Shanghai, and Indigenous Opium tax Bureau (*tushuiju*) in Chongqing. Those remittance destinations were either

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<sup>106</sup> SPS, 234-38.

<sup>107</sup> See a telegraph sent by Hunan provincial governor Yu Liansan on August 8 1900, in SPS, 231-2.

<sup>108</sup> "Letters from Zhangjiakou to Beijing and Hankou", in SPS, 841-6; "Letters from Pingyao head office to its Guangzhou branch", in SPS, 847-57.

<sup>109</sup> "Letters during 1889-1893", in SPS 865-982; "Letters during 1894-99", in SPS, 983-1057.

in Beijing or cities in provinces.<sup>110</sup> However, those branches located at the hinterlands and upcountry such as Xi'an, Kaifeng and Zhoujiakou (a county in southeast Henan province) still mainly focused on inter-firm remittances.<sup>111</sup>

The the second place, although Rishengchang *piaohao* obtained large amounts of remittance business from the government, it never gave up the petty remittance transactions. For example, a letter written by its Beijing branch around 1890, reported that its Shanghai branch remitted 30,000 silver taels to Beijing as the Capital Requisition to the Board of Revenue on behalf of Zhenjiang circuit, while the Guilin branch remitted only 19 taels for a person named Lu Shaoguo.<sup>112</sup> Such stark contrast illustrates the importance of the official remittance business was to *piaohao* and also indicated that Rishengchang was keen on every available remittance business even it was a very petty one.

Finally, the purpose of Rishengchang *piaohao* to conduct official remittance was to gain profits rather than to court favor with the Qing government. For example, around the 1890s, the Hangzhou branch remitted some money to the Brokerage Bureau in Tianjin and received 33 silver taels as the charges for remittance.<sup>113</sup> Its Hangzhou branch also remitted 20,000 silver taels to the Shanghai Maritime Customs and received a remittance fee of 40 silver taels.<sup>114</sup> Its Guangzhou branch submitted 20,000 silver taels to the Navy Bureau in Tianjin and gained a commission of 97 silver taels for every 1,000 taels remitted.<sup>115</sup>

In sum, numerous evidences either from the official Qing records or from the

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<sup>110</sup> "Letters from the Shanghai branch", in SPS, 916-924, 1018-21; see a case on Brokerage tax Bureau, SPS, 917; "Letters from Hangzhou branch", in SPS, 924-28, 1022; "Letters from Guangzhou branch", in SPS, 929-33, 1025-1030; for cases on Provincial Treasury in Guangdong, see SPS, 930-1; "Letters from Chongqing branch", in SPS 955-63, 1040-44; for Cases on Indigenous Opium tax Bureaus, see SPS, 963, 1040-42

<sup>111</sup> "Letters from Xi'an and Kaifeng branch", in SPS, 966-9; "Letters from Zhoujiakou branch", in SPS 969-82, 1049-56.

<sup>112</sup> SPS, 907.

<sup>113</sup> The exact amount was unavailable due to the damage of the original letter, see SPS, 925.

<sup>114</sup> SPS, 926.

<sup>115</sup> SPS, 930; see more cases on gained commissions through dealing with official remittances in SPS, 931, 964, 1027.

*piaohao*'s business letters have shown that Shanxi *piaohao* did catch the chances brought by the chaotic times during the late imperial times. It was only during and after the Taiping Rebellion that the remittance businesses of *piaohao* began to prosper through conducting remittance for the various Qing provincial bureaucracies.

### **3. Latent challenges for *piaohao* from the very beginning**

Although the role of *piaohao* in the Chinese remittance market was reinforced and became more significant after 1850, its role should not be exaggerated. In reality, Shanxi *piaohao* never carved out their business niches in the remittance and financial market in late Qing China.

First of all, no single *piaohao* monopolized the remittance of provincial funds remittance businesses from the very beginning, for one bill of the provincial remittance business was always conducted and shared by several Shanxi *piaohao* themselves, local *qianzhuang*, and remittance firms owned by non-Shanxi merchants. Thus, each Shanxi *piaohao*'s remittance scale for the provincial government was very limited, and they had to compete with their counterparts intensively. Secondly, *piaohao*'s limited role also implies that they could not penetrate into the local financial markets where their branches located. This is due to the clannish sentiments of the local people where they established branches particularly in Southern China. Thus, *piaohao* were not always the patrons for the local *qianzhuang*. Instead, they sometimes had to rely on *qianzhuang* to get their floating funds. Thirdly, although the initial operations of foreign banks did not overlap and collided with the *piaohao*, they gradually took a share in the remittance market. Also, they provided services and supports to the Chinese financial market that the *piaohao* did not have either the competence or the motivation to do.



## Competitions for official remittance business

Although providing remittance services to the various provinces were a huge business for the *piaohao*, no single firm ever dominated the official remittance business of an entire province's remittance businesses. *Piaohao* had to compete with their counterparts, and they also had to face the stiff competitions from other remittance firms and even the large local *qianzhuang*.

From 1860s to 1911, there were about thirty Shanxi *piaohao* which could conduct the provincial remittance businesses.<sup>116</sup> As a result, the most frequent scenario in remitting official funds is that the several *piaohao* shared and conducted a single official bill for a certain provincial bureaucracy. For example, in 1877, Jiangxi asked Sanjinyuan and Xintaihou *piaohao* to remit 10,000 silver taels as the funds for Coastal Defense Expenditure (*haifang jingfei*) to Zhili and Fujian province respectively.<sup>117</sup> In 1886, Sichuan raised 100,000 silver taels for the Navy Expenditures, and asked Baichuantong, Rishengchang and other seven remittance firms to remit it to the Navy Bureau (*haijun yamen*) in Beijing.<sup>118</sup> In 1890, five *piaohao* remitted 50,000 silver taels as the funds for the railroad construction on behalf of the Guangdong provincial government to Beijing. By the same token, Sichuan asked nine Shanxi remittance firms to remit their quotas to Beijing which included 50,000 silver taels for the railroad expenditure.<sup>119</sup> In 1900, Hunan province remitted 100,000 silver taels as its quota for the Capital Requisition by utilizing nine Shanxi *piaohao*. This means that each of the *piaohao* on the average only conducted about 10,000 silver taels.<sup>120</sup> Besides these few cases, far more memorials left by provincial governors could also indicate that the normal course for provincial

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<sup>116</sup> Refer to table 1.

<sup>117</sup> SPS, 83.

<sup>118</sup> SPS, 83. The memorial did not articulate the names of the seven others.

<sup>119</sup> SPS, 84.

<sup>120</sup> SPS, 232. The nine *piaohao* are: Rishengchang, Tianchengheng, Baichuantong, Xintaihou, Weifenghou, Weitaihou, Weishengchang, Xietongqing, and Qianshengheng.

governments was to submit remittances through a number of firms working together.<sup>121</sup> As such, no single Shanxi *piaohao* could monopolize the official remittance business for the provincial bureaucracies.

After the central government endorsed remittance as the method to submit the various official funds in the 1860s, other remittance firms invested and operated by merchants from other provinces, rather than from Shanxi, bloomed immediately and thus also seized a considerable part of the official remittance business. Around the year 1863, the prominent Zhejiang gentry-merchant Hu Guangyong (Hu Xueyan) opened the Fukang and Hutongyu remittance firms, which engaged in the official remittance business like *piaohao*. Their branches located in Beijing, Shanghai, Zhenjiang, Ningbo, Hangzhou, Fuzhou and some others cities in Hubei and Hunan provinces.<sup>122</sup> Since Hu Guangyong cultivated both an entrenched private and official relationship with Zuo Zongtang, his remittance firms soon dealt with a considerable amount of official remittances.<sup>123</sup> Particularly, Fukang and Hutongyu were the predominant remittance firms conducting official businesses from Fujian and Zhejiang provinces.<sup>124</sup> In 1866, Fukang remittance firm remitted more than 940,000 silver taels as the Capital Requisition on behalf of various provincial bureaucracies.<sup>125</sup>

Besides Fukang and Hutongyu remittance firms, Yunnan merchants opened the Tianshunxiang remittance firm around the year 1875, with its head office in Kunming. They also set up various branches in Beijing, Shanghai, Chengdu, Fuzhou, Hankou and Chongqing.<sup>126</sup> Since then, it almost monopolized the official remittances in and out of Yunnan province and was also very active in dealing with remittances from

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<sup>121</sup> See more cases the chapter “*Piaohao* began to remit official funds”, in SPS, 74-125.

<sup>122</sup> SPS, 65.

<sup>123</sup> SPS, 116-7, 165.

<sup>124</sup> SPS, 82, 87, 103, 108.

<sup>125</sup> SPS, 741.

<sup>126</sup> SPS, 66.

other southern provinces such as Sichuan and Fujian.<sup>127</sup>

In 1883, Yan Xinhou, a native Jiangsu gentry-merchant, opened the Yuanfengrun remittance firm, with its head office in Shanghai.<sup>128</sup> After its opening, it soon undertook a considerable amount of official remittances, especially those from southern provinces, such as Zhejiang, Fujian and Guangdong.<sup>129</sup> A report by *Shenbao* on 8 November 1891 indicated that although the Yuanfengrun only settled down in Xiamen not long ago, it had already made a quick profit.<sup>130</sup> Another case is that in 1904, it remitted 110,000 silver taels from Zhejiang to Shanghai Maritime Customs as the loan repayment to Hong Kong and Shanghai Banking Corporation (HSBC).<sup>131</sup>

In addition, almost every major local *qianzhuang* had the ability to handle a considerable part of the provincial remittance business. Thus, the remittance market for the government was saturated and highly competitive. By and large, almost all the southern provinces such as Anhui, Hubei, Hunan, Jiangsu and Zhejiang provinces had once asked their various local *qianzhuang* to remit funds either to Beijing or other destinations such as Shanghai to repay the war indemnities rather than solely relied on Shanxi *piaohao* to do this all through the period from 1860s to 1911.<sup>132</sup>

Here are more specific examples. In 1865, Sichuan province submitted 60, 000 silver taels of the salt tax to the central government as the Capital Requisition through four Shanxi *piaohao* and two local *qianzhuang*.<sup>133</sup> In 1891, Zhejiang province submitted 50,000 silver taels of salt tax to Beijing through four Hangzhou *qianzhuang*, without inviting any *piaohao* to do it.<sup>134</sup> In 1902, Jiangsu province remitted their

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<sup>127</sup> SPS, 88, 90, 110, 223, 389-90.

<sup>128</sup> SPS, 66, 785.

<sup>129</sup> See more cases in SPS, 85, 236, 277, 314.

<sup>130</sup> SPS, 192.

<sup>131</sup> SPS, 225.

<sup>132</sup> For the cases on Anhui, see SPS, 367, 370; Hubei, see SPS, 367; Hunan, see SPS, 237, 371; Jiangsu, see SPS, 366; Zhejiang, see SPS, 223, 365-6.

<sup>133</sup> SPS, 78. The four Shanxi *piaohao* are: Xietongqing, Weifenghou, Yuanfengjiu and Tianchengheng. The two local money shops are: Guangju and Hetai.

<sup>134</sup> SPS, 365. Those local *qianzhuang* are: Kaitai, Hongsheng, Qingyu, Shenyu.

regular payment to the central court through a *qianzhuang* called Yuyuan.<sup>135</sup> In the year 1908, Shanghai Maritime Customs submitted their customs revenue through the assistance of a *qianzhuang* named Dechenghou.<sup>136</sup>

It was due to such stiff competition that in 1906, the Ministry of Finance (*duzhibu*) disseminated a memo to the respective provinces appealing for a reduction of the remittance commissions. It explained that during the previous years, not many remittance firms could handle the provincial funds either submitted to Beijing or to other provinces. However, at that point in time, remittance firms were great in numbers and the current charges for remittance had been greatly lowered down. Thus, various provinces should no longer adhere to the previous high commission standards.<sup>137</sup>

In fact, it is probably because since that the remittance businesses provided by *piaohao* had not been distinctively different from other remittance firms and local *qianzhuang*, sometimes in the provincial governor's memorials, they did not provide the full list of all the *piaohao*'s name to indicate which would conduct this bill of remittance. Instead, they only casually used the terms such as “*xishang*” (Shanxi merchants) or “*xihao*” (Shanxi firms) as a general description.<sup>138</sup> This shows that the provincial governments had no preferences to entrust their funds to any particular *piaohao*. Their primary concern was just to fulfill the government's orders without any delay or mistake.

In sum, as Shanxi *piaohao* gained more remittance businesses from provincial governments, other Chinese financial institutions such as the big *qianzhuang* and other remittance firms invested by non-Shanxi merchants also followed their footsteps

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<sup>135</sup> SPS, 366.

<sup>136</sup> SPS, 367.

<sup>137</sup> SPS, 274.

<sup>138</sup> SPS, 76, 91.

in seizing a part of the official remittance transactions. In the meantime, *piaohao* had to compete for remittance businesses with their counterparts. Thus, Shanxi *piaohao* never monopolized the official remittance market.

### ***Piaohao's inability in financial markets of the southern provinces***

Besides the intensified competitions for official remittance with other Chinese financial institutions, the branches of *piaohao* especially those located in southern China also encountered difficulties to penetrate into the local financial markets due to the diverse southern dialects and local customs. In fact, the relations between *piaohao* and *qianzhuang* in the local financial market need more careful examinations. On the one hand, *piaohao* played prominent roles in northern China, which supported local *qianzhuang* and thus were their patrons, especially in Beijing and Tianjin. The reason for that was because Beijing was a place where silver would accumulate through the Capital Requisition by respective provinces. As a result, *piaohao* could easily get enough floating funds to re-loan quickly to local *qianzhuang*. Moreover, as compared to *piaohao's* branches in southern provinces, their northern branches were more adjacent to their clearing centers in Shanxi province. Thus, *piaohao* could also utilize the abundant funds from their native places to inject into the local financial markets.

Specifically, *qianzhuang* in Tianjin had to depend on the floating funds provided by the *piaohao*. That situation was evidenced after the invasion of Eight-Power Allied Forces in 1900, when most of the local *qianzhuang* closed down and could not repay the short-term loans from *piaohao*. However, the latter forced *qianzhuang* to do so immediately, which caused a panic soon after. As a result, local *qianzhuang* in Tianjin had to petition to the Zhili government for a moratorium accordantly to pacify the local financial market.<sup>139</sup>

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<sup>139</sup> SPS, 296-7; also see discussions by Zhang Guohui, *Wangqing qianzhuang he piaohao yanjiu*, 111.

As to the southern provinces, *piaohao* were only active and had a foothold in Hankou and Shanghai. The reason why they had the ability to carve niches was because these two places were the prominent trade and financial center. Shanghai was also the final submission destination for the foreign loan repayment by respective provinces, thus *piaohao* would not encounter much difficulty to seek floating funds. According to the report by the Japanese Consul at Hankou in 1906, it revealed that there were over twenty Shanxi *piaohao* which established branches there. They attended the daily convention held by big local *qianzhuang* to negotiate the exchange rates between various currencies and the remittance commissions for that day.<sup>140</sup> Moreover, according to a statistic published in *Shenbao* on 24 October 1883, Shanxi *piaohao* made an over one million silver taels loan to Shanghai *qianzhuang* before the 1883 financial crisis.<sup>141</sup>

*Piaohao*'s financial influences in other southern provinces were rather limited and they had to rely on local *qianzhuang* to maintain their businesses. Since the local branch staffs of *piaohao* were all recruited from Shanxi province through kinship ties, those staffs could not communicate well with the locals due to dialects differences. In the meantime, *piaohao* never attached importance to promote their figures in the local market place nor as what other itinerary merchants did.<sup>142</sup> Without such efforts to

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<sup>140</sup> SPS, 313.

<sup>141</sup> SPS, 69. There were many more comprehensive descriptions and discussions on the role of Shanxi *piaohao* in Shanghai financial market, see Huang Jianhui, *Shanxi piaohao shiliao*, 217-9; Zhang Guohui, *Wanqing qianzhuang he piaohao yanjiu*, 104-8.

The financial crisis of 1883: as Shanghai had become an international trade center, its trade transactions brought financial dependence in the world. Trading firms dealt with raw silk and various silk products were major business in Shanghai, and they business were impacted greatly international trading market. In 1883, when the world silk market went stagnant, the effects of the previous speculations by Chinese businessmen magnified. This finally caused a major financial crisis in 1883. During that year, a lot of native silk firms and some other tea and sugar firms defaulted their loans whose principle creditors were *qianzhuang*. Subsequently, 87 percent of Shanghai *qianzhuang* closed their doors and about 300-400 commercial firms went into bankruptcy as well. This caused a money constraint in the Shanghai financial market. For more information, see Ji, *A history of modern Shanghai banking*, 65-6; McElderry, *Shanghai old-style banks*, 113-8.

<sup>142</sup> For example, the Nakarattar salt merchants in southern India during 17<sup>th</sup> century donated religious gifts to temples in the regional marketplaces functioned as license fees and financial investments generously, thus made the minority sojourning Nakarattar merchant group established their fames widely in the extra-local economic arenas. See David West Rudner, "Religious gifting and inland commerce in seventeenth-century south India", *The Journal of Asian Studies*, Vol. 46, No. 2 (May, 1987): 365.

deliberately penetrate into the local market, the business of *piaohao* was inevitably circumscribed. Specifically, the *piaohao* branches settled in Shantou, Guangdong province were disregarded by the locals due to the barriers of dialect and customs between south and north.<sup>143</sup> According to a report by *Shenbao* on 6 July 1888, only three *piaohao* set up branches in Xiamen, Fujian province.<sup>144</sup> A 1909 report by the Fuzhou branch of the Great Qing Bank revealed that at that point in time, only two remittance firms were still in operation, which were Yuanfengrun (not Shanxi *piaohao* but remittance firm owned by Jiangsu merchant) and Xintaihou *piaohao*. Their annual profits were rather tiny, whereas the businesses of twenty local *qianzhuang* were in pretty good shape.<sup>145</sup>

Because of their inability to gain a foothold in the local financial market, *piaohao* were not always the patrons for the local *qianzhuang* particularly in the southern provinces. Instead, they often relied on the capitals from local *qianzhuang* as their floating capitals. In a depressing letter written by the Rishengchang *piaohao*'s Xiangtan branch at Hunan province, it reported to their head office that their recent business had been shrinking since the 1890s. This was because it became more difficult for them to gain floating funds from local *qianzhuang* after several of them closed in the previous years, which caused silver strains in the local financial market.<sup>146</sup>

In sum, it was not necessary for *piaohao* to carve out their unique business niches wherever their branches were set up. While this might still be true in northern China, *piaohao*'s operations in the local financial market in the southern China relied on the financial support from local *qianzhuang*. Thus, the influences of local

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<sup>143</sup> SPS, 314.

<sup>144</sup> SPS, 60. They were Xietongqing, Xintaihou and Weichanghou.

<sup>145</sup> See a letter by Xu Rufen from Fuzhou branch of the Great Qing Bank to the General Inspector of the Great Qing Bank in Beijing on April 26 1909. In *Daqing yinhang dang'an* [Archives on the Great Qing Bank], vol. 6, held by The Number One Historical Archives in Beijing.

<sup>146</sup> SPS, 1037.

*qianzhuang* in the south were more significant than *piaohao*.

### **Foreign banks**

Although the main purpose of the foreign banks in China was to provide financial services to foreign firms conducting trades in China, and thus did not initially concentrate in conducting inter-provincial remittances, they also competed with the *piaohao* in conducting official remittance business. Their advantages in the remittance businesses lay in the fact that they could gain abundant capital supports from their head offices and merchants of their native countries. More importantly, by issuing banknotes, they could mobilize their paid-up capitals manifold and thus did not have to worry about the floating funds for remittances as the Shanxi *piaohao* did.

In 1900, the Boxer Rebellion disturbed the local financial markets in northern China. Thus, most of the *piaohao* temporarily closed down to evade the possible attacks and plunders. The submission pattern of the Capital Requisition to the central government was modified. It was divided into two steps. The first was to remit the payments through some *piaohao* which insisted on operation, and the other remittance firms to the Shanghai Maritime Customs. Following that, the HSBC's Shanghai branch would remit the money to the central government in Beijing on behalf of the Shanghai Maritime Customs.<sup>147</sup> This means *piaohao* were no longer the last consignees of the governmental remittance since 1900, which made their influences diminished.

Besides the remittance business, the local people gradually resorted to foreign banks instead of local *qianzhuang* and *piaohao* to deposit money. In a *Shenbao* editorial published on 26 July 1896, it points out that common Chinese people had preferred to deposit money into HSBC since it would not go bankrupt easily and thus

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<sup>147</sup> SPS, 229-30.



was more reliable than the local *qianzhuang*. As both *qianzhuang* and *piaohao* had to keep a good contact with HSBC to gain floating funds, the latter's money reserve certainly was far more abundant than the former.<sup>148</sup> Furthermore, in the southern coastal areas of China where the *piaohao*'s influences were frail, foreign banks penetrated into those local financial markets successfully. In an investigation published by *Dagongbao* on 8 March 1908, it revealed that the HSBC and the Bank of Taiwan were the most prominent figures in the local financial market of Xiamen, Fujian province.<sup>149</sup> HSBC also worked in conjunction with the Great Qing Bank to pacify the panics in the Chinese financial market in Shanghai in 1900.<sup>150</sup>

#### 4. Conclusion

In conclusion, the previous indigenous distance commodity trades for which *piaohao* mainly provided remittance services declined gradually after the 1850s; *piaohao* then had to find new lucrative remittance businesses to earn profits. It was the Taiping Rebellions that provided *piaohao* a golden opportunity, which they fortunately seized it. However, although from then on, *piaohao* conducted a considerable amount of the official remittance and their business prospered indeed, other financial figures also competed for such business. In addition, *piaohao*'s influences on the local Chinese financial market were limited and ambiguous as compared to the *qianzhuang* and foreign banks.

In fact, *piaohao*'s final decline in 1910s was latent and inevitable since they never carved out their unique niches in the Chinese financial market from the very

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<sup>148</sup> SPS, 372.

<sup>149</sup> SPS, 373.

The Bank of Taiwan was established in 1899 as a Japanese colonial bank with initial capital of 5 million Japanese yen after Taiwan was ceded to Japan following the Treaty of Shimonoseki. The political and financial aims of the bank were to unify the Taiwanese currency, to provide financial support for exporting Taiwan's raw materials to Japan and to expand business in world trade through the bank branches in Southeast Asia. See Ji, *A history of modern Shanghai banking*, 143.

<sup>150</sup> SPS, 433.

beginning. After the 1900s, the Qing government gradually took back the previous remittance services conducted by the *piaohao* in order to centralize their own financial sectors. By doing so, they gradually discarded the *piaohao*. This was a final blow to *piaohao*'s survival. The following chapter will focus on the financial transitions of the Qing government after 1895 and illustrate how and why *piaohao* did not response to such transitions.

## **Chapter 4: *Piaohao* and the Financial Transformations of Qing after 1895**

This chapter first analyzes the financial transformations of Qing after 1895 and the resultant effects on the future survival of *piaohao*. Specifically, the establishment of modern Chinese banks eclipsed the significance of *piaohao* not only in the official remittance market but also in the entire Chinese financial market. It further explains the reasons why *piaohao* did not want to seize the chance during that period and were impassive to the new policies from the government. The fundamental reason is the frightened sentiment taken shape by responding to the constant financial appeals from the Qing government after 1850s which prevented *piaohao*'s further collaborations with it. Finally, some of the progressive branch managers of *piaohao* had proposed to consolidate them into a modern Chinese bank. However, it failed due to the oppositions from the decision makers inside *piaohao*. Thus, *piaohao* lost all the possible chances to reform in the course of the financial transitions of the Qing since 1895.

### **1. The effects brought by the financial transformations of Qing after 1895**

The central government of Qing had implemented unprecedented reforms since 1895. This was due to a series of dynastic crises such as being defeated by Japan and the subsequent conclusion of Shimonoseki Treaty in 1895, the Boxer Uprising and later the invasion of Eight-Allied Power Army in Beijing in 1900. These events affected the overall psychology of the Qing which greeted for reforms desperately to save the collapsing dynasty.<sup>151</sup> In the realms of banking and finance particularly, new institutions established by the Qing central government with the main concern to centralize its financial administration inevitably influenced the future survival of *piaohao*.

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<sup>151</sup> Faure, *China and capitalism*, 56.

### **Competitions in Remittance business with modern Chinese banks after 1897**

Before the establishment of the first modern Chinese bank—the Imperial Bank of China in 1897, the central court of Qing did not realize the importance of a modern bank. In 1885, when Li Hongzhang proposed to establish a foreign-Chinese joint-bank, the Board of Revenue turned down the proposal, arguing that such a joint bank was only the intrigue of the foreign countries to control the finance in China. It further argued that nobody would benefit from such a bank except the bank itself, and it would drain the financial rights out of the central court as well.<sup>152</sup>

However, a year later after the establishment of the Imperial Bank of China, a memorandum issued by the Board of Revenue evidenced the eventual transformation of the government's perceptions of a modern bank. It alleged that a modern bank was not to monopolize the financial rights of a country. Instead, it would provide both visible and invisible benefits to the country. For the visible part, the greater the profits of the bank, the more it contributed to the central government. As for the invisible one, a bank would facilitate a country's the trade and commerce to run smoothly. It further contended that a bank would redistribute the merchants' profits to be circulated across a greater sphere, which would certainly benefit more people.<sup>153</sup>

After the central court realized the importance of modern banks, it subsequently supported the banks' development. In 1898, Sheng Xuanhuai, the founder of the Imperial Bank of China submitted a memorial proposing that the bank should be given the first priority to handle every remittance transaction of various provincial governments in order to promote the trust and reputation of this semi-official modern bank and to better compete with foreign banks. The request was soon approved by the

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<sup>152</sup> SPS, 203-4.

<sup>153</sup> SPS, 384.

Board of Revenue.<sup>154</sup> From then on, Imperial Bank of China competed with the *piaohao* for official remittance.

In 1904, the Board of Revenue promulgated the Tentative Prospectus of the Bank (*shiban yinhang zhangcheng*) to set up the Bank of the Board of Revenue (*hubu yinhang*). It was defined as a limited liability company and followed the principles of the western banks.<sup>155</sup> In February 1908, after the Board of Revenue (*hubu*) reorganized into the Ministry of Finance (*duzhibu*), the Bank of the Board of Revenue was upgraded into the Great Qing Bank and was defined as the central bank of China.<sup>156</sup> From then on, the branches of the Great Qing Bank in various provinces were being assigned as the sole financial agencies of the central government and were given priority to deal with provincial remittances.<sup>157</sup>

The immediate dominance of the newly established modern Chinese banks seized the lion's share in the official remittance market. This was immediately reflected in the correspondences by various *piaohao*. Weifenghou *piaohao*'s Chengdu branch in 1908 complained that after the Great Qing Bank set up the branch there, it handled half the amount of the provincial remittance. As a result, thirteen *piaohao* had to compete for the remaining half portion.<sup>158</sup> Letters written by Li Hongling also confirmed the inevitable effects of the establishment of Great Qing Bank. Even though it had operated only for a few years and its financial functions were not comprehensive, it had already seized almost all the remittance businesses previously handled by *piaohao*.<sup>159</sup>

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<sup>154</sup> SPS, 384.

<sup>155</sup> Daqing yinhang qinglichu [Daqing Bank Clearance office] ed., *Daqing yinhang shimoji* [The whole story of the Great Qing Bank] (Beijing: Daqing yinhang qinglichu, 1915), 3-8.

<sup>156</sup> Refer to "Rules of the Great Qing Bank [*daqing yinhang ze*]", see Daqing yinhang qinglichu [The Great Qing Bank Clearance office] ed., *Daqing yinhang shimoji* [The complete account of the Great Qing Bank] (Beijing, Daqing yinhang qinglichu, 1915), 9-14; and "Universal Statutes for Banks [*yinghang tongxing ze*]", in SPS, 353-5.

<sup>157</sup> Daqing yinhang qinglichu [The Great Qing Bank Clearance office] ed., *Daqing yinhang shimoji*, 9-14.

<sup>158</sup> Li Hongling, *Tongzhou gonggao & Shanxi piaoshang chengbai ji*, 204.

<sup>159</sup> *Ibid.*, 165.

Apart from the establishment of modern banks, various provincial governments also gradually established their own provincial silver repositories (*guanyinhao*) after 1896 in response to the central court's call for financial transformations.<sup>160</sup> The main business scope of those provincial repositories was to handle provincial revenues and provide remittance services for the provincial governments. Thus, they set up various branches in big cities such as Beijing, Shanghai and Hankou, and also built up extensive intra-provincial networks to provide remittance services among places within a certain province. Those provincial silver repositories further took away a considerable portion of provincial remittance business previously handled by *piaohao*. For example, after the Jiangxi silver repository was established in 1902, it monopolized all the provincial remittances by the following year.<sup>161</sup> In Sichuan province, after its provincial silver repository named Junchuanyuan was established in 1905, it handled 30 percent of the Capital Requisition of the remissions. Thus the remaining 70 percent had to be divided equally and conducted by six Shanxi *piaohao* and Tianshunxiang remittance firm from Yunnan.<sup>162</sup>

### **Other new financial demands and functions which *piaohao* could not fulfill**

While *piaohao* gradually lost their former governmental remittance business due to stiff competitions from newly established modern Chinese banks, it could not meet the new financial demands as well. Specifically, the newly-established modern banks, especially the Great Qing Bank had the responsibility and the ability to pacify panics in the financial market generated by economic crises, which happened frequently after China's integration into the volatile world market from the 1870s. Specifically, Article Twelve of the Rules of the Great Qing Bank (*daqing yinhang zeli*) articulated clearly

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<sup>160</sup> See a table on the establishing details of respective provincial silver repositories in SPS, 375-378; also see Zhou Baoluan, "diwubian, defang yinhang [Chapter five: Provincial Banks]", in *Zhonghua yinhangshi* (Taipei, Wenhai chubanshe, 1987), 1-53.

<sup>161</sup> SPS, 391.

<sup>162</sup> SPS, 389-90.

that the bank must bear the responsibility for appeasing the panics caused by the silver strains and to stabilize the financial market.<sup>163</sup> However, *piaohao* did not possess the ability and had to rely on the protection from those official financial institutions as well, because their financial strength was not great enough to protect the whole financial market.

In 1908, some dominant merchant houses in Yingkou suddenly closed down, causing confusion in the local economic and financial market. It was the Great Qing Bank's Yingkou branch which coordinated the chaotic phases and cleared the bad debts left by those houses.<sup>164</sup> In 1910, the head office of Yuanfengrun remittance firm in Shanghai went bankrupt due to the speculation on rubber shares, and its branches in Beijing, Tianjin and Guangzhou closed down subsequently. This caused a chain effect on the local financial markets where it set up branches. The Great Qing Bank thus immediately remitted more than 1,000,000 silver taels to Shanghai. It also tried to maintain the stability of the local financial markets in Beijing, Tianjin and Guangzhou by injecting funds into them. In addition, other newly-founded neonatal modern banks such as the Bank of Communications (*jiaotong yinhang*), the Zhili Provincial Bank (*zhili yinhang*) and a private commercial modern bank named Zhicheng Bank (*zhicheng yinhang*) also joined in the rescue movement in conjunction with Great Qing Bank.<sup>165</sup>

The modern Chinese banks could also finance on the constructions of infrastructure and modern industries whereas *piaohao* could not. In fact, the birth of modern Chinese banks was the result of China's new financial demands from modern industries and infrastructures which both *qianzhuang* and *piaohao* could not meet, because those native financial institutions in China was so thwarted and they had

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<sup>163</sup> Daqing yinhang qinglichu [The Great Qing Bank Clearance office] ed., *Daqing yinhang shimoji*, 12-3.

<sup>164</sup> SPS, 418-9.

<sup>165</sup> SPS, 433-40.

operated on too small a scale to make much impact on the industrial financing that was needed.<sup>166</sup> However, how those modern banks supported the new industrial demands in China are out of the scope of thesis, thus no further examples will be given here.

## **2. Why *piaohao* refrained from joining the financial transformations of Qing**

In fact, Qing government did consider collaborating with the *piaohao* in the realms of banking and finance during their financial transitions since 1895, but *piaohao* refused to do so. In 1896, when Sheng Xuanhuai (1844-1916) prepared to set up the Imperial Bank of China, he wanted to cooperate with Shanxi *piaohao* in terms of staff recruitments, remittance services and local branch constructions, but he failed to reach out to any of the staff of *piaohao*.<sup>167</sup> When the Bank of the Board of Revenue prepared its establishment in 1904, the *piaohao* were also encouraged to subscribe to its shares. However, in a convention held by the preparatory committee of the Bank of the Board of Revenue, the deputies from almost all *piaohao* refused to purchase any shares from the upcoming bank with the excuse that they could not assume such big duties assigned by the Qing government.<sup>168</sup>

At first glance, it seems that *piaohao* were irrational to decline the offers to cooperate with establishing the modern Chinese banks. They had gained considerable developments through serving the Qing government since 1860s, so why this time they gave up the chance to make more profits in the future by taking part in establishing modern Chinese banks with the government? However, the following thorough perusal of the long-term interactions between *piaohao* and the government

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<sup>166</sup> Cheng Linsun, *Banking in modern China*, 22; Faure, *China and capitalism*, 19, 40-2.

<sup>167</sup> SPS, 380.

Sheng Xuanhuai was a protégé of Li Hongzhang, and a prominent progressive official and entrepreneur in late Qing dynasty. He was appointed the Minister of Communications in 1908.

<sup>168</sup> SPS, 380.



from the 1850s to 1911 would justify the *piaohao*'s behaviors as rational.

Since the 1860s, the Qing government utilized the remittance services of the *piaohao* and allowed the latter to gain considerable profits. However, at the same time, the government had extracted money from *piaohao* through various monetary appeals such as compulsory levies, donations and loans. They even tried to reduce the remittance commissions as early as in 1850, when *piaohao* had not started to provide remittance business for the government. Qing had to meet their expanding fiscal demands to suppress the internal rebellions while at the same time paying off the increasing indemnities with the shortfalls in the land taxes which lacked the expansion ability after the Taiping Rebellion started in 1851. Such constant financial appeals from the government impacted negatively on the sentiments of *piaohao* towards the government. Eventually, they panicked whenever the government sent any financial request or appeal to them and a frightened sentiment had taken shape through the previous interactions with the government for more than forty years. As such, it prevented *piaohao* from collaborating with the Qing government during the financial transitions from 1895.

### **Voluntary donations and irregular levies**

The Qing government had employed voluntary donations and irregular levies to raise funds from *piaohao* since the 1850s. Sometimes they combined those methods and shifted adroitly between the two. When one method failed, the other could be quickly substituted in to meet the government's financial needs without any delay.

In 1853, in order to justify the action to persuade *piaohao* merchants to donate, the investigating censor of Guangxi province called Zhang Siheng exaggerated in his memorial that according to his estimation, the Sun family in Taigu County owned more than twenty million taels, Cao family and Jia family owned four to five millions

of silver taels respectively. Hou family in Pingyao County which owned Weitaihou, Weishengchang, Weifenghou, Tianchengheng and Xintaihou *piaohao* possessed over 3-4 million taels and so on. Consequently it would be no difficulty for those Shanxi merchants to donate a small portion such as ten thousand taels to support the military expenses to suppress the Taiping Rebellions.<sup>169</sup> Such a memorial was probably an overstatement of the strengths of Shanxi *piaohao* merchants because the whole annual income of the Qing government during the late imperial time in 1875, was only around 80,000,000 silver taels., Hence, it was impossible for a few Shanxi merchants to possess half the amount of a country's annual income.<sup>170</sup>

The Qing government had promised to grant official titles or ranks as rewards to encourage more *piaohao* merchants to donate money. Although *piaohao* might be willing to do so to promote their political status, they usually donated around 200 to 500 taels, which was too small for a big official title or a high rank. In fact, the titles they gained were usually the lowest such as “Student of the Imperial College” (*jiansheng*) or “Students who passed the County Exams”(*junxiu*) which was without any real official post. For example, the manager of Weitaihou named Mao Honghui donated 400 silver taels in October 1853. In return, he gained a small title named Assistant Gate Commandant (*shouyusuo qianzong*).<sup>171</sup>

The official-title rewards for the voluntary donations gradually lost their attraction to Shanxi merchants. Primarily, those conferred official titles were too insignificant to do any real good to *piaohao* merchants. In addition, the government called for donations too frequently for various matters. Thus, Prince Yixin once memorialized in 1854 that the Shanxi merchants became rather slack towards the

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<sup>169</sup> SPS, 52.

<sup>170</sup> The exact annul income of Qing in 1875 is Silver taels 82,340,000. See Wu Tingxie, “Lun Guangxu shi zhi caizheng [A discussion on the financial status of the Guangxu Reign]”, in Li Dingyi et al. ed., *Zhongguo jinadaishi luncong*, 231.

<sup>171</sup> SPS, 49.

donation appeals from the government.<sup>172</sup>

Besides invoking voluntary donations from *piaohao* merchants to cope with the internal and external crisis of the country, the Qing court also resorted to irregular levies on the merchants, with *piaohao* as the biggest target. The Qing court had realized the benefits of the irregular commercial levies as early as in 1853, during which the Qing court asked *piaohao* to donate shop taxes (*pushui*) in Beijing to raise military expenditure for suppressing the Taiping Rebellion. Prince Hui (*huiqinwang*) named Mianyu pointed out in a memorial that collecting shop taxes was a shortcut to raise considerable military funds within a short period. Furthermore, it was superior to voluntary donations, for the latter were only applicable to the big merchants and was irregular, while the former could be levied on a monthly basis which its objects extended into more mediocre peddlers.<sup>173</sup>

Sometimes, if the government failed to levy taxes from the merchants to supplement their revenues, it would adroitly shift to voluntary donations immediately. In September 1884, the Board of Revenue asked merchants and firms, especially every branch of *piaohao* to submit 600 silver taels annually as the registration fee in government. The *piaohao* merchants were asked to submit the stipulated amount before they could continue with their remittance businesses. Although such registration concern had something to do with regulating and supervising the financial market after the bankruptcy of the Fukang remittance firms by Hu Guangyong in 1883, as the ordinance had alleged, such registration was in fact a regular commercial tax levied for the military expenses need for the Sino-French War.<sup>174</sup>

After such ordinance was announced, almost all branches of *piaohao* such as those in Sichuan, Gansu, Zhili, Shanxi, Guangxi, Jiangsu, and Fujian, and so on

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<sup>172</sup> SPS, 53.

<sup>173</sup> SPS, 49.

<sup>174</sup> SPS, 208.

opposed it, with the excuse that their recent businesses were not in good condition due to the natural disasters in Shanxi province during the previous years. Instead, they would rather prefer a voluntary donation, and requested the government to endorse their Beijing branches as deputies to submit the allocated quota once and for all.<sup>175</sup> Thus, in 1885, Wang Jian, the Investigating Censor of Jiangxi province, memorialized to the court that such registration requirements should be altered into a combination of voluntary and compulsory donations again and any refusal to it was not allowed at all. He then conceded that official titles would be rewarded based on the exact donation amounts. Wang's proposal was immediately endorsed and enforced by the central government.<sup>176</sup> Thus, registration appeal of the government during 1880s was actually a camouflage for its financial request.

### **Loans to the government**

*Piaohao* were also obliged to loan money to the government, which were never guaranteed that such loans would be returned later. Specifically, as revenue demands from the central governments increased constantly, the respective provincial customs encountered more difficulties to submit their quotas duly. Thus, they had to resort to borrow money from *piaohao* and other remittance firms to fulfill the duties assigned from the central government. A memorial of the Board of Revenue in 1895 revealed that from 1885 to 1894, various provincial Customs had owed the Capital Requisitions, the army supplies for defending the Capital, and military provisions for defending the borders up to 4,710,000 silver taels. It then asked the customs to submit their allocated quotas as soon as possible and should not procrastinate in paying the due amount in the future.<sup>177</sup>

In order to submit the required revenues to the central government on time,

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<sup>175</sup> SPS, 208-9.

<sup>176</sup> SPS, 210-1.

<sup>177</sup> SPS, 271.

Maritime Customs of the various provinces, especially those in Guangzhou, Fujian and Zhejiang, borrowed money from *piaohao* and other remittance firms such as Fukang in order to submit their stipulated quotas to the Beijing duty from 1862 to the demise of Qing in 1911.<sup>178</sup> By the same token, provincial governments also had to loan from Shanxi *piaohao* and other remittance firms to submit their allocated quotas to Beijing. For example, in 1877, the Guangdong-Guangxi Governor-General Liu Kunyi borrowed from Zhichengxin, Xiechengqian, Qianjisheng, Yuanfengjiu *piaohao*'s branches in Guangdong totally up to 160,000 silver taels as the forth batch of the provincial tax quota to Beijing.<sup>179</sup> In 1903, Sichuan province already owed the branches of Shanxi *piaohao* over 300,000 silver taels, while they continued to borrow another 180,000 silver taels to submit their assigned portion of war indemnity to Beijing.<sup>180</sup>

Since 1860s until the demise of Qing in 1911, the problem of such loans from *piaohao* is that they were usually never repaid. Although they were promised to be repaid by those provinces' future revenues such as *lijin* taxes, customs revenues, land taxes and other miscellaneous taxes, the most frequent result was that whenever those taxes were collected, which were formerly stipulated to repay *piaohao*, the priority was then given to meet new financial appeals such as the new assignment of Capital Requisition or the provincial army needs. An editorial in the *China and Foreign Countries Daily* (*Zhongwai ribao*) published on 13 October 1903, commented that although the imperial government sometimes had repaid the loans to *piaohao*, they would borrow from *piaohao* shortly after whenever their silver storage was in a

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<sup>178</sup> SPS, 99-109.

Various maritime customs such as Guangdong Maritime Customs, and Shanghai Maritime Customs were administered by the central government; while provincial treasuries were administered by various provincial government, they were thus part of the local government.

<sup>179</sup> SPS, 101.

<sup>180</sup> SPS, 109.

shortfall.<sup>181</sup> In another statistic by *Dagongbao* published on 14 December 1911, it also revealed that the total amount of money that Qing government borrowed from Shanxi *piaohao* was about 7,000,000 silver taels, and had not yet been returned.<sup>182</sup>

Since the loans to the government could be not repaid as promised, *piaohao* were usually reluctant and tried to evade the loans to the respective provincial governments. In 1878, Liu Kunyi asked *piaohao* and other Shanxi merchants to loan money as the relief fund for a famine in Shaanxi. However, they all refused to do so with the excuse that they encountered severe silver shortage. Few months later, these merchants finally agreed to lend money after the Shaanxi government agreed to pay *piaohao* with higher interest rates.<sup>183</sup> A letter dated around 1900 by the Wuhan branch of Rishengchang *piaohao* also reflected their reluctance to make loans. It explained to its Pingyao head office that they had no other choice but to lend 8,000 silver taels to the provincial army, because they were forced them to do so without any leeway.<sup>184</sup>

Nonetheless, *piaohao* sometimes had to make loans to government officials in order to maintain good personal contacts with them to facilitate their further official businesses. Actually, this was only a means of political capital cultivation. They were reluctant to lend money to them but without much choice. This is a convincing reflection that the relationship between *piaohao* and government was frail and tentative. Between the year 1851 and 1852, letters from Weitaihou *piaohao*'s Suzhou branch complained that since they had offended Ni, the Grain Intendant (*liangdao*) of Suzhou, thus they failed to obtain the chance to remit the official Expenditures of Grain Shipment via Sea (*haiyun jingfei*) though they had made every effort to appease

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<sup>181</sup> SPS, 280.

<sup>182</sup> SPS, 279.

<sup>183</sup> SPS, 100.

<sup>184</sup> SPS, 1077.

Ni's anger and asking for help from other local officials.<sup>185</sup>

In order to avoid offending the officials, *piaohao* had to cultivate good relationships with the Qing officials as carefully as possible. This means that they had to try their best to meet the personal finance needs of the officials. For example, Zhang Linge, an official dispatched from Beijing to Sichuan borrowed 2,000 silver taels from Weifenghou *piaohao*'s Beijing branch. Li Hongling, the *piaohao* manager, reminded his Sichuan branch not press for his debt immediately, for this official might be promoted to a higher post in the future. As a result, the officials did not force the *piaohao* to make loans; *Piaohao* were doing it to a degree voluntarily as a way of forming patron-client networks.<sup>186</sup> Other officials such as Zhao Erxun and Sheng Jifu had once borrowed between 2,000 and 3,000 silver taels from Weifenghou as well, while Li Hongling also commented that their outstanding loans should not be pressed for. This was because Zhao Erxun once had helped them to clear the defaulted loans during his tenure in Hunan province and their branch in Shaanxi further needed the patronage of Sheng Jifu, who was then the Governor-General of Shaanxi and Gansu from 1905 to 1908.<sup>187</sup>

### **Reductions on remittance commission**

In addition to voluntary donations, irregular levies, and loans, the Qing government was even unwilling to pay *piaohao* their deserved remittance commissions and even continuously asked to reduce them, especially after 1900. Since then, the remittance commission fee from Sichuan province to Beijing was reduced from 150 taels to 130 taels per silver taels for every 10,000 remitted.<sup>188</sup> The fee for remitting money from Anhui province to Beijing was reduced from 140 taels to 100 taels per 10,000 silver

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<sup>185</sup> SPS, 1172-6.

<sup>186</sup> Li Hongling, *Tongzhou zhonggao & Shanxi piaoshang chengbaiji*, 113.

<sup>187</sup> *Ibid.*, 154.

<sup>188</sup> SPS, 273.

taels.<sup>189</sup> Following the reduction ordinances of the Board of Revenue, other provinces, such as Shaanxi, Guangxi, Zhejiang, also reduced the commissions paid to *piaohao*.<sup>190</sup>

### **Invisible sufferance**

*Piaohao* also invisibly suffered from providing official businesses to the government in which they viewed them as burdens. A letter from Xietongqing *piaohao*'s Hankou branch complained that they were forced to conduct 30,000 silver taels as the Guansu army's payments. Yet, their Lanzhou branch in Gansu had already been depleted when they previously submitted another 40,000 silver taels. Therefore, it was then difficult for them to find floating funds to accomplish this bill of remittance. However, they still had to remit such amount without any leeway by sustaining losses at their own expenses.<sup>191</sup>

Furthermore, when *piaohao* submitted their stipulated remitted silvers to the official treasury, they were always suffered due to the extractions from the silver warehouse officers with the deliberate excuses that their silver finesses did not meet the official treasury standard. A staff named Hou Zhongzhu, who once worked in the Xietongqing *piaohao*'s Fuzhou and Lanzhou branches, also revealed in an 1889 letter to his parents that *piaohao* had to suffer a dual extortion for official remittances. Besides the extortions from the Capital silver repository officers in Beijing, they also had to pay a certain amount of silver taels known as the "Expenses for Paper and Brush Pen" (*zhibifei*) as tribute to the Fujian Maritime Customs or the Fujian provincial treasury (*fanku*). Consequently, he advised that some of the official remittances, such as remitting salt taxes from Fujian to Beijing, should not be conducted at all, because its costs had exceeded the commission they would gain.<sup>192</sup>

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<sup>189</sup> SPS, 273.

<sup>190</sup> SPS, 730-2.

<sup>191</sup> SPS, 87.

<sup>192</sup> SPS, 1264-5.



### ***Piaohao's frightened sentiment to Qing government***

The long-term alienated relations between *piaohao* and the government would be evidenced from *piaohao's* rejection to register in the Ministry of Finance in 1908. On 16 January 1908, the Ministry of Finance promulgated the Universal Rules for Banks (*yinghang tongxing zeli*) in order to unify, supervise and manage the Chinese financial market. It thus required all native financial institutions such as *qianzhuang* and *piaohao* to register in the ministry as ordinary banks (*putong yinhang*) within three years. If they had not registered by then, they would no longer be allowed to conduct remittance business. Moreover, the rules also articulated that the Ministry of Finance reserved the rights to regularly inspect the financial condition and currency reserves of those ordinary banks.<sup>193</sup>

After such rules were announced, all *piaohao* felt panic. Even Li Hongling, the most progressive Beijing branch manager of Weifenghou *piaohao*, opposed it and worried that such registration would be detrimental to the interests of *piaohao*. He thus presented a petition that those *piaohao* which opened before 1900 should be exempted for such registration via the Beijing General Chamber of Commerce (*jingshi shangwu zonghui*), in order to retain the interests of *piaohao* and not to spill it out (*libu waiyi*).<sup>194</sup> However, the Ministry of Finance turned down Li's requests and decidedly enforced the registration. Thus, all Shanxi *piaohao* and other remittance firms owned by non-Shanxi merchant such as Tianshunxiang paid the registration fees on behalf of all their branches in Beijing on 25 December 1909. The total number including all the branches of *piaohao* registered was 358, with only four silver taels for each branch.<sup>195</sup>

Compared with the previous 600 taels registration fee of each branch required by

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<sup>193</sup> SPS, 353-5.

<sup>194</sup> Li Hongling, *Tongzhou zhonggao & Shanxi piaoshang chengbaiji*, 156-7.

<sup>195</sup> SPS, 356.

the government in 1884, such symbolic petty registration fee, which was four taels for each branch, was a convincing proof that the purpose of registration appeal by the Qing court this time was not to extract money from *piaohao* but to centralize the financial administration, and to regulate the financial market after its financial transformations began in 1895. However, *piaohao* could not understand such underlying purpose. This could probably be attributed to their previous interactions with the government. Because they were extracted so frequently since the 1850s, such registration would likely to be perceived as just the extortion from the Qing court.

In sum, although *piaohao* seized the official remittance chances to make profits and reinforced their roles in Chinese financial market, their interactions with Qing government since the 1850s were still far from pleasant. Extorted by the government through various donations, levies, loans and other invisible extractions, *piaohao* eventually formed a highly suspicious attitude towards any policy from the Qing government, as they would assume that the ultimate purpose of the government was to squeeze money from them. Consequently, *piaohao* would rather prefer to run their business independently whenever possible. This could now further analyze why *piaohao* could not realize the great financial transitions of Qing and seized chances from it during the 1900s. Instead, they even hesitated to enforce the registration policies in 1908. After forty years of unpleasant interactions with the Qing government, *piaohao* could not suddenly remedy their horrified sentiments toward the policies from the Qing government.

### **3. The abortive *piaohao* reform into a modern bank in 1908-09**

After the modern Chinese banks were established after 1897, *piaohao*'s remittance business for the provincial governments dramatically declined. This was especially so

after the Bank of the Board of Revenue was founded in 1905, which aimed at administering the financial matters for the central Qing government. *Piaohao* were suddenly under the pressure of their existence in the Chinese financial market, especially those branch managers in the big cities who had witnessed the financial transitions of Qing and perceived the overwhelming financial power of the new modern Chinese banks. They thus wanted to consolidate all *piaohao* into a united modern bank and retain the status of *piaohao* in the financial market.

The most representative branch manager who called for the consolidation of *piaohao* was Li Hongling. Since the 1870s, he served in Weifenghou's Shanghai, Wuhan and Beijing branches over thirty years.<sup>196</sup> His experience from sojourning in those major cities in China gave him the rare opportunity to contact with the unprecedented changes taken place in China. In 1904, Li noted in his letter to the Weifenghou's head office in Pingyao that the competitions of the financial market were intensified. Specifically, ten years ago, clients would seek *piaohao* for services voluntarily even if they raised their commission. With the increased competition from other *piaohao* and modern banks, nobody would come to *piaohao* if they did not advertise businesses. Thus, he warned that a reform inside *piaohao* was imperative and the head offices in Pingyao should not adhere to the old business customs.<sup>197</sup>

On 23 March 1908, Li Hongling eventually asked for some supports from other *piaohao*'s branches in Beijing to write to *piaohao*'s head offices in Shanxi province so as to endorse a reform to consolidate them into a Shanxi Remittance Bank (*jinsheng huiye yinhang*). Specifically, he proposed that each *piaohao* could contribute a funding capital from 30,000 to 50,000 silver taels, and the upcoming bank should be

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<sup>196</sup> Li Hongling, *Tongzhou zhonggao & Shanxi piaoshang chengbaiji*, 168-72.

<sup>197</sup> Li Hongling, *Tongzhou zhonggao & Shanxi piaoshang chengbaiji*, 122, 135.

organized under limited liability.<sup>198</sup>

However, Li's proposal did not receive any response from the Pingyao head office. Such innovative reformation was intensively opposed by Mao Yunsheng, the proprietor of Weifenghou *piaohao*, who also had the overwhelming influences on the decision making processes in Weitaihou, Tianchengheng, Xintaihou and Weishengchang *piaohao*. He even calumniated Li Hongling that his purpose of doing so was only to generate more money for himself.<sup>199</sup> Consequently, such reform was thus aborted in 1909, and *piaohao* lost its final stake in a modernized Chinese financial market.

As to the reasons for why the proprietors of *piaohao*'s Pingyao head offices rejected such reform proposal, no more were disclosed in Li Hongling's own accounts other than the reason of Mao's distrust of him. Yet besides his recordings, no other sources were available on the responses of the proprietors to the 1908 reforms. Thus, this thesis can only make a speculation on the reason why those proprietors opposed such reforms. The probable reason that why the decision makers of *piaohao* declined the branch manager's reform proposals might be due to the fact that they had never stepped out of their residential counties in Shanxi province. Therefore, unlike the branch managers, they could not perceive the competition pressures brought about by the financial transitions of the Qing government. As compared with the branch managers of *piaohao*, those proprietors were more inward-looking and inclined to keep the old business conventions, and they in fact lacked the accesses to the rapid changing society. In fact, Li Hongling had long perceived the inward-looking nature of the proprietors in the head office. As early as in 1907, he wrote several letters to persuade the proprietors of *piaohao* to tour around the major cities such as Beijing,

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<sup>198</sup> Ibid., 185-7.

<sup>199</sup> Ibid., 157, 178.

Tianjin, Shanghai and Hankou, which would allow them to directly encounter the great transformations in these cities. He further contended that only after such direct and personal experiences could the proprietors have the ability to control and develop the businesses of *piaohao* in the future under the rapid changing circumstances.<sup>200</sup> However, his proposals were also not accepted by the head office in Pingyao.

#### 4. Conclusion

In sum, after the Taiping Rebellion in the 1860s, Qing government utilized the remittance services by *piaohao* without providing any protections for them. Instead, in order to meet their revenue demands, it began to extract money from the *piaohao* through various methods, such as encouraging *piaohao* to donate voluntarily. If such method failed, Qing government would impose irregular levies to *piaohao*. Besides, both the central and provincial government also borrowed money from *piaohao*. In fact, most of the time, such loans were not repaid to *piaohao*. The government also tried to reduce the remittance commissions of *piaohao* for the sake of budget constraints. Shanxi *piaohao* thus developed a petrified sentiment towards the Qing government. In fact, *piaohao* did pay heavily for their business expansion after 1860s.

After 1895, the Qing government implemented unprecedented reforms in the realms of banking and finance. The most prominent one was to endorse the establishments of modern Chinese banks in 1897. From then on, *piaohao*'s previous remittance businesses for the provincial bureaucracies were gradually seized by them. However, during the course of the preparations of the modern Chinese banks, *piaohao* were indeed invited to take part, but they declined such offer. The reason could be attributed to their previous unpleasant interactions with the government since the

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<sup>200</sup> Ibid., 131-3.

1860s. As they were worried that those invitations were just another method to extract money from them, they did not want to get involved with the new financial institutions. Thus, *piaohao* lost the opportunity to catch up with the new financial trends in China after 1895.

Under the pressures brought about by the modern Chinese banks in the financial market, some foresighted branch managers of *piaohao* proposed that all *piaohao* should be consolidated into a united modern bank in 1908. However, such reform was aborted due to the oppositions of *piaohao*'s decision makers. Shanxi *piaohao* eventually lost the last possible opportunity to revive the Chinese financial market.

Chapters Three and Four analyze the reasons for *piaohao*'s decline through the perspective of *piaohao*'s relations with the Qing government. The two chapters demonstrate that providing remittance businesses for the Qing government was a two-edge sword. While *piaohao* did gain considerable development in their business since the 1860s, they also paid prices for that. As a result, when the financial transformations of the Qing began in 1895, *piaohao* refrained from joining them, thus hindered their survival in the Chinese financial market. However, those factors were still not the decisive ones to determine the fate of *piaohao*. If *piaohao* had nurtured better business styles, this would have helped them to carve out their unique niches either in the remittance market or other financial sectors such as the role played by some big *qianzhuang* in supporting cash crop trades in Shanghai. The following chapter will reveal that unfortunately, *piaohao* neither possess nor attempt to nurture better business styles, which hindered their remittance operations, and in fact were the fundamental reasons for their final decline.

## **Chapter 5: *Piaohao*'s Innate Operational Defects**

This chapter will focus on *piaohao*'s business operations to illustrate the fundamental reasons for the decline of *piaohao*. It suggests that such decline could be ascribed to their innately defective business styles. Specifically, *piaohao*'s initial founding capitals were insufficient as compared with those modern Chinese banks based on the western banking principles. *Piaohao* never attached importance to absorb money from the deposits of individual accounts, which made the floating funds of *piaohao* more limited, especially after the Qing government deprived *piaohao* of their rights to handle official repositories since 1895. Furthermore, the proprietors of *piaohao* usually opened more than one *piaohao* and other mercantile firms, which greatly scattered the capitals of each *piaohao*. To make matter worse, *piaohao* never formed a coherent financial community either inside or outside their residential localities. This further blocked their available internal financial sources. All these were of hindrance to *piaohao*'s remittance business, which intensively demanded floating funds. Last but not least, their defective bookkeeping methods and the trend of currency unification after the 1900s were also damaging to *piaohao*'s survival in the Chinese financial market.

### **1. Limited working funds of *piaohao***

After the modern Chinese banks established and began to deal with remittances for the Qing government, *piaohao* lost their remittance businesses from the provincial governments and quickly declined. One reason for such decline was due to the fact that they could not enjoy the preferential treatments from the Qing government as the modern Chinese banks could. However, the most fundamental reason was due to *piaohao*'s limited working funds for remittance transactions as compared to those of

the modern banks. Without abundant floating funds, *piaohao* sometimes could not handle the remittance bills of large amounts, which hindered their business expansion.

As discussed in Chapter Two, *piaohao*'s remittance business needed abundant floating capitals to smoothly keep the transfer of funds. Their funding capitals were definitely one of the most important sources. However, *piaohao*'s founding capitals were rather limited. Each *piaohao* was initially capitalized from 100,000 to 300,000 silver taels. As a result, each branch would not gain more than 10,000 silver taels as its working capital, unless those primary branches in Beijing, Tianjin and Shanghai, which sometimes had the chance to get 30,000 taels.<sup>201</sup> On the contrary, when the Imperial Bank of China was established in 1897, it gained a paid-up capital of 2.5 million taels and one million silver taels of loan from the Board of Revenue.<sup>202</sup> The founding capital of the Board of Revenue was four million silver taels, and later expanded into ten million taels in 1908, after it was upgraded to form the Great Qing Bank.<sup>203</sup> The working funds for each branch of the Great Qing Bank would vary from 100,000 to 200,000 silver taels.<sup>204</sup> Such stark contrasts of the founding capitals illustrate clearly the different capital strengths of *piaohao* and modern banks.

Funds from *qianzhuang* and those deposited for future remittance by merchants who dealt with interregional wholesale trades were also important sources for the floating capitals of *piaohao*. However, as discussed in Chapter Three, *piaohao* could not effectively absorb funds from *qianzhuang*, especially in those branches that were set up in the southern provinces of China due to the barriers of local customs. Furthermore, as the interregional trades conducted by Chinese merchants declined since the 1860s, the available funds from those merchants became less approachable.

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<sup>201</sup> SPS, 326, 581-2; also refer to Table 1.

<sup>202</sup> Zhongguo tongshang yinhang ed., *Wushi nianlai zhi zhongguo Jingji*, 3.

<sup>203</sup> Daqing yinhang qinglichu [The Great Qing Bank Clearance office] ed., *Daqing yinhang shimoji*, 3, 9.

<sup>204</sup> Ibid., 38-39.



Thus, from then on, *piaohao* mainly relied on the money from various provincial treasuries and repositories as their working capitals for remittances.

*Piaohao*'s over-reliance on the provincial funds rendered their neglect on another important source of floating funds for remittance—deposits from the common people. *Piaohao* usually did not accept public deposits unless the depositors had particular importance to the development of *piaohao*. Before 1895, such neglect did not affect their regular business negatively because *piaohao* could utilize various provincial funds as their working capitals for the remittance transactions. However, after the Qing government began to centralize their financial sectors in 1895, *piaohao* lost their previous rights to access to provincial funds, and this accelerated their final decline.

The neglect on popular deposits and primarily focus on official funds of Shanxi *piaohao* could be verified through two sources. The first source is taken from the regulations drafted by *piaohao* themselves. Specifically, in a 1901 regulation written by Dadetong *piaohao*'s head office at Pingyao County, for the settlement of its new branch in Chengdu indicated that this new branch would mainly focus on the remittance businesses from the Sichuan provincial government and the management of Provincial Treasury. As to the issue on regular deposits, if the customers had asked for a lower interest, they would still consider to utilize part of it. However, if they asked for an interest rate higher than 4.8% per year, such deposits would not be accepted unless the customer was of a particular importance to them. They further commented that since their business scale was already big enough, there was no need to absorb deposits for they would load their business with unnecessary interest payments.<sup>205</sup>

The second source is based on the observations by foreigners, who were either

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<sup>205</sup> SPS, 599.

the staffs of Maritimes Customs or diplomatic Consuls fulfilling their duties in China. The Decennial Reports between 1882 and 1891 by the Shanghai Maritimes Customs also confirmed that half of the sixteen Shanxi *piaohao* operated in Chongqing were semi-official financial institutions which were endorsed the rights to manage and remit the funds for Capital Requisition on behalf of the provincial government. They did not attach great importance to absorb public deposits.<sup>206</sup> The report made by Japanese deputy Consul in Shashi, Hubei province, revealed in 1906 that the eleven *piaohao* there rarely dealt with deposits from the common people, and would not even consider to accept it if the amount did not reach up to 1,000 silver taels.<sup>207</sup> Other consuls of Japanese Consulates, such as in Fuzhou, Guangzhou, and Hankou during the 1900s all indicated that the branches of Shanxi *piaohao* there mainly dealt with official remittances and funds, and seldom contacted and supported the local merchants without the intermediaries of local *qianzhuang*.<sup>208</sup> In Beijing, a Japanese researcher on Chinese economy also pointed out that in 1907, the major business of *piaohao* was dealing with official funds, and they generally did not received deposits from ordinary people.<sup>209</sup>

*Piaohao* eventually realized the problems brought about by their neglect on public deposit. A letter written by Weifenghou *piaohao*'s Yingkou (in today's Liaoning province) branch in 1908 bitterly revealed that after the various Provincial Banks and branch of the Great Qing Bank were established, their previous official remittance businesses dramatically decreased. While their available floating funds from the government were reduced, they could not effectively absorb the deposits from the public as well, as they could not afford the interest rate that was higher than

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<sup>206</sup> SPS, 70-1.

<sup>207</sup> SPS, 323.

<sup>208</sup> For the report on Hankou, see SPS, 312; report on Guangzhou, see SPS, 314; report on Fuzhou, see SPS, 317.

<sup>209</sup> *Shina keizai sensho* 6, (Tō-A Dōbunkai, 1907), 625; re-quoted from SPS, 334.

0.4% per month. On the contrary, modern banks could offer a much higher interest rate and allowed the depositors to withdraw their money liberally.<sup>210</sup>

In sum, the accessible official funds from the various provincial bureaucracies before the financial centralization process of Qing retarded *piaohao*'s ability to duly alter their perceptions on the importance of the deposits from ordinary people. As such, defective business perception eventually caused the decline of *piaohao* soon after the process of the financial reforms of the Qing government began.

## **2. Scattered capital structures**

Besides the innately limited founding and working capitals of *piaohao*, the scattered capital structures of *piaohao* further prevented them from accumulating sufficient funds to be utilized in the remittance business. This means that the proprietors of Shanxi *piaohao* usually invested money to open more than one *piaohao*, thus making each *piaohao* unable to effectively gain sufficient capitals. Moreover, *piaohao* proprietor would also at the same time invest in other mercantile firms dealing with tea, tobacco, silk or cloth. They even hoarded the silver and spent lavishly on land and so on. In all, the investors' money could not be concentrated on one *piaohao* but rather loosely spread to various businesses or just simply hoard them. This further circumscribed the available floating funds for every *piaohao* and thus prevented their business expansion.

There are several examples of *piaohao*'s proprietors scattering their investment. This first example is the Rishengchang *piaohao*. Its proprietor was Li Daquan. Besides Rishengchang, he also established the Qianjisheng *piaohao*. Furthermore, the Li family also operated many cash shops, grocery stores and cloth shops in Pingyao,

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<sup>210</sup> Li Hongling, *Tongzhou zhonggao & Shanxi piaoshang chengbaiji*, 197-99.

and a dyestuff firm in Tianjin.<sup>211</sup> Another case is the Hou family. The investor Hou Chongji opened five *piaohao* simultaneously in 1826, namely the Weitaihou, Weifenghou, Weishengchang, Xintaihou, and Tianchengheng.<sup>212</sup> The Hou family also owned several cash shops, pawnshops, dye houses, grocery shops, grain shops, and medicine shops both in the Shanxi province and in Beijing.<sup>213</sup> The third example is the Qiao family in Qi County, which invested solely on Dadetong and Dadeheng *piaohao*. However, those two *piaohao* only took a very limited portion compared with the total number of firms owned and operated by Qiao family. In fact, the rise of the Qiao family was attributed to its tea trades among southern provinces of China with Russia and Mongolia. The initiation of their two *piaohao* was to cater to the financial needs of their tea trades.<sup>214</sup> Consequently, the main profits of the Qiao family did not come from their *piaohao*, but from the family's other firms such as tea, grain, money and pawn shops.<sup>215</sup>

In addition, those *piaohao* investors hoarded silvers instead of investing more money on *piaohao*'s operation, and spent lavishly on land investment. The Qu family who invested in the Sanjinyuan, Changshengchuan and Baichuantong *piaohao* concurrently built two vaults in Qi County in order to keep their silver sycees. The total amount that they hoarded was up to 3,000,000 silver taels.<sup>216</sup> The Chang family who owned the Dadeyu *piaohao*, invested over ten-hectare land in Yuci County, regardless of whether if the land quality there was inferior.<sup>217</sup> They also built spectacular houses in their residential villages. For example, the Ji family which

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<sup>211</sup> SPS, 771-2.

<sup>212</sup> SPS, 638-42.

Those five *piaohao* are: they were Weitaihou, Weifenghou, Weishengchang, Xintaihou, and Tianchengheng

<sup>213</sup> SPS, 772-3.

<sup>214</sup> It was not until 1884 that Dadetong *piaohao* was set up on the foundation of Dadexing tea firm. Even after the Dadetong *piaohao* was established, it still conducted on tea trades. See the "New Regulations of Dadetong in 1884", in SPS, 595-7.

<sup>215</sup> SPS, 780.

<sup>216</sup> SPS, 779.

<sup>217</sup> SPS, 778.

owned the Qianshengheng and Qidechang *piaohao* spent 300,000 silver taels to build their house.<sup>218</sup> It is ironic that what they would capitalize from each of their *piaohao* was only around 200,000 silver taels.<sup>219</sup>

### 3. Weak internal and external networks of Shanxi *piaohao*

The above arguments show that the remittance business scale of every *piaohao* is limited due to their insufficient working capitals used for remittance transactions. However, since they came from the same native localities, if each *piaohao* would support each other in terms of floating funds, which were highly valued by the Chinese merchants, *piaohao*'s total strength in the Chinese remittance market would be reinforced.<sup>220</sup> However, the existing archives show that the networks of *piaohao*, either inside or outside their residential counties, were rather weak. This demonstrates that the thirty Shanxi *piaohao* never formed a cohesive financial community. Without financial supports from their counterparts, *piaohao*'s remittance business would encounter more difficulties as they continue to develop and expand.

However, it is not to say that thirty Shanxi *piaohao* never had contact with one other. By and large, their internal contacts included three aspects. First, according to the letters of Rishengchang *piaohao*, several *piaohao* usually transferred a batch of real silver either from or to their residential counties collectively.<sup>221</sup> For example, during the 1880s, several *piaohao* from the Qi County transferred silver sycees of about 250,000 silver taels from Hankou to their head offices in Shanxi province.<sup>222</sup> The purpose of doing so was probably due to the need to lower the transaction costs

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<sup>218</sup> SPS, 776.

<sup>219</sup> Refer to table 1.

<sup>220</sup> For a case on the significant of native place ties on the sojourning merchants, see William T. Rowe, *Hankow: commerce and society in a Chinese city, 1796-1889* (Stanford, Stanford University Press, 1984), Chapter 7, Local origin in an immigrant city, 213-51.

<sup>221</sup> See various cases on transferring silvers among places by various *piaohao* collectively, in SPS, 577, 981, 1059, 1060, 1066, 1068.

<sup>222</sup> SPS, 1056.

of silver transportation between places and also to guarantee the security, since they could hire more armed guards to escort their money transfer carts.

Second, most *piaohao* always asked the runners of other *piaohao* to help with the delivery of their correspondences and other sundries from one place to another. For example, the numerous letters left behind by the Rishengchang *piaohao* show that seven other *piaohao* had once helped with its letter delivery.<sup>223</sup> Moreover, there was an occasion which the Weitaihou's Suzhou branch had asked Rishengchang *piaohao* to help them to bring a pair of glass frame to someone in Beijing.<sup>224</sup> However, none of the letter by *piaohao* had ever referred to matters like inter-*piaohao* financial assistances.

Third, the *piaohao* would collectively defend against the government's frequent request for money. Particularly, *piaohao* with the same origins such as Pingyao, Qi or Taigu County might convene on the issues of the compulsory donations from the government. However, those *piaohao* would only unite temporarily and dissolve soon after they submitted their donations. The motivation of doing so was merely to benefit their individual businesses. This was because if every *piaohao* donated unequally, government would harass both the one who contribute the highest amount and the lowest amount. In 1900, the provincial army in Hankou wanted to loan money from *piaohao*'s branches. Thus, all *piaohao* originated from Pingyao County discussed with each other on the actual amount that each firm should donate. They eventually agreed that each branch would loan 8,000 silver taels to the provincial army. However, Qianshengheng *piaohao* refused to enforce such agreement. As a result, Rishengchang complained that since every *piaohao* had its own private concerns even when dealing

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<sup>223</sup> Those *piaohao* who helped the letter delivery of Rishengchang *piaohao* are: Weitaihou, Qianshengheng, Xietongqing, Baichuantong, Yuanfengjiu, Xiehixin, Weishengchang, and Weifenghou. See various letters by Rishengchang, in SPS, 902-6.

<sup>224</sup> SPS, 1130.

with the public affairs inside *piaohao*, the common scenario was that they could never come to a common agreement.<sup>225</sup> Under such circumstances, all *piaohao* could not defend themselves collectively.<sup>226</sup>

In sum, the internal interactions among *piaohao* were irrelevant to the essential aspects of their remittance business, such as exchanging business information, setting interest rates and commission fees accordantly, or receiving financial assistance from other *piaohao* at a lower rate than from the outside financial sources. On the contrary, they only came together irregularly to defend against the government extractions when such cases were in extreme emergency; otherwise they were more interested in their own profits.

The weak financial networks of *piaohao* could be further illustrated in two aspects: first, *piaohao* did not have an association inside their residential counties of Shanxi province to decide business affairs and collectively resolve disputes; and second, the local networks of *piaohao* outside the residential places could not provide supports to the itinerant *piaohao* merchants.<sup>227</sup>

There were neither remaining correspondences left behind by *piaohao* that shows that they had ever formed any association inside their residential counties in Shanxi province nor evidence of intra-*piaohao* loan or deposit exist according to the remaining ledgers of *piaohao*. On the contrary, the numerous letters illustrates that *piaohao* usually charged the same commission as what they asked from other non-*piaohao* commercial firms in providing remittance services without any special preferential policies. Therefore, this is a convincing proof that *piaohao* did not have

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<sup>225</sup> SPS, 1063.

<sup>226</sup> SPS, 1077.

<sup>227</sup> An ideal pattern of itinerant banking merchants' coherent network is depicted by David Rudner about the Nakarattar Chettiars, a southern Indian itinerant banking caste during 19<sup>th</sup> century. This thesis refers to Rudner's analyses of what is a coherent financial community possessed by the Indian banking merchants in discussing the internal relations of *piaohao*, since those two financial communities shared a lot of business characters in common. See David Rudner, *Caste and capitalism in colonial India: the Nattukottai Chettiars* (Berkeley, University of California Press, 1994), Chapter 6, A Collectivist Spirit of Capitalism, 104-30.

close business connections with one other. For example, during the 1890s, the head office of Rishengchang in Pingyao remitted 6,000 silver taels for Dadeyu *piaohao*, 3,000 silver taels for Cunyigong *piaohao*, and received a total of 100 silver taels as the commission from the transactions.<sup>228</sup> During the same period, it also remitted 5,000 taels for Dadeheng and 3,000 taels for Sanjinyuan *piaohao*, and another 5000 taels for another mercantile firm, in which they gained about 300 taels as the remittance fee and 66 days usance.<sup>229</sup> Moreover, according to a ledger made by Rishengchang's Changsha branch for the financial year from 1896 to 1897, it indicated that it conducted a 15,000 taels remittance for Weifenghou *piaohao* to Hankou, and charged it 30 silver taels.<sup>230</sup>

Shanxi *piaohao* merchants did not have effective associations when doing business outside their residential localities. Without such local networks, it was difficult for them to gain overdraft privileges or loans. From a letter written by the Rishengchang *piaohao*'s Changsha branch in Hunan province during the 1890s, it reported to its head office how Xintaihou *piaohao*'s Changsha branch was in difficulties when they only had 20,000 silver taels at hand, while they had to cash more silver bills than such an amount. Without extra silver sources, the Xintaihou *piaohao*'s Changsha branch had to ask their branch at Xiangtan to transfer silver sycees to Changsha, which was costly and time consuming.<sup>231</sup> Such a letter indicated that although the Rishengchang *piaohao* noticed their counterpart Xintaihou *piaohao* in Changsha branch had problems in their daily business, they viewed such trouble indifferently and reported it to its head office as intelligence news without offering any actual help to Xintaihou *piaohao*.

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<sup>228</sup> SPS, 869.

<sup>229</sup> SPS, 991; for more cases on Rishengchang *piaohao* charged other *piaohao* at a standard price rate for remittance services for other *piaohao* such as Qianshengheng, Heshengyuan, Dadeheng, Baichuantong, and Tianchengheng *piaohao* from 1860s to 1890s, see SPS, 856, 889, 894, 911, 961.

<sup>230</sup> Shi Ruomin et al. ed., *Pingqitai shehui jingji shiliao yu yanjiu*, 802.

<sup>231</sup> SPS, 942.



In fact, the various *piaohao*'s local branches were highly competitive and suspicious of one another. As such, they were unwilling to operate collectively. For example, Rishengchang engaged in intensive competitions with Weitaihou *piaohao* as early as in 1841, when the voluntary donations from various provinces bloomed. According to the letter written by Weitaihou's Suzhou branch, it indicated that they could not conduct any remittances for the donations since Rishengchang lowered the commissions beyond the profit level. As a result, if Weitaihou also adopted such service charge rate, they could sustain losses rather than gaining profits from it.<sup>232</sup> Another letter by Weitaihou in 1851 also revealed that they failed to deal with a single penny of the Expenditures of Grain Shipment via Sea (*haiyun jingfei*) due to the competitions from Rishengchang. It further complained that it had difficulties seeking businesses opportunity due to the intensified competitions within the *piaohao* community.<sup>233</sup> It also conceitedly revealed in 1851 that since a provincial official was dissatisfied with the remittance services provided by their counterpart Xintaihou *piaohao*, the official resorted to them to remit his private funds from then on.<sup>234</sup> In fact, although Weitaihou and Xintaihou were owned by the same proprietor Hou Chongji, they were rivals in every remittance transactions.

Letters from Xietongqing and Rishengchang *piaohao* also demonstrated the competitions for various remittance businesses among the local branches of *piaohao*. For example, Xietongqing *piaohao*'s Xi'an branch recorded in 1874 that remitting the grain funds from there to Lanzhou for Gansu government were monopolized by Tianchengheng. Thus, they had to carefully arrange to take back part of the business.<sup>235</sup> Rishengchang's Pingyao head office also indicated around the mid-1890s,

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<sup>232</sup> SPS, 637, 1111.

<sup>233</sup> SPS, 636-37, 1173-76.

<sup>234</sup> SPS, 1165.

<sup>235</sup> SPS, 637.

the Capital Requisition remittance from Guangzhou was gradually dominated by the branches of Zhichengxin and Xiechengqian. Therefore, they would try harder to seek more official remittance opportunities.<sup>236</sup> Around 1900, Rishengchang *piaohao* temporarily withdrew from the remittance of Capital Requisition due to the chaotic situation caused by the Boxer Rebellion in the Northern provinces. It then persuaded other *piaohao* to cancel the services for official remittances as well. However, no single *piaohao* adopted the proposal by Rishengchang and instead continued to provide remittance services to the various provincial bureaucracies.<sup>237</sup>

Since *piaohao* lacked local mutual cooperation and support, each *piaohao* would rather prefer to concentrate on the official remittance business in a certain area and try to dominate it. Specifically, the business influence of Dadeyu *piaohao* was mainly in the Hebei province. Dedetong *piaohao* was based in the Shaanxi province. Baichuantong *piaohao* mainly focused their business on Sichuan, Yunnan and Guizhou provinces, the southwestern part of China. Weifenghou, Xietongqing and Tianchengheng *piaohao* mainly conducted their business in Shaanxi and Xinjiang provinces, the northwestern boarder areas of China.<sup>238</sup>

In conclusion, *piaohao* did not support each other either inside or outside their residential counties despite the fact that both their capital and business scale were already limited. Consequently, all Shanxi *piaohao* never formed a cohesive financial community. They were uncompetitive in the Chinese financial market since their internal financial supports were actually the only available resources for them to draw upon, especially after 1895, when they could no longer access to the provincial repositories.

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<sup>236</sup> SPS, 985.

<sup>237</sup> SPS, 1073.

<sup>238</sup> SPS, 635-36.

#### 4. The defective bookkeeping methods of *piaohao*

Besides the insufficiency of *piaohao*'s operative capital, which led to their final decline, their bookkeeping method was also innately defective. This was harmful to their survival as well. *Piaohao* adopted the bookkeeping method called *sizhufa* (four-column accounting) that was based on the basis of state accounting in late imperial China. It had four categories for recording official receipts and disbursements: balance forwarded (*jiuguan*), new receipts (*xinshou*), outlays (*kaichu*), and present balance (*shizai*). This was a single-entry system based upon a simple principle - the balance forwarded plus the new receipts must equal outlays plus present balance.<sup>239</sup>

By adopting the *sizhufa* as their basic accounting and bookkeeping method, the process of profit division of the *piaohao* was rather easy. For example, the four *piaohao* owned by Hou family, namely Weifenghou, Weitaihou, Xintaihou and Weishengchang calculated their year-round profit simply by deducting what they owed others (*gaiwai*) from what others owed them (*waigai*), without considering whether what others owed them were bad debts or not.<sup>240</sup> However, the fatal defect of *sizhufa* was that it lacked the mechanics to keep track of the capital, because no records of assets and liabilities were reflected on it. In the absence of capital accounts, rules of the thumb dictated methods for fair division of profits without depleting the business capital. Therefore, the account balance clearly did not represent the true profit.<sup>241</sup>

Moreover, by studying another annual ledger left by Qianjisheng *piaohao*'s Jinan branch, Huang Jianhui found another innate defect lied in *piaohao*'s account keeping method. He pointed out that the ledgers about the specific loan and deposit

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<sup>239</sup> Robert Gardella, "Squaring accountings: Commercial bookkeeping methods and capitalist rationalism in late Qing and Republican China", *Journal of Asian Studies*, Vol. 51, No.2 (May, 1992), 323; for a sample ledger of Rishengchang's Taiyuan branch in 1888, see SPS, 1078-83.

<sup>240</sup> SPS, 218.

<sup>241</sup> Faure, *China and Capitalism*, 36-7.

transactions made by the branches of *piaohao*, were never reported to the head office in Shanxi, since the annual ledgers made by the head office only concerned about the final profits gained by the various branches, without regarding to how they gained it. As a result, the head office of *piaohao* was unable to keep track of the bad debts of their respective branches.<sup>242</sup> This was indeed a big and latent problem which had a negative impact on the accuracy of *piaohao*'s ledgers.

### **5. The negative effects of currency unification on *piaohao***

The last aspect related to the decline of *piaohao* lied in the effects brought about by the gradual unification of Chinese currencies. After the Ming Dynasty, China gradually developed a bimetallic monetary system, including copper cashes used in petty transactions, silver taels in the wholesale trades, and the payment to governmental revenues.<sup>243</sup> However, such bimetallism system was in chaos because both copper cash and silver bullions lacked uniformity and standardization, and hence varied greatly from place to place. In fact, since the 1850s, various kinds of currency had been in circulation without any uniform exchange rates fixed among them. Moreover, foreign banks and *qianzhuang* in every province issued their own paper currency. The imported foreign silver dollars such as the Spanish dollars and Mexican dollars were also commonly accepted and welcomed as media of exchange in the southern costal areas due to its standardization in form, weight, and fineness.<sup>244</sup>

Due to the inconveniences brought about by the chaotic bimetallism monetary system, the demands for currency unification became more insistent after the transformation of the Qing government. Finally, the silver dollar was designated as

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<sup>242</sup> SPS, 1257.

<sup>243</sup> For a comprehensive study on the bimetallism system in China, see Richard von Glahn, *Fountain of fortune: money and monetary policy in China, fourteenth to seventeenth centuries* (Berkeley, University of California Press, 1996).

<sup>244</sup> For backgrounds, see Hao, *Commercial Revolution in nineteenth century China*, Chapter 3: New forms of Money, 34-71; King, *Money and monetary policy in China, 1845-1895*, 81-90.

the standard coin of China in 1910. The silver dollar would only be minted at the Central Mint and its branches in Wuhan, Guangdong, Yunnan and Sichuan.<sup>245</sup> Furthermore, the Qing government also wanted to centralize and standardize the issuance of paper currency. On 8 June 1909, the Ministry of Finance promulgated the Regulations on the Circulation of Silver and Cash Paper Notes (*Tongyong Yinqianpiao Zhangcheng*). It stated that only the Great Qing Bank could issue paper notes, which were backed up by a reserve fund. Other financial figures were not allowed to issue paper notes and those already in circulation must be gradually be retrieved from the market.<sup>246</sup>

This regulation to unify the currencies in China brought about two negative effects to the survival of *piaohao*. First, since part of *piaohao*'s profits relied on the exchanges between different types of silver taels with different weights and finesses, the gradual unification of silver and the introduction of officially minted silver dollars, terminated the profit gained by *piaohao* through the different silver exchange rates. Consequently, 1,000 Shanghai Standard Silver taels (*shanghai shengongfa guiyin*) only equalled to 945.68 Beijing Public Standard Silver taels (*jingshi jingongfa zuwenyin*). This means that the Shanghai Standard Silver taels were less pure than the Beijing ones.<sup>247</sup> For instance, if the *piaohao* received 500 taels of the Beijing Public Standard Silvers from their customer to be remitted to Shanghai, they would then only pay the Shanghai drawer the 500 taels of the Shanghai Standard Silver. *Piaohao* thus gained a considerable profit from it because the Beijing silvers were more valuable than the Shanghai ones with the same weight. Since such exchange rates were too

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<sup>245</sup> Chuzo Ichiko, "Political and Institutional Reform, 1900-11." In *The Cambridge History of China, vol. 11: Late Ch'ing, 1800-1911*, J. Fairbank and Kwang-ching Liu ed. (Cambridge: Cambridge University Press, 1980), 403-407.

<sup>246</sup> Duzhibu [Ministry of Finance], "Tongyong yinqianpiao zhangcheng [Regulations on the Circulation of Silver and Cash Paper Notes]", June 8 1909, in *Daqing yinhang dang'an* [Archives on the Great Qing Bank], vol. 1, held in the Number One Historical Archives in Beijing.

<sup>247</sup> SPS, 706; for more discussions, see King, *Money and monetary policy in China*, 70-81.

complicated and difficult for ordinary people to handle, they usually were unable to perceive the nuances between the exchange rates. This allowed the *Piaohao* to take advantage of this disordered silver tael systems and to make profits prior to the currency unification in China. Hence, twenty percent of Rishengchang Suzhou branch's profit in 1856 came from exchanging among various silver standards.<sup>248</sup> Its Tianjin branch gained 1,338 silver taels through exchanges among different silver taels.<sup>249</sup>

The second negative effect to the survival of *piaohao* was caused by the prevalence of convertible paper currency and minted silver dollars. Their volumes were much smaller than silver bullions, and thus were more convenient and safer for people to carry them as the medium of payments. As a result, most people would no longer need to remit their money before their travels or trades. Instead, they could just bring the convertible paper notes or the minted dollars along with them. Such trend was revealed in a letter from Weifenghou *piaohao*'s Yingkou branch in 1909. The letter revealed that the paper currencies gained a widespread circulation, and people seldom proceeded to *piaohao* to remit silver sycees. They would rather carry paper notes with them. Consequently, it appears uncertain if there would still be a need for remittance services.<sup>250</sup>

## 6. Conclusion

In conclusion, as compared with modern Chinese banks, the available floating funds that *piaohao* could draw upon during remittance transactions were rather limited. This was in fact the fundamental reason for *piaohao*'s failure in the remittance competitions with modern banks. Specifically, *piaohao*'s founding capital

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<sup>248</sup> SPS, 629.

<sup>249</sup> SPS, 630.

<sup>250</sup> Li Hongling, *Tongzhou zhonggao & Shanxi piaoshang chengbai ji*, 198.

was rather limited and they did not place great importance to attract public deposits. Furthermore, due to in-cohesive financial networks, *piaohao* could neither gain financial supports from their counterparts inside their residential village nor at places where their branches were established. The problem of insufficient funds faced by *piaohao* became more serious especially after 1895 when they could no longer utilize the funds from the official repositories. Such operations were gradually taken over by the various central and provincial governments. Without abundant floating capitals, *piaohao*'s remittance business could not run smoothly, and this finally caused the decline of the business of *piaohao*. In addition, *piaohao*'s defective bookkeeping methods and their reliance on the gradually out-dated bimetallism monetary systems were also the fundamental reasons for their final decline.

Actually, if *piaohao* could have avoided some of the problematic business behaviors, they would not have disappeared from the Chinese remittance market so immediately even after they no longer conducted the official remittances for the Qing government. Therefore, it was their innate business operations that hindered their survival and drove them out of the Chinese financial market.

## Chapter 6: Conclusion

The social order of the Qing dynasty in its last century was in chaos due to the persistent internal rebellions and external invasions. This rendered the previous method of transferring real silver taels overland dangerous. Next from the 1820s, several foresighted Shanxi merchants began to provide remittance services to the Chinese merchants who conducted wholesale overland trades. As a result, *piaohao*'s remittance business expanded greatly during and after the Taiping Rebellion (1851-64) because the various Qing provincial bureaucracies asked *piaohao* to remit their financial quotas, which was safer and cheaper than the previous method of transferring silver taels through armed troops. From then on, *piaohao* became a salient figure in the Chinese remittance market. However, most of them disappeared after the demise of Qing in 1911. Thus, the most prevailing explanation for the decline was *piaohao*'s over-reliance on serving Qing government.

Yet, the collapse of the Qing dynasty was only a catalyst of the *piaohao*'s final decline. The fundamental reasons, in fact, lie in their defective business style. Specifically, *piaohao* could not accumulate abundant floating capitals for remittance businesses due to their family-style capital raising mode. Moreover, they did not attach great importance to public deposits and the effects of such neglect became more fatal after the Qing government took back *piaohao*'s rights to access to official treasuries and repositories from 1895. Furthermore, *piaohao* could not effectively get the financial support from their counterparts, for thirty Shanxi *piaohao* were only loosely connected with each other and had never formed coherent financial communities either inside their residential counties or in places where they set up branches. Lastly, their bookkeeping method and their dependency on outdated chaotic bimetallism currency system also hindered their further business survival and



expansion in a gradually unified and modernized Chinese financial market.

Due to those innately defective business characters, *piaohao* did not carved out their unique niches in the Chinese remittance market as early as they began to conduct official remittances in 1860s. None of a single *piaohao* had ever monopolized the provincial remittance businesses because their limited floating capital did not allow them to do so. In fact, a *piaohao* not only had to compete with other *piaohao* for a single bill of official remittance, it also faced competition for handling official remittances from other financial figures that operated concurrently with *piaohao* during that time, such as remittance firms.

To a larger extent, *piaohao* did not own niches in the Chinese financial market as well, for on the one hand, they could not meet the basic financial needs of the popular which was what the *qianzhuang* could do. On the other hand, they could not finance modern industries and extend credits to Qing government, unlike the modern Chinese banks which could. Thus the *piaohao*'s influence in the Chinese financial market in the late imperial time was rather limited and the decline of Shanxi *piaohao* was a long-term evolution which had started since 1860s, and was latent long before the demise of Qing.

In addition, contrary to the commonly accepted idea, the previous chapters have illustrated that Shanxi *piaohao* did not gain benefits from serving the Qing government without any sufferance. They had to negotiate constantly with the government to avoid the latter's frequent financial appeals to them since 1850s. *Piaohao* eventually formed a frightened sentiment towards the Qing government. As a result, they refrained from collaborating with the Qing government although they were invited to do so when Qing began to establish modern Chinese banks and promulgated unprecedented regulations on supervising the financial market since

1895. *Piaohao* thus lost the chances to reform to catch up with the modernization process of the Qing government in the realm of banking and finance, which further accelerated their decline.

In sum, the reasons for the decline of Shanxi *piaohao* are a combination of factors. Some reasons are that modern Chinese and foreign banks were more efficient and better funded; some modern Chinese banks gained the government's preferential treatment after 1895. Another reason is because *piaohao* did not have a good vision of their business development. The most fundamental reasons are related to the *piaohao*'s defective capital raising and absorbing modes. Thus, their decline was already latent as soon as they started to operate in the Chinese financial market since 1820s. The decline of Qing dynasty was only a direct cause than a decisive factor.

Lastly, reconstructing the history of Shanxi *piaohao* and analyzing their decline would distinguish its particular financial status that is semi-independent and semi-dependent on the Qing government from other contemporary financial institutions such as *qianzhuang* and modern Chinese banks. *Piaohao*'s interactions with the Qing government would further shed lights on the latter's transition to a more centralized financial administration during the last half of the nineteenth-century. In addition, studying the operation and management characters of *piaohao* could also contribute to the business history of family firms of late Qing dynasty China.

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## Appendix

**Table1: A list of Shanxi *piaohao*** <sup>251</sup>

Name	Opening Year	Head office location (all are inside Shanxi province)	Proprietor(s)	Premises/ Predecessors	Approximate Founding Capital (unit: 1,000 silver taels) <sup>252</sup>
Rishengchang 日升昌	1823	Pingyao	Li Daquan 李大全	Dye firm	200-300
Weitaihou 蔚泰厚	1826	Pingyao	Hou Chongji 侯崇基	Silk firm	100-350
Weifenghou 蔚丰厚	1826	Pingyao	Hou Chongji 侯崇基	Silk firm	200-300
Weishengchang 蔚盛长	1826	Pingyao	Hou Chongji 侯崇基, Wang Peinan 王培南 et al.	Silk firm	200-240
Xintaihou 新泰厚	1826	Pingyao	Hou Chongji 侯崇基, Zhao Yidi 赵一第 et al.	Silk firm	150-260
Tianchengheng 天成亨	1826	Pingyao	Hou Chongji 侯崇基 Ma Zhu 马铸 et al.	Cloth shop or grocery store	150-200
Rixinzhong 日新中	1838~42	Pingyao	N.A.	N.A.	N.A.

<sup>251</sup> This table is made according to SPS, 638-62.

<sup>252</sup> The founding capitals of *piaohao* were only an approximate estimation due to the sporadic available data. And the most important reason is the founding capitals of *piaohao* were rather fluid, for the own properties and deposits of the proprietors and the working capitals were never distinctively separated and they could be withdrawn at any time without a strict limit.

Xiehexin 协和信	1853	Pingyao	Wang Dong 王栋	N.A.	N.A.
Xietongqing 协同庆	1856	Pingyao	Wang Dong 王栋, Dong Bingwen 东秉文	N.A.	120-240
Baichuantong 百川通	1860	Pingyao	Qu Yuanzhen 渠源沝, Qu Yuanluo 渠源洛, Qu Benli 渠本立	N.A.	300
Qianshengheng 乾盛亨	1862~64	Pingyao	Ji Yihe 冀以和	N.A.	100
Qianjisheng 谦吉升	1862~64	Pingyao	Li Daquan 李大全 et al.	N.A.	100
Weichanghou 蔚长厚	1864	Pingyao	Hou Chongji 侯崇基 et al.	Cloth shop or tea firm	150-250
Qidechang 其德昌	1862~64	Pingyao	Ji Yihe 冀以和	N.A.	N.A.
Baofenglong 宝丰隆	1906	Pingyao	Zhao Erfeng 赵尔丰, Qiao Yingfu 乔英甫, Xu Handu 许涵度	N.A.	130
Heshengyuan 合盛元	1837	Qi	Guo Fengyuan 郭逢源, Zhang Tingjiang 张廷将	Tea firm	100-500
Dadexing 大德兴	1851~61	Qi	Qiao Jin Tang 乔锦堂 <sup>253</sup>	Tea firm	N.A.
Dadetong	1884	Qi	Sun Zhi 孙鄧	Tea firm	120-350

<sup>253</sup> This is not an actual proprietor's name. *Tang* 堂 literally means hall. According to David Faure, Chinese merchants during Ming and Qing traded in the name of his business (the *hao* 号), but held his property under a different name in a trust (the *tang*). Thus the name *tang* connoted a strong ritual basis. See Faure, *China and Capitalism*, 39.

大德通						
Yuanfengjiu	1859	Qi	Sun Zhi 孙郅	N.A.	100	
元丰玖						
Sanjinyua	1862~65	Qi	Qu Yuanzhen 渠源湔	N.A.	200	
三晋源						
Cunyigon	1862~65	Qi	Qu Yuanzhen 渠源湔 et al.	Cloth shop	240	
存义公						
Changshengchuan	1884	Qi	Qu Yuanchao 渠源潮 et al.	Tea firm	160-200	
长盛川						
Dadeheng	1881	Qi	Qiao Jin Tang 乔锦堂	N.A.	260	
大德恒						
Dashengchuan	1889~1890	Qi	Dashengkui 大盛魁 <sup>254</sup> , Zhang Tingjiang 张廷将 et al.	Cash shop	100	
大盛川						
Dadeyuan	1888	Qi	Qiao Lansan 乔兰三	Tea firm	100	
大德源						
Zhichengxin	1850	Taigu	Cao Fushan Tang 曹福善堂 et al.	Silk firm and grocery store	240	
志成信						
Xiechengqian	1869	Taigu	Wu Daozhon 吴道仲 et al.	N.A.	180	
协成乾						
Shiyixin	1893	Taigu	Yang Shengtai 杨生泰	Cash shop	300	
世义信						
Jinshengrun	1903	Taigu	Cao Shixian 曹师宪, Chang Ansheng 常安生	N.A.	90	
锦生润						

<sup>254</sup> Da Sheng Kui is a firm owned by Shanxi merchants who dealt trades between inner/outer Mongolia and hinterlands.

Dadechuan 大德川	1907	Taigu	Chang Wanda 常万达	N.A.	200
Sanheyuan 三和源	1875	Taigu	Surnamed Chang 常氏	N.A.	N.A.
Dadeyu 大德玉	1885	Taigu	Chang Lixun 常立训	Tea firm	220

**Table 2 : Remittance firms owned by merchants other than from Shanxi** <sup>255</sup>

Name	Opening Year	Head office location	Proprietor(s)
Fukang 阜康(a.k.a. Hutongyu 胡通裕 in Hangzhou and Shanghai)	1863~65	Shanghai	Hu Guangyong 胡光墉 (From Zhejiang province)
Tianshunxiang 天顺祥(a.k.a Tongqingfeng 同庆丰 in Yunan)	1865	Yunan	Wang Xingzhai 王兴斋 , Wan Yinian 万伊年 (all from Yunnan)
Yuanfengrun 源丰润	1883~89	Shanghai	Yanxinhou 严信厚 (From Jiangsu province)

<sup>255</sup> Table 2 is made according to SPS, 662-4.

## Glossary

baguo lianjun 八国联军	duzhibu 度支部
Baichuantong 百川通	fanku 藩库
Beijing 北京	feiqian 飞钱
Bianliang (Henan) 汴梁	Fengtian (Liaoning) 奉天
Cao 曹	fuben 副本
Cen Yuying 岑毓英	Fuhe 福和
Changde (Hunan) 常德	Fukang 阜康
Changsha (Hunan) 长沙	gaiwai 该外
Changshengchuan 长盛川	gongsheng 贡生
Chengdu (Sichuan) 成都	Guangdong fanku 广东藩库
Chongqing (Sichuan) 重庆	Guangju 广聚
Cunygong 存义工	Guangzhou(Guangdong) 广州
Dadeheng 大德恒	guanqianju 官钱局
Dadetong 大德通	guanshui 关税
Dadeyu 大德玉	guanyinhao 官银号
Dagongbao 大公报	Guilin (Guangxi) 桂林
daqing yinhang zeli 大清银行则例	haifang jingfei 海防经费
daqing yinhang 大清银行	Haijun yamen 海军衙门
Dashengchuan 大盛川	Hangzhou (Zhejiang) 杭州
Dechenghou 德成厚	Hankou (Hubei) 汉口
Demu 德暮	Hebei 河北
Dongkou 东口	hegu 合股

Hekou (Jiangxi) 河口	Jiexiu 介休
Heshengyuan 合盛元	jigu 集股
Hetai 和泰	Jinan (Shandong) 济南
Hongsheng 洪生	jingshi jing gongfa zuwenyin 京师京公
Hou Chongji 侯崇基	砧足纹银
Hou Zhongzhu 侯中铸	jingshi shangwu zonghui 京师商务总
Hou 侯	会
Hu Guangyong 胡光墉 (a.k.a. Hu Xueyan 胡雪岩)	jinsheng huiye yinhang 晋省汇业银行
Huben 护本	Jiujiang (Jiangxi) 九江
Hubu yinhang 户部银行	Ji 冀
Hui 回	juanna 捐纳
huiduizhuang lianhe hui 汇兑庄联合会	Junchuanyuan guanyinhao 浚川源官银
huiguan 海关	号
huiqinwang 惠亲王	junxiu 俊秀
Hutongyu 胡通裕	Kaifeng 开封
Jiang Xingfu 蒋性甫	Kaitai 开泰
jianghaiguan 江海关	Kong Xiangxi 孔祥熙
jianghanguan 江汉关	Kuping 库平
jiansheng 监生	Lei Luetai 雷履泰
Jiaotong yinhang 交通银行	Li Daquan 李大全
Jia 贾	Li Hongling 李宏龄
	Li Hongzhang 李鸿章

lian tian bi 连天璧	qiandian 钱店
liangdao 粮道	qianpu 钱铺
libu waiyi 利不外溢	Qianshengheng 乾盛亨
lijin 厘金	qianzhuang 钱庄
Liu Kunyi 刘坤一	Qiao 乔
Lu Shaoguo 陆绍国	qibang 祁帮
Mao Honghui 毛鸿翊	Qidechang 其德昌
Mao Yunsheng 毛云生 (a.k.a Mao Honghan, 毛鸿翰)	Qingjiangpu (Jiangsu) 清江浦
Mao 毛	Qingyu 庆余
Mian Yu 绵谕	Qu 渠
minhaiguan 闽海关	renligu 人力股
nanbang piaohao 南帮票号	Rishengchang 日升昌
nianzongjie 年总结	Rixinzhong 日新中
Nian 捻	Sanjinyuan 三晋源
piaohao 票号	Sanyuan (Shaanxi) 三原
pingbang 平帮	Shaanxi 陕西
pingqitai sanbang 平祁太三帮	shanghai shen gongfa guiyin 上海申公
pingyao 平遥	砧规银
pushui 铺税	Shanghai 上海
putong yinhang 普通银行	Shantou 汕头
Qi (Shanxi) 祁	Shanxi piaobang 山西票帮
	Shanxi piaoshang chengbai ji 山西票商

成败记	银钱票章程
Shanxi 山西	Tongzhou zhonggao 同舟忠告
Shashi (Hubei) 沙市	tushuiju 土税局
Shenbao 申报	waigai 外该
Sheng Jifu 升吉甫	Wang Jian 汪鉴
Sheng Xuanhuai (1844-1916)盛宣怀	Weichanghou 蔚长厚
shengu 身股	Weifenghou 蔚丰厚
Shenyu 慎裕	Weishengchang 蔚盛长
shiban yinhang zhangcheng 试办银行章程	Weitaihou 蔚泰厚
程	Wuzhou (Guangxi) 梧州
Shiyixin 世义信	Xi'an (Shaanxi) 西安
shouyusuo qianzong 守御所千总	Xiangtan (Hunan) 湘潭
Sizhufa 四柱法	xianyin zhuangqiao 现银装鞘
Sun 孙	Xiechengqian 协成乾
Suzhou (Jiangsu) 苏州	Xiehexin 协和信
Taigu (Shanxi) 太谷	Xietongqing 协同庆,
taigubang 太谷帮	xiexiang 协饷
Tianchengheng 天成亨	xihao 西号
tianchengju 天成局	Xintaihou 新泰厚
Tianjin 天津	xishang 西商
Tianshuixian 天顺祥	Xiyucheng 西裕成
tongyong yinqianpiao zhangcheng 通用	Xu Rufen 许汝棻



yaliju 牙厘局	Zhang Siheng 章嗣衡
Yan Xinhou 严信厚	zhanggui 掌柜
Yangzhou (Jiangsu) 扬州	Zhangjiakou (Zhili) 张家口
yinghang tongxing zeli 银行通行则例	Zhao Erxun 赵尔巽
Yingkou (Liaoning) 营口	zhao shi lian cheng bi, you lai tian xia
yingu 银股	chuan 赵氏连城璧，由来天下传
yinhao 银号	Zhehaiguan 浙海关
Yixin 奕訢	zhengben 正本
Yu Liansan 俞廉三	zhibifei 纸笔费
Yuanfengjiu 元丰玖	Zhicheng yinhang 志成银行
Yuanfengrun 源丰润	Zhichengxin 志成信
Yuci (Shanxi) 榆次	Zhili yinhang 直隶银行
Yuehaiguan 粤海关	Zhili 直隶
yueqing 月清	Zhongguo jiaotong yinhang 中国通商
Yuyuan 裕源	银行
Zeng Guoquan 曾国荃	Zhongwai ribao 中外日报
Zhang Jinghao 张景灏	Zhongxinghe 中兴和
Zhang Linge 张麟阁	Zhoujiakou (Henan) 周家口
	Zuo Zongtang 左宗棠