

CHINESE BUSINESS HISTORY

Zhongguo Shangye Lishi

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A Note on the Lineage in Business

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Historians of China recognize that, in the Ming and the Qing, merchants contributed to their lineages and drew from them resources that they put into their business activities. While this view of the lineage gives it a place in business history, it nevertheless characterizes lineage institutions as being extraneous to the world of business. In this short note, I wish to argue that the distinction between lineage and business activities can often be misleading, and that the development of the lineage as an institution must be recognized as an intrinsic element in the history of Chinese business.

I shall begin with a generalization my own research is pointing toward: from the 16th century while the West saw the development of an individualistic, liberal or bourgeois ideology, the ideology of the imperial state and the lineage came to dominate social organization in China. Having said that, I have to explain how the merging of the lineage with the state was compatible with active commercial expansion in the Chinese context. In this respect, it may be conceded that day-today management consisted very much of individual, and by default, family operations; but, finance and investment drew heavily on lineage institutions.

Some advantages in the use of the lineage for the holding of capital are quite obvious. The lineage was a legally sanctioned institution and the amassment of wealth to provide for ancestral worship an honorable aim. Principles of descent allowed for continuity. Established practices of sublineage division produced the rules for the management of property so that

some sense of equity was established. The lineage made possible the patronage that was so necessary in the maintenance of wealth. The ancestral halls and graves of the lineage also became loci for property investment. The lineage worked best, however, within a territorial confine, and therefore its business was tied closely to landholding and agricultural exploitation. The reclamation of land for cultivation, the renting out of land and the collection and sale of the grain that was collected as rent would have been the typical business in which the lineage was involved.

Many of these institutions arose out of the context of Ming and Qing society. Documentation and analysis of changes in these institutions would be a major advance in our knowledge of the history of Chinese business of this period. The only reason lineage activities do not evoke the image of "business", even to historians, is that by tradition "business" tends to be closely linked with mercantile (*shang*) activities. The distinction between agriculture (*nong*) and commerce (*shang*) in Chinese thought is deep-rooted. To argue that lineage business should be business like any other business is to argue that this distinction be abandoned.

In business history, of course, business should be

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research in Shanghai

Jane Leonard on the Qing state
and the economy

regarded primarily as an entrepreneurial activity, that is, an activity that seeks out opportunities for profit. An immediate advantage in doing so is that business institutions of the lineage will have to be compared on a par with the business institutions of the mercantile firm. As an entrepreneurial pursuit, estate development with a view to collecting a crop rent that might be sold for cash was as much business as obtaining salt under licence and selling it at designated markets. Much has yet to be learned about arrangements for partnerships, accounting, tax avoidance and so on in the Ming and Qing. However, tentatively, I am prepared to argue that management methods used in the lineage were not essentially different from methods used by merchants. Partnerships were extremely common within the lineage. Lineages kept the same sorts of accounts as mercantile establishments did: both kept accounts of stock and trading but not of production costs. Neither lineage nor mercantile establishments had good methods for calculating profits, and partnerships were, as a result, difficult to maintain.

The gap between the emphasis on the status of the participants in business (as merchants, gentry or farmers) and that on entrepreneurial activities can be closed if the notion is introduced that without a commercial law, Ming and Qing business of all varieties had to be conducted under patronage, and that the status claimed varied according to the definition placed upon the patronage that was provided. Overall, the generalization may be made that from the sixteenth century it became increasingly common for members of officialdom to become patrons in many spheres of activities, including business. In a rural setting, the extension of official patronage was made possible by the lineage, for officials could patronize their own lineage members. In urban communities, such an arrangement was often difficult, if not impossible, and the guilds (*huiguan*) came to be the bodies through which patronage might be established. It can be argued, therefore, that although the ostensible objectives of guilds and lineages differed, they performed very much the same functions under different settings.

To redefine the subject matter of Chinese business history as a record of entrepreneurial rather than mercantile activities also allows us to recognize that business was not readily confined within one or another sphere of human production but it could,

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"STATE & BUSINESS IN REPUBLICAN CHINA"

at the MCAA
University of Iowa
September 14, 1991

Papers: Parks Coble, Winston Hsieh,
William Kirby, Andrea McElderry
Discussants: Lloyd Eastman, Louis Sigel

For details on this and other meetings of the Midwest China Seminar, contact Peter Schran, University of Illinois, 1208 W. California, Urbana, IL 61801. Phone, 217-333-0120.

indeed, be constrained by the lack of institutional support. The invention of business institutions must, therefore, form the center of business history, just as the invention of machines must be at the heart the history of engineering. This, I think, is what Sherman Cochran must mean when in the last issue of this newsletter he referred to the work of Alfred Chandler as having distinguished business history from economic history and company history. Cochran is right to bring in Chandler at the outstart of this current movement into Chinese business history. Chandler matters because along with Max Weber, Karl Polanyi, Sidney Pollard, Raymond de Roover and quite a few others, he champions an approach that suggests a history of business can be written not as a record of increase in production, or even as a series of mentalities, but as a record of institutional inventions. China historians are, of course, familiar with the documentation of production increases: the documentation of the proliferation of handicrafts in Jiangnan from the Ming to the Republic still makes up the bulk of the literature. China historians also refer often enough to mentalities, on one extreme, as if mentalities were universal and, on the other, equivalent to "national characters." However, none of that need be what business history is about.

The point was made by Weber and Polanyi two generations ago that in order to conduct business, business institutions had to be invented. It seems that neither Adam Smith nor Marx had realized that and this is why the observation has formed a departure for business history. This simple observation has yet to sink into China studies. Business history does not have to be a historical geography of business (what was produced where and sent where), political infighting (why and how the railway loan had to be diverted from the Belgian syndicate), or even judgments as to why China succeeded or failed in various ventures. The central problems of business history should simply be: how did the Chinese do business, how did the methods by which they did business vary over time, and what resulted from different ways of doing business? Such questions have to be answered in terms of the institutions that were invented for the creation of wealth and the mentalities that were associated with them.

In the name of the lineage, many such institutions were invented and modified in the Ming and the 3Qing. The social philosophy of the age did not approve of the accumulation of wealth for its own sake, and so wealth was accumulated in the name of the lineage for the sake of the ancestors and their posterity. Contemporaries knew well that behind that veneer of religious respectability lurked much private greed and the ability to accumulate.

David Faure is researching the history of lineage in the Pearl River Delta.

NEXT ISSUE

The editors regret that for technical reasons,

HSU TZU-FEN
on Chinese accounting

does not appear in this issue. Look for it in the fall issue along with

WINSTON HSIEH
on Oral History sources

Have you subscribed?

CONFERENCES

The Qing State and the Economy

Jane Kate Leonard
University of Akron

At a symposium held at the University of Akron, February 22-23, 1991, nine research papers explored various facets of the Qing state and the economy. Central to each paper was an investigation of the nature of the significance of the Qing imperial state's relationship to and the manner of its interface with the economic groups and organizations that lay outside the state's formal governing apparatus.

The discussion of individual papers led to more general questions about culturally specific definitions and the appropriateness of such terms as "state," "economy," and "security" to describe the changing Chinese historical reality from the 17th to the early 20th centuries. There was general consensus that the Qing state was both more and less than the meanings conveyed by the term "state." While its bureaucratic functions, centered narrowly on tax collection and security, were more limited than those of modern secular states, its overarching moral-cosmic functions made it rather more. It was generally felt, moreover, that these "less-and-more" issues were crucial to the Qing leadership's definition of the state's prerogatives and spheres of responsibility in fiscal-economic matters.

The term "economy" was thought to be even more problematic. While useful as a descriptive term to indicate those activities related to securing the "people's livelihood," it was deemed inappropriate if used as a structural category because the Chinese did not distinguish the "economy" and "society" in this sense. Equally problematic was the notion of "security" because of its intimate and culturally specific connection with economic and moral ordering as well as the explicit strategic issues of internal and external military and political security.

These definitional problems notwithstanding, there

was general agreement that the Qing imperium's emphasis on a secure and prosperous people's livelihood reflected the assumption that economic order preceded and was necessary to the establishment of the moral-political order. In pursuit of economic stability and prosperity for all sectors of the community (peasant, artisan, and merchant alike), the Qing leadership sought to create an environment where the "people's livelihood" could flourish and they did so with a restrained, widely varied, and flexible approach to the state interactions with non-government economic groups and organizations. The specifics of how and why this was done in various contexts were the subjects of symposium research papers.

Although the diverse topics are difficult to categorize, some of the papers emphasized central government initiatives whereas others began with the economy and concentrated on the influence of government policies and perceptions. In the first category, E-tu Sun defined three basic modes of operation, "regulatory," "participatory," and "command," through which the *Hubu* (Finance Ministry) undertook to carry out its long-established normative functions. Emphasizing the "command" or *zhaoshang*, modes, she showed how the Hubu recruited private resources for investment in enterprises that the state considered important to its goals, but because of its own capital and bureaucratic limitation, sought to enlist private managerial and capital resources for their development. Jane Leonard's study of imperial management of the Grand Canal crisis in the mid-1820s analyzed the factors that shaped the imperial decision to abandon plans for thorough canal restoration in 1826. Her analysis leads to the conclusion that tax commutation to fund system-wide repairs of the canal in northern Jiangsu, was considered so dangerous that imperial-regional leadership jettisoned plans for canal restoration. The leadership turned instead to temporary schemes for grain tax transport that relied on private, non-bureaucratic canal and ocean shippers.

Dorothy Borei examined the Qing program to develop agricultural self-sufficiency in Xinjiang after its conquest in the mid-18th century. These "start-up" initiatives, similar to those used to restore agriculture in China proper during the early Qing period, included experimentation in seed varieties and agricultural techniques, the development of water conservancy infrastructure, tax incentives, and the recruitment of agriculturalists from outside the region. She

argued that agricultural development was essential for the support of the Qing political-military presence in the region and for the long-term political integration of this volatile and ethnically diverse region into the Qing empire.

In the second category, Susan Mann looked at how the Qing policy of promoting household agricultural and handicraft production affected women. She showed how the Qing leadership used a variety of ritual-political measures to insure household self-sufficiency and contended that this policy bound craft production and female labor to the household unit. Andrea McElderry, with examples drawn primarily from government monopolies, foreign trade, and the money market, examined the institution of guarantorship as a major way in which the Qing state sought to achieve its goals in relation to business activity.

Robert Gardella's study analyzed the tea trade in four regional contexts: Mongolia, Fujian-Guangdong, Inner Asia-Russia, and Sichuan-Tibet. He suggested that the regionally specific character of tea marketing and the general expansion of the trade in each area reflected unique regional conditions and that the Qing state's differing regulatory policies toward each area reflected this. Tsing Yuan's study of patterns of commerce and urbanization in the early Qing also

ECONOMIC AND BUSINESS HISTORICAL SOCIETY

1991 Meeting - April 25-27 - Houston

1992 Meeting - Seattle

We would like to organize a comparative panel for the 1992 meeting in Seattle. Papers presented are published in *Essays in Economic and Business History* edited by Edwin Perkins, University of Southern California.

PANEL IDEAS? Contact Wellington Chan, 213-259-2581

EBHS Information? Contact David O. Whitten,
Department of Economics, 107 Thatch Hall,
Auburn University, Auburn, AL 36849-5242.

focused attention on the nature and dynamics of regional economic patterns. His analysis of marketing in two *zhen* in Shanghai county, Jiangnan, raised questions about the usefulness of core-periphery constructs to explain the growth and development of regional trade in the early Qing period.

William Rowe's paper on Chen Hongmou's views about the relationship of the state to the market crystalized many of the issues raised in the workshops about the Qing view of and approach to the private economy. Using Chen as a lens on the eighteenth century, he argued that the Qing state was remarkably committed to relying on market mechanisms to increase the volume and speed of commodity circulation and to stabilize prices. His analysis of Chen's view of the state's commitment "to store wealth among the people" and the state's prerogatives in economic matters also helped define and clarify the Qing leadership's definition of its responsibility for the achievement of economic prosperity, stability and security.

Discussant, John Watt played an invaluable role in focusing the discussion and summarizing the overall interpretive direction of the symposium.

Jane Leonard has recently completed a manuscript, "Controlling from Afar: the Daoguang Emperor's Management of the Grand Canal Crisis, 1824-1826."

At the AAS

ROUNDTABLE: PROSPECTS FOR RESEARCH IN CHINESE BUSINESS HISTORY

Saturday, April 13, 9:00-11:00 am

Chair: Sherman Cochran

Participants: Albert Chandler
Albert Feuerwerker
Hamashita Takeshi
Cheng Linsun
Andrea McElderry
Madeline Zelin

SOURCES

Business History Research in Shanghai

Parks M. Coble
University of Nebraska

In the first issue of this journal, M.B. Kwan, an outpouring of publishing on business history in Beijing and Tianjin since 1980, while Richard Lufano observed that younger Chinese scholars seemed willing to broach new ideas about economic and business history. During January to July 1990, I was a visiting scholar at the Shanghai Academy of Social Sciences (SASS) with a CSCPRC grant. I can happily report similar trends in Shanghai; both substantial publishing on business history and interesting new interpretations by Chinese scholars.

Major journals published by SASS, including *Shehui kexue* (Social sciences) and *Jingji xueshu ziliao* (Materials on economics), have been publishing occasional articles on business and economic history. The latter also translates articles or summaries of work by Western and Japanese scholars on Chinese economic history, including, for example, some of my own work on the Shanghai capitalists and several chapters of Asada Kyoji, ed., *Nippon teikokushugi tochi shita no Chugoku* (China under the control of Japanese imperialism) which relate to economic matters.

SASS's new journal *Shanghai yanjiu luncong* (Papers on research on Shanghai) publishes scholarly articles by academy members on all aspects of Shanghai, including business history. Volume 1, 1988, for instance, contains an article by Xia Dongyuan on Sheng Xuanhuai's role as a supervisor of the China Merchants' Steam Navigation Company, one by Wu Xinbo on Li Hongzhang's relationship with the company, and a chronological history of the Shanghai Chamber of Commerce from 1902 to 1927, compiled by Xu Dingxin. Volumes 3 and 4 of the journal, 1989, reprint (in Chinese) the papers from the recent international conference on Shanghai held at the academy, including business-related papers by Huang

Hanmin, Chen Zhengshu, Sherman Cochran, Pan Junxiang, Xu Xuejun, Edmond Lee, Chen Zengnian, Hamashita Takeshi, and Marie-Claire Bergere.

The *Shanghai wenshi ziliao xuanji* series remains a major source for research on all topics of modern history and increasingly deals with business. Articles written by scholars, many of whom are based at SASS, are now often interspersed with the familiar memoir-type literature. Two recent issues are devoted solely to business matters. Issue no 56, *Jiu Shanghai de waishang yu maiban* (Foreign merchants and compradores in old Shanghai), 1987, carries a substantial introduction by Ding Richu, of the Economics Institute, SASS, on the role of these groups in the development of Shanghai's economy. The issue's wide array of articles includes some on individual compradores and their careers. Others cover specific enterprises, ranging from the Hongkong and Shanghai Banking Corporation to Texaco Oil. Issue no. 60, 1988, in the series, *Jiu Shanghai de jinrong jie* (Financial circles in old Shanghai), contains similar material. There are articles on individual banks and bankers, memoirs by former bank employees or their children, and more general scholarly articles on the history of banking in modern Shanghai. Issue no. 54 of the *Shanghai wenshi ziliao*, titled *Jiu Shanghai de banghui* (Gangs of old Shanghai), deals with the underworld, particularly the Green Gang. Although much of this material might be classified as social history, the gang leaders such as Du Yuesheng and Huang Jinrong, had wide-ranging business dealings, including drugs, prostitution, financial institutions, stock and commodity exchange speculation, and gambling.

SASS has also been publishing academic works of interest to readers of this journal. In 1986, Du Xuncheng, director of the division of Chinese Economic History of SASS's Institute of Economics, published a well-researched, comprehensive study of Japanese investment in Old China, *Riben zai jiu Zhongguo de touzi*. In 1989, the Institute of Economics and the Shanghai International Trade Study Association's Study Commission jointly published a two-volume work, *Shanghai duiwai maoyi* (Shanghai's foreign trade), which covers the period 1840 to 1949. Another 1989 work written by Fang Xiantang and published by SASS, *Shanghai jindai minzu juanyan gongye* (A history of Shanghai's modern rolled tobacco industry) and covering 1840-1949, is one of several studies which focus on the history of

a specific industry.

Fang's work is by a single scholar, but most such studies are group publications. Many were begun in the early 1960s as part of the four histories movement and then suspended by the Cultural Revolution. In the 1980s these studies were then revived with the assistance of scholars from the Economics Institute at SASS. Two such studies published by the Economics Institute in 1988 are *Shanghai jindai baihuo shangye shi* (A history of the department store business in modern Shanghai) begun by the *Shanghai baihuo gongsi* (Shanghai department store) and *Shanghai jindai xiyaohang shi* (A history of the Western medicine trade in modern Shanghai) begun by the *Shanghai shi yiyao gongsi* (Shanghai City Medicine Company). The hand of SASS scholars is clearly evident in the former work which discusses not only individual stores and entrepreneurs, but such topics as profitability and competition. Although most of these studies terminate with 1949, *Shanghai jindai baihuo shangye shi* includes an interesting section on the transition to socialism in the 1950s. The latter offers a general history of the development of Western (as opposed to Chinese) medicine, as well as of individual businesses which dealt in these drugs.

Sometimes the collaboration between SASS scholars and a socialist enterprise begins suspiciously to resemble the "sponsored histories" commissioned by capitalist firms, for instance, *Zhongxi yaochang bainian shi* (A history of one hundred years of the Sino-Western Medicine Factory). Published by SASS in 1990, it details the first century of this company, founded as a capitalist enterprise in 1887. The volume begins with pictures of the factory, its unit leaders, products, and even a few old newspaper advertisements from pre-revolutionary days. The form will be quite familiar to Western readers of company histories. The contents, however, contain a well-documented story of the enterprise's growth and production.

In sum, while in Shanghai I found a substantial body of published material of great interest to students of business history of modern China, and I was heartened by the new approaches which many Chinese scholars were taking in such studies. Despite this, I left China rather pessimistic about the future of these activities. Virtually all of the works cited in this report had either already been published or were in press as of June 4, 1989. That incident had a major

impact on SASS, particularly the Economics Institute, and it was my impression that the pace of scholarly activity had slowed dramatically. Many members of the academy were distracted by mandatory political study or the overall environment. It remains to be seen whether young scholars will be as free in the future to try new approaches to business history, approaches that might now be seen as pro-capitalist.

A second, and less obvious factor, which threatens this outburst of publishing on business history, is, ironically, an indirect result of the reforms themselves. With publishing houses in China now expected to carry their own finances, many scholars in Shanghai told me of the difficulty in getting academic works published. Presses now demand that academic institutions like SASS provide substantial subventions. But because academic units themselves are hard-pressed, a major backlog had developed in academic publishing. A check of Shanghai bookstores revealed that, aside from a few mandatory publications on such topics as "learning from Lei Feng," most presses were producing "best sellers" such as nude art books, cookbooks, and even a biography of Jane Wyman (a tie-in with the popular TV series *Falcon Crest*). Even a more relaxed atmosphere politically, therefore, might not necessarily guarantee that the growth in publications on business history will continue.

The greatest potential source for the study of business history in Shanghai, however, is not these published works, but the collection of the Shanghai Municipal Archives. According to the archives' journal, *Dang'an yu lishi* (Archives and history) the open collections include the pre-1949 records of such enterprises as commercial banks, textile mills, tobacco companies, silk mills, chemical plants, transportation companies, and chambers of commerce, to name but a few. I was able to see a few files on three commercial banks, including such material as personal lists, records of payments and benefits, and loan information. Full access to this collection could provide a gold mine for research on the history of banking, commercial, and industrial enterprises in the Shanghai area. Unfortunately, the archives now seem largely inaccessible to foreign scholars. We can only hope that a more open climate will develop, or perhaps that archives will begin publication of these sources. The potential is enormous; the prospects are clouded.

The CHINESE BUSINESS HISTORY RESEARCH GROUP

an affiliate of the AAS

seeks to facilitate communication and disseminate information among scholars with an interest in Chinese business & economic history. We seek to develop an international dialogue across traditional "periodization barriers."

ANNUAL MEETING

AAS, New Orleans Marriott

Saturday, April 13: 6:30 - 8:30 pm

Room: La Galerie #1, Marriott

Agenda will include a report on activities to date, a financial report, and proposals for more formal (but relatively simple) structures for the research group and the bulletin.

THANKS

The editors of Chinese Business History wish to thank you for your subscriptions and for your generous donations. To date, we have received 25 subscriptions including two libraries. We do need more to sustain the publication.

Please send names of potential subscribers to Andrea McElderry at the address on the back page, and she will send them complimentary copies. Or request complimentary copies to send out yourself.

Parks Coble's new book "Facing Japan: Chinese Politics & Japanese Imperialism, 1931-1937" will be published in June 1991 by Harvard University Press.

Chinese Business History

is the bulletin of the Chinese Business History Research Group, an affiliate of the Association for Asian Studies.

Editors: Robert Gardella and Andrea McElderry.

The editors welcome submission of materials of 1000-1200 words related to business history, both Chinese and general, including:

- *research notes*
- *information on archives & artifacts*
(*photographs, etc.*)
- *conference reviews*
- *book reviews*
- *"think" pieces*

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