

CHINESE BUSINESS HISTORY

Zhongguo Shangye Lishi

Volume 2, Number 1

November, 1991

Traditional Chinese Bookkeeping Methodology

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A review of studies of Chinese accounting written before the Second World War leads to the conclusion that traditional Chinese bookkeeping (along with that of Japan and Korea) failed to develop a double-entry methodology. In the post-war era, however, studies of mid-Tokugawa Japanese bookkeeping methods such as those used by the Mitsui family enterprises found merchants approximating double-entry techniques. In China, Mr. Guo Daoyang of the University of Finance and Economics in Wuhan determined that traditional Qing bookkeeping methods such as *longmen zhang* and *sijiao zhang* involved an indigenous system of double-entry bookkeeping.¹ Based upon the contents of this method, we shall hereafter refer to it as the "receipt-payment bookkeeping method" (*shouzhi bujifa*).

I will first clarify the similarities and differences between the standard Western double-entry bookkeeping method known as the "debit-credit system" and the receipt-payment method. The receipt payment method is used to record and calculate the increase and decrease of every entry involving a firm's assets, capital, liabilities, and profit and loss accounts. This is the same procedure as in the debit-credit system. Both systems are double classification bookkeeping, which means that the total amount of capital always equals the total amount of assets. If a capital account is either increased or decreased, an assets account is correspondingly increased or decreased. Thus two entries per transaction must be recorded in order to balance the account.

The receipt-payment method bookkeeping method is based upon the flow of money. If the entry makes the enterprise's money increase, it is classified as an enterprise's receipt and will be written in the receipt column. Conversely, if the entry makes the money decrease, it is classified as a payment of the enterprise and written in the payment column. This concept of receipt and payment is the same in the accounting practices of both state authorities and private households. The form of the Chinese receipt-payment method is nonetheless different from the Western debit-credit method. The two methods are in fact reverse or mirror images of one another, as illustrated by the diagram on page 2.

Now I wish to familiarize readers of the *Chinese Business History* with the accounting materials of the "Tai-Yi Hao" firm held at the Nagasaki Museum, Nagasaki, Japan. These consist of some 1148 books and ten thousand letters dating from 1901 to 1934--probably the largest collection of traditional Chinese accounting documents available outside China and Taiwan. The founder of the Tai-Yi Hao was a late Qing merchant from Quanzhou, Fujian, who traded in Nagasaki, the sole port open to Sino-Japanese commerce since the early Tokugawa era. When Nagasaki was opened as a treaty port in 1858, Chinese merchants had to dwell in the quarter assigned for foreign residences. At that time the Tai-Yi Hao established itself at Shin chi-cho within that quarter, and remained there until 1959. The firm was owned and operated by the Chen family along with their relatives and persons recruited from their hometowns. The staff amounted to some twenty individuals in all. It dealt in the wholesale export of marine products to the treaty ports of Taiwan, China, and Southeast Asia.

DEBIT [left side]	CREDIT [right side]	PAYMENT [lower half]	RECEIPT [upper half]
Assets +	Assets -	Assets +	Assets -
Capital -	Capital +	Capital +	Capital-
Liabilities -	Liabilities +	Liabilities -	Liabilities +
Loss	Profit	Loss	Profit

Western (left) and Chinese (right) Methods of Accounting

All of the books originally held by the Tai-Yi Hao are significant, and forty different kinds are extant. These comprise a series of documents ranging from daily records to ledgers of the main and subsidiary books, balance sheets, and profit and loss statements. The books can be divided into three categories simply by size: large (24 cm. x 19.5 cm.), medium (22.8 x 18 cm.), and small (15.5 cm. x 19.5 cm.). All entries were made by Chinese brush and the use of Suzhou numerals.² Each page is bisected into an upper section showing Receipts (credits) and a lower showing payments (Debits). Generally speaking, the Tai-Yi Hao books could be defined as those compiled by indigenous Chinese double-entry methodology, without any influence from Western double-entry bookkeeping techniques. The firm's mode of bookkeeping would also be related to the localized system which prevailed in the vicinity of Amoy, Fujian.³ All in all, this bookkeeping system should be regarded as a typical example of Chinese traditional bookkeeping methodology.

End Notes:

1. See Guo Daoyang, *Zhongguo kuaiji shigao* [A draft history of Chinese Accounting], vol. II. Beijing: Zhongguo caizheng jingji chubanshe, 1988, chaps. 7-8.

2. These figures, also know as *ma zi* are listed in any edition of *Mathew's Chinese-English Dictionary*; see also Li Chien Ming, *The Accounting system of Native Banks in Peking and Tientsin*, reprint of 1941 edition, New York: Garland Publishing Company, 1982, p. 50.

3. See Hsu Tsu-fen, "Shūshi boki hō toshite no Xiamen kakyō bokisho no jirei kenkyū - Nagasaki zaiyū no "Tai-Yi Hao" no boki, 1907-1934" [A study of the receipt-payment method of Amoy overseas account books - the accounts of the Tai-Yi Firm in Nagasaki, 1907-1934]. *Keiei shigaku* [Management History] 23.3 (October 1988), pp. 29-47.

Note also an earlier study of Southeast Asian Chinese bookkeeping, including considerable material on Amoyese and other methods, by M.G. Pernitzsch and H. Tittel, *Chinesische Buchhaltung* [Chinese Bookkeeping], Supplement #10 de Mitteilungen der Deutschen Gesellschaft für Natur-und Volkerkunde Ostaisens. Tokyo: Verlag der Deutschen Gesell. für Nat. und Volk. Ostaisens, 1927.

Hsu Tzu-fen's doctoral dissertation at Osaka National University was a study of the overseas Chinese account books deposited at Nagasaki. She has also published "Chōbo o tsujite mita Nagasaki kakyō bōekisho "Sheng-Tai Hao" no katsudō [The operations of the Nagasaki overseas Chinese firm "Sheng Tai" as seen through account books], *Shakai keizai shigaku* [Social and Economic History] 49.5. For further information, contact her at College of Business Administration and Information Science, Koshien University, 10-1 Momiji-ga-oka, Takarazuka 665, Japan.

The editors regret that we do not have the technical capacity at this point to reproduce Chinese and Japanese writing.

Report 1991 AAS Roundtable

Prospects for Research in Chinese Business History

Robert Gardella
U.S. Merchant Marine Academy

Organized and ably chaired by Sherman Cochran (Cornell), this well-attended roundtable featured opening remarks by the distinguished American business historian Alfred Chandler (Harvard). The agenda included presentations by Albert Feuerwerker (Michigan), Madeleine Zelin (Colombia), Hamashita Takeshi (Tokyo), Andrea McElderry (Louisville), and Cheng Linsun (Washington, St. Louis). The session's point of departure was the current state of the field and prospects of its development. Studies of Chinese business history have been strongest in treating the external relations of business (i.e. entrepreneurship, business and the imperial state/modern party-state), but remain weak in analyzing internal relations such as business management, labor relations, and accounting methods. Business still appears to have played a passive rather than an active role in shaping late imperial and modern Chinese history.

Chandler's seminal studies of the emergence of modern Western management in the nineteenth and early twentieth century (e.g. *The Visible Hand, Scale and Scope*) will be difficult to apply to the pre-1949 Chinese context. Linking together China's late imperial and modern eras is also a problem. To quote Feuerwerker, pre-1949 China had a "simplex industrial commercial structure" lacking the preconditions of Chandler's managerial capitalism. Socialist economic growth after 1949 - sans efficient market mechanisms - has not proven to be a panacea. The relevance of earlier historical models of Chinese business behavior ought to be re-tested against Chandler's work, while comparisons between Chinese, other Asian, and Western experiences should lead to more probing analyses.

Zelin's evidence, derived from case studies of the Sichuan salt wells, challenges the stereotypical view of China's "traditional style" business management,

that is dominance of small, fragmented family firms and an absence of vertical integration. Lineage trusts often provided an organizational catalyst, promoting incipient vertical integration, larger-scale operations, and hierarchical management. National business networks such as the Shanxi banks served as models of larger-scale operations, hierarchical business practices. The persistence of "traditional" behavior in successful modern business organizations indicates the perils of dichotomizing the historical development of Chinese business. It is also clear that the structure of investment and credit must be credited with a decisive role in the process of organizing enterprises.

While it is premature to periodize Chinese business history given our present level of understanding, a consensus emerged that political factors have often shaped business operations. In the history of twentieth century Chinese banking, for example, both 1911 and 1928 marked turning points in business-government relations. Such external changes in China's political climate did not alter the internal structure and management of banks, however. The question persists whether political conditions in the late imperial and Republican eras retarded the emergence of modern business enterprises.

Pessimism about primary source materials was countered by Hamashita and Cheng, who indicated the impressive "scale and scope" of business records in China and abroad. Business letters, account books, family histories, contracts and legal case records exist in North America, Europe, Japan, and Southeast Asia. Documents in Western languages as well as Chinese remain to be thoroughly canvassed. In China itself the two national archives at Beijing and Nanjing are but the tip of the iceberg, since municipal, provincial, and county archives constitute a reservoir of potential documentary sources. Research institutes in Shanghai, Tianjin and elsewhere also hold valuable materials such as company records. Finally, over the past twenty-odd years there has been a proliferation of enterprise histories done under both central and local auspices. While very uneven in quality, they evince the burgeoning interest in business history in China, and contain material of great potential future research in the field.

Robert Gardella's book *Sitting on Mountains and Facing the Sea: the Fujian Tea Trade, 1757-1913* is forthcoming from the University of California Press.

Business History Associations and Publications

The following information comes from material received by the editors.

The Economic & Business Historical Society encourages interdisciplinary scholarship in the areas of business and economic history and the application of historical perspectives to current issues. Its annual conference is held in late April in North America.

Dues: \$15 for one year; \$28, two years; \$40, three years. Send to Dr. Gene Pace, Treasurer, EBHS, Alice Loyd College, Pippa Passes, KY 41844.

Publication: *Essays in Economic and Business History*, edited by Edwin Perkins, Univ. of Southern California. A refereed publication, it includes selected papers from the annual conference. Included in dues.

The Business History Conference. Annual conference, usually in March. Papers on business and economic history as well as accounting, transportation, technology, and labor history.

Dues: \$15 (£10) per year for regular membership; \$20 (£13), sustaining membership; \$7.50 (£5), student membership. Send to William J. Hausman, Sec.-Treas., Business History Conference, Department of Economics, College of William and Mary, Williamsburg, VA 23185. Telephone: 804-221-2381.

Publication: *Business and Economic History*, edited by William J. Hausman, College of William & Mary, contains papers from the annual conference. Included in dues.

The Association of Business Historians formed in Britain in 1990, has a constitution based on the Business History Conference. *Newsletter* with information about business history in Europe and elsewhere included in dues.

Dues: UK residents £6.00; overseas residents £9.00. Overseas members are requested, if possible to pay in sterling. Personal checks in domestic currencies payable to the Association of Business Historians, may be paid at the following rates: U.S. \$18; Canadian \$20; Australian \$22; Japanese ¥2500.

Send to Dr. Mary Rose, Membership Secretary, Association of Business Historians, Department of Economics, The Management School, Lancaster University, Lancaster LA1 4YX.

Business History is an international journal concerned with the long-run evolution and contemporary operation of business systems and business enterprises. It publishes empirical and conceptual research on matters of global significance, such as corporate organization and growth, multinational enterprise, business efficiency, technological change, finance, marketing, human resource management, professional and business cultures. Joint editors: Geoffrey Jones, Economics, University of Reading, and Charles Harvey, History, Royal Holloway and Bedford New College. Quarterly. Individuals £22 (\$35); Institutions £70 (\$115). UK/Overseas orders: Frank Cass, Gainsborough House, 11 Gainsborough Road, London E11 1RS, UK. Tel: 081-530-4226; Fax: 081-530-7795. US orders: Frank Cass, c/o Allen Press, Inc., Subscription Services, 1041 New Hampshire Street, PO Box 1897, Lawrence, KA 66044-8897. Tel: 913-843-1221; Fax: 913-843-1274.

The Economic & Business Historical Society

Seattle, April 23-25, 1991.

Louis Sigel is organizing a Chinese business history panel. If you are interested in participating or have questions, contact him at History Department, Eastern Kentucky Univ., Richmond, KY 40475. Phone: 606-622-1290.

Contact him no later than January 2, 1992.

SOURCES

Voices of the Chinese Business Elite

Winston Hsieh
University of Missouri,
St. Louis

To the students of the East Asian NICs ("newly industrialized countries"), or the four "Little Dragons," the theme of the Chinese propensity for business growth, once provocative and challenging, already sounds like a cliché. In the last twelve years, Macau*, the old Portuguese colony, which appeared sinking in oblivion, has been transformed into another robust "mini-dragon" anxious to join the battle with Chinese-dominated business communities in Thailand, Singapore and other parts of Southeast Asia. Post-Mao China has likewise seen the resurgence of entrepreneurial activity.

Oral history interviews with business leaders further the understanding of this entrepreneurial tradition. In spite of the abundant autobiographical writings by modern Chinese scholars, statesmen, diplomat, and even military commanders, such materials from members of the business elite are extremely rare. Against this milieu, therefore, the recent publications of oral history interview records, such as the three works listed below, represent a fresh breeze into the fields of Chinese social and cultural history.

The process of history interviews often involves the exciting, and sometimes painful, experience of excavating the suppressed memories on those business activities which may be regarded unworthy or unsaintly by the businessman himself. Take for an example the Oral History Project sponsored by the Institute of Modern History (hereafter, IMH) at the Academia Sinica in Taiwan. In order to guarantee the absolute confidentiality of the views and information to be extracted from an interviewee, the Project has to assure the latter that if he should so choose, his account would never be published in his lifetime or in the time period as he may specify. Still more important, an experienced interviewer has learned that the

first and foremost task is to achieve a mutually-shared appreciation of the "meaningfulness" of the career of business ventures. The effort to identify the "useful lessons" from a business leader's experiences for the benefit of the general public or for posterity is not simply to appeal to his personal pride or vanity. This shared perception is necessary to delineate his business career as distinguishable from, though often intimately intertwined with, his bureaucratic, political and even military career. To achieve this intellectual rapport is, therefore, a "joint" venture on the part of both the merchant-interviewee and the scholar-interviewer.

The scholar-interviewer of an oral-history project, however, may find the painstaking job immensely rewarding. Reminiscences by a merchant-interviewee may illuminate local traditions of business practices. They may also shed light upon the relationship between business and state, especially against the ever changing setting of warlord politics of modern China. Personal insight on family firms and dynastic corporations may even advance the knowledge of the legendarily known but rarely studied subject of family-centered business practices in China. In addition to the recollection of personal triumphs and frustrations, the excited interviewees are not infrequently willing to assist the access to private collections on business accounts, wage books, photographs, dairies and personal correspondences, which would otherwise continue to be buried from historians' reach. Prodigiously opening up new paths in this barely charted field, the publications based on oral-history interviews are worthy of a closer look.

The most serious scholarly publications of this genre have so far come from the Oral History Project that the IMH has sponsored in Taiwan since 1959. Initial support came from the East Asian Institute of Columbia University. The Project's scope has gradually expanded from its original concentration on political and military personalities to the coverage of business leaders and engineers in recent times. By 1972 when IMH terminated its cooperation with Columbia, some sixty-six autobiographical accounts of the leaders in

*To follow local preferences, Beijing *pinyin* spelling is used for personal and place names on the mainland, Wade-Giles for Taiwan, and the standard postal spelling for historical names and large geographics units like Hong Kong and the Pacific.

various fields in Republican China had already been compiled. These were in the form of unpublished manuscripts, a total of 4.8 million words. As many of these interviewees passed away, the self-imposed restriction on publication was lifted one after another. Since 1982, two dozen of these autobiographies have been published as individual volumes under the Oral History Monograph series. In celebration of the 30th anniversary of the Project, a new journal, *K'ou-shu li-shih* [Oral history] was issued in 1989 to serve as the outlet for those shorter accounts which are not suitable for the book-length monograph series. Since 1985, the IMH has joined with three sister institutions of the Academia Sinica in a Taiwan Local History Project, whose sponsored field work includes oral history interviews with the descendants of early settlers and traders of the mid- and late Qing periods.

Similar oral history projects have mushroomed in other parts of the Western Pacific Rim. An Oral History Institute was established in Singapore in 1972. The Hong Kong Historical Museum sponsored oral history interviews in 1987-88.

In China, the voluminous publications under the general title of *Wenshi ziliao* [(Humanities and historical source materials), which are sponsored by the various *Wenshi ziliao* committees of the Zhengxie [People's Political Consultative Council] at the national, provincial and municipal levels, have included reminiscent accounts by business leaders of the Republican period. A more specialized, though less noticed, monographic series, published by major municipal Associations for Industry and Business, under the general title of *Gongshang shiliao* [Sources on industrial and business history], also include materials accumulated from oral history interviews.

The IMH oral history publications include three works which will be reviewed in future issues of *Chinese Business History*. The first consists of autobiographical materials from a Sichuanese financier-entrepreneur-diplomat of regional and warlord politics of the Republican period (*Liu Hang-ch'eng hsien-sheng fang-wen* [Records of interviews with Liu Hang-ch'eng] Institute of Modern History Oral History Monograph series, no. 22. Taipei: Academia Sinica, 1990. pp. ii, iv, 288, 8). The reminiscences of a Taiwanese businessman in the second work include the personal account of the development of the export-oriented, labor-intensive veneer and lumber industry and provide an insider's view of the story of

Taiwan's rise as an East Asian NIC ("T'ai-wan ho-pan ch'i-yeh ti hsien-ch'u: Ts'ai Ts'ung-wen hsien-sheng fang-wen chi-lu" [A pioneer of the veneer industry in Taiwan: Interview records with Ts'ai Ts'ung-wen] in *K'ou-shu li-shih* [Oral history] no. 1, 1989, pp. 193-116). The third work contains interviews with the descendants of a lineage that thrived on trade in rice, sugar and opium in T'ai-chung County, Taiwan, during the late Qing. It includes materials, such as wage books and expense accounts as well as family legends about these entrepreneurial pioneers (Hsu Hsueh-chi, *Lung-ching Lin chia ti li-shih* [The story of the Lin family in Lung-ching] Institute of Modern History Monograph series, no. 59), Taipei: Academia Sinica, 1990. pp. vii, 260, 60 plates from account books).

Winston Hsieh has been a prime mover in the IMH Oral History Project. He has also completed several interviews with businessmen in Sichuan and is now researching the Sichuan entrepreneur, Gu Gengyu, "the king of hog bristles" in wartime China.

OUR APOLOGIES to

Lai Chi-kong whose presentation at the conference "To Achieve Wealth & Security: the Qing State & Economy" was not included in the report in the April 1991 issue.

In his paper "The Qing State and Merchant Enterprise: Officials, Merchants and Resource Allocation in the China Merchants' Company, 1872-1902," he analyzed how government policy affected performance of the company. The initial period of success, 1872-1882, "was due to a balance between government financial support (which ensured profits) and enterprise autonomy (which guaranteed sound management...." After 1884, bureaucratic control and government extractions severely discouraged merchant investment.

CIAC Grant

We are happy to report the receipt of a \$500 grant from the China Inner Asia Council of the Association for Asian Studies to support the development of *Chinese Business History*.

At the 1992 AAS

**PANEL: Role of the Family
in Chinese Business Enterprise**

**Thursday, April 2
7:00 - 9:00 pm**

Myron L. Cohen, Columbia, *Family Enterprises and the Family as Enterprise in China*; Gary G. Hamilton, *Family and Big Business in the Industrialization of Taiwan*; Man Bun Kwan, Cincinnati, *Household Business and Entrepreneurship: the Salt Merchants of Late 19th and Early 20th Century Tianjin*. Discussants: Wellington Chan and Robert Gardella.

THANKS to Wellington Chan for organizing the panel

**Meeting: The Business History
Research Group Meeting**

Mark your calendars for
Saturday, April 6, 6:30 pm
Conservatory Room, Washington Hilton

Possibilities: meeting with business historians of Japan & India; a dinner meeting, both.

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Chinese Business History

is the bulletin of the Chinese Business History Research Group, an affiliate of the Association for Asian Studies. Executive Committee: Wellington Chan, Robert Gardella, and Andrea McElderry.

The bulletin seeks to develop a more comprehensive understanding of Chinese business history and practices. We welcome submission of research notes, "thought" pieces, information on research materials, and conference reports. Manuscripts should be no more than 1200 words. Editors: Robert Gardella and Andrea McElderry.

Deadlines for Announcements:

For Spring 1992, February 1, 1992

Fall 1992, October 1, 1992

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