Despite the modern origin of social science theories about capitalism, it remains controversial whether “capitalism” is uniquely modern. By comparison, it is a point of much less ambiguity, even if only for its general inclusiveness, that “economism,” characterized by a decisive materialistic turn in culture and society, is of recent origin. “Economism,” as Leah Greenfeld identifies it, is a state of mind and a view of life in which issues of economy occupy a place of centrality. In social and political thought it emerges in the assumption that continuous economic growth is considered not only a possibility but also an imperative, a natural condition as well as a positive virtue. In everyday expectations it finds expression in the belief that in modernity there is continuous improvement in comfort and conveniences. Economism sums up a sweeping set of changes that reassigns social value and redistributes political advantages. It is a force, like capitalism, with transformative capacity. It distances the mind from the reverence of immanence and turns it towards the secular reasoning of calculation and transaction.

It is in this sense that, from Europe to East Asia, it is only in the recent past that societies turned “economistic” and rearranged their ethics and rationality in accordance with the production of wealth. This modern shift, Greenfeld suggests, often draws its energy from the rise of modern nationalism.¹

In China, an important publishing event took place in 1901 with the translation of Adam Smith’s *The Wealth of Nations*. The translator, Yan
Fu, was known not only for his earlier rendition of Thomas Huxley’s *Evolution and Ethics*, but also for a series of essays on the wealth and power of the Chinese nation.\(^2\) Smith’s publication in 1776 was a summary statement regarding the “modern” state of economy in England. In China, Yan’s translation acquired urgency in the aftermath of the Boxer debacle, when the Qing court, defeated and humiliated, agreed to indemnities payments totaling over 400 million taels (liang).\(^3\) Yan produced a text that combined literal translation with his own paraphrases. In total, *Guofu lun* (Disquisition on the Wealth of Nations) included nearly a thousand annotated commentaries, in which Yan outlined European economic thinking in the century since the original publication of *The Wealth of Nations*. On one level, *Guofu lun* covered a wide range of topics, from government debts to societal wealth. It succeeded in rephrasing the terms of court debates on fiscal policies that, less than a quarter of a century earlier, had been conducted largely in a traditional language of morality versus instrumentality, or “talent and integrity” versus “tools and skills.”\(^4\) On another level, Yan’s text provided a comprehensive set of categories and vocabulary that made it possible to think, in Chinese, “economistically.” Ethical and material orders were no longer viewed as necessarily in opposition to each other. In the process and rationality of the material world’s production and regeneration there are higher principles of an ethical nature that dissolve the opposition.

In hindsight, it seems obvious that a salient feature of China’s twentieth-century concerns was the rise of economism and the challenge it presented to morality. Under Chinese Communism, economic issues not only defined the Party line and dominated the state agenda, but also functioned as the most important set of constitutive factors in the determination of individual social identity. In the early twentieth century, economism as an emerging way of thinking contributed to the pursuit of capitalist enterprises, which in turn contributed to a redistribution of social power and prestige legitimized by these new concepts.\(^5\)

Yan Fu’s commentaries, in short, did not take place in a historical vacuum. In this chapter we begin with an examination of the maritime merchants who appeared along the China coast in the decades after the Opium War (1839–42). These merchants, many of them comprador agents for foreign firms in Shanghai, evolved from the culturally compromised to the officially honored by the late nineteenth century.

This is not to say that there was no honor attached to China’s old merchant class. Nor that other types of long-distance transactions, involving goods such as tea, silk, and rice, were unknown before the mar-
itime trade. Besides merchandise procurement at the source of production and wholesale transactions, there was shipping, docking, storing, renting, leasing, warehousing, pawning, currency exchanges, and lending. Late imperial China had developed one of the world’s most sophisticated mercantile economies, in which commercial wealth and official honor coexisted. Nonetheless, there were significant differences between the old and new merchants of China, both in the area of business organizations and the strategies for success.

THE VIRTUOUS MERCHANTS OF OLD CHINA

In spite of Confucian denigration, Chinese merchants in the late imperial days saw a steady rise in their social standing from the fifteenth century onward. Merchants and traders continued to contend, to be sure, with long-standing norms and conventions that placed them on the bottom rungs of social respectability. But by the fifteenth century in the silk-producing Jiangnan region (the delta area south of the lower Yangzi) where silver was abundant and monetary transactions were complex, circumstances had changed so much that a growing number of merchants hailed from gentry-scholar-official households—a recognition that mercantile pursuits were no longer beneath contempt. Social critics were quick to charge, in fact, that only scions of mercantile wealth were privileged enough to afford a private classical Confucian education, which opened the door to government service. Throughout the empire, the rich and the learned became entangled in kinship networks and material connections. This development elevated the social standing of the merchants and broke down the age-old divisions between the shi (scholar-officials) and the shang (merchants).

It was in this environment that leading intellectuals offered a new assessment on the moral worth of profit-seeking activities. When composing the tombstone inscription of a wealthy merchant who had once been a scholar, Wang Yangming, a Neo-Confucian thinker, took the opportunity to state that a merchant in his proper pursuits actually embodied a scholar’s vision of the rightful way of the world. Wang invoked the “ways of the ancients” to advance the idea that all “four classes of people”—scholars, farmers, artisans, and merchants—“adhere to the same dao (way)” despite their divergent pursuits in life (yi ye er tong dao). Wang’s followers further affirmed that gentry-scholar-officials and merchants were united on matters of value (shi shang yi shu er tong zhi). The fall of the Ming saw many former Neo-Confucian gentry-scholar-
officials turning to trade both for support and as an escape from political service. By the nineteenth century it no longer remained an issue whether merchants deserved equal standing with the other classes of society. So many gentry-scholar-officials originally hailed from merchant families that “they had become obsessed with the minute and preoccupied themselves with penny-pinching,” whereas the true merchants of the day had acquired “the magnificence of the ancients” that had been lost among the scholars. In the eyes of some, it was the merchants rather than the gentry-scholar-officials who now embodied not only wealth but also virtue.

A successful merchant was a man of Confucian virtue. But in addition to a general understanding of the sagely way, these men were also exemplary practitioners of specific economic virtues. The Anhui merchants of Xindu were among the wealthiest people in late imperial Chinese society, and were renowned for both their hard work and frugality. According to the observations of the seventeenth-century scholar Gu Yanwu, these men would make the entire journey to Beijing on foot. They wore garments that barely reached the mid-calf and straw sandals with no socks. They traveled with homemade food and carried only an umbrella to protect themselves from the elements. Despite owning assets that valued in the tens of thousands, these men simply would not indulge in the luxury of the horse and carriage. Whether motivated by thrift or modesty, proper merchants who knew their place traveled in a style that was distinctively different from the pomp and circumstance of imperial officials. A virtuous merchant remained socially unobtrusive and invisible, regardless of his accumulated wealth.

This thriftiness was accompanied, meanwhile, by a reverence for “rightful” ownership, or a carefully maintained sense of boundaries regarding proprietorship. One popular cliché that appears in many vernacular tales tells how an honest merchant would endure hardship in order to return a significant sum of silver or gold to the rightful owner. Such deeds occurred, furthermore, not to satisfy the latter, who were unaware of their loss, but to gratify the “gods and ghosts” (guishen) watching in silence. In these tales, virtue and vice were balanced in much the same way as assets and debits. Virtuous acts produced material rewards, because heaven rarely failed to reward honesty and punish the dishonest. Whether out of reverence or righteousness, ethical standards were attached to the pursuit of wealth in both practice and belief. Those who pursued the “end” (mo) of profits were not without their principles or pride.
Recent scholarship has gone a long way to document the steady rise of the merchant class’s standing from the late Ming through the Qing. The indigenous ethical system functioned more than adequately to sustain the pursuit of monetary wealth. Additionally, there was plenty of evidence of an “inner worldly asceticism” that was buttressed by a deep reverence for a certain spiritual value. But unlike the Osaka rice merchants of Tokugawa, Japan, Chinese merchants, despite the vastness of their capital accumulation, shied away from a vision of virtue that was their own. There was no institutional or intellectual equivalent to the Kaitokudo enterprise either among the salt merchants of Yangzhou, the hong merchants of Guangzhou (Canton), or the tea exporters of Taiwan. To follow their “way,” late imperial Chinese merchants produced manuals and handbooks that were long on the pragmatics but short on principles, and detailed on local specifics but negligible with regard to a broader vision of the whole. An exemplary merchant conducted himself with a scholar’s sense of ethics and honor. A merchant of virtue was virtuous because he acted like a scholar. A man as such had much to learn from the non-mercantile; yet he had little to offer in return. Ultimately, Confucianism, like Protestantism, was compatible with the pursuit of mercantile wealth. Mercantile wealth was made acceptable, meanwhile, only to the extent that it could be seen as conforming to the norms of scholarly respectability—gaining acceptance, so to speak, at the cost of its own visibility.

THE NEW MERCHANTS OF SHANGHAI

In the second half of the nineteenth century a new mercantile culture emerged in the treaty ports on the Chinese coast. A new breed of merchants appeared in order to serve as the brokers and translators that bridged the gap between China and the West. Known as the comprador, these “bicultural middlemen” worked on commissions or fixed salaries, and served as house stewards, business assistants, upcountry purchasers, “ship compradors” (independent purchasers), or independent merchants. Whether of humble origins or from a merchant family, many compradors—from Guangzhou, Ningbo, Suzhou, or elsewhere—amassed a significant amount of wealth within a short period of time. Jardine, Matheson and Co.’s Shanghai comprador, Yang Fang (Takee), accumulated several million taels in the 1850s, as did Chen Zhuping (Choping), Russell and Co.’s Shanghai comprador in the 1860s and 70s. The “scholarly comprador,” Zheng Guanying, who worked for But-
terfield and Swire from 1873 to 1881, was wealthy enough to invest four hundred thousand taels in China’s modern enterprises in the 1880s and ’90s. Similarly, Tang Jingxing (Tong King-sing), who worked for Jardine’s from 1873 to 1881, invested some three hundred thousand taels in the Kaiping coal mines. Xu Run, Dent’s Shanghai’s comprador from 1861 to 1868, invested a total of 1,275,000 taels in various state-initiated modern enterprises. The garden villa Xu Run built in Shanghai was so vast that visitors sometimes risked getting lost. It was so immaculately maintained by scores of servants that the “floors and desks were as shining as glass.”19 One estimate suggests that between 1842 and 1894 the total amount of private assets accumulated by the several tens of thousands of compradors was approximately 530 million taels.20 This wealth did not overshadow the property assets of the tens of millions of gentry elite who drew as a group an estimated annual income of 645 million taels from landholdings and commercial enterprises.21 Nonetheless it represented a new source of wealth that came from the compradors’ unique capacity to occupy the middle ground—to “squeeze” both the Europeans and the Chinese alike. It was also a new source of income that brought fabulous wealth to a small number of individuals in a short period of time.

In lifestyle and business practice, the comprador merchants set themselves apart from both the old merchants and the gentry. They wore “the long gown of blue silk and the closely fitting black cap on the shaven head,” but were equally at ease in a tuxedo. They built English-style manor houses filled with imported pieces of Venetian furniture, decorated the rooms with Jingdezhen porcelain, and landscaped the surrounding grounds with Suzhou-style gardens. A majority spoke a sort of pidgin English that followed Chinese word order but deployed a smattering of words of Anglo-Indian and Portuguese origins. They were Buddhists yet they took Christian names. They observed lunar festivals but scheduled their work and leisure according to the Western calendar. They joined the YMCA and, in 1865, presented the “Compradors’ Cup” to the Hankou spring race meeting. They also bought government-official titles (daotai) and donned the mandarin’s garb so as to avoid presenting themselves as mere commoners to the gentry and the imperial officials.22 In appearance as well as in practice, the comprador merchants drew upon elements of East and West and forged a style that mixed the exotic and the conventional in unprecedented ways.

Some of the comprador merchants (Zheng Guanying, for example) received an early education in Confucian classics. Yet even for those without such an upbringing, it was scarcely an issue whether they would re-
ject the ethical norms that had governed the Confucian merchants of late imperial days. The same virtues of trust, honesty, reliability, and integrity continued to be desired between the comprador and the foreigners. Foreign employment did not cost the compradors their economic virtue; such virtue was in great demand from foreign buyers and employers. What set the compradors apart from their late imperial predecessors was not what they might have lost, but what had become necessary for them to learn. This included both foreign language skills and knowledge of the world that lay beyond China.

Foreign language ability was the first criterion that distinguished the new merchants from the old ones. English in particular was the key to the middleman’s successful fulfillment of his duties. In the decade following the Opium War, Shanghai families were already paying tuition to send their children to English classes. Foreign missionaries contributed to the availability of such instructions. The Church Missionary Society established the Anglo-Chinese School (Yinghua shuyuan) in Shanghai in 1865, and engaged John Fryer, formerly of St. Paul’s College in Hong Kong, to be its headmaster. The enterprise enjoyed the support of foreign merchants (William Keswick, Jardine’s Shanghai partner) and compradors (Chen Zhuping of Russel and Co.) alike. It taught English “carefully” and attracted a student body of “sons of mercantile families.” Among its graduates were some of the most successful compradors of the late nineteenth century.

English-Chinese wordbooks and dictionaries began to appear. Tang Tingshu (Tong King-sing; 1832–1892), who at age ten attended one of the earliest missionary teaching institutions in East Asia, the Robert Morrison School in Hong Kong, was the compiler of *The Chinese and English Instructor*, which was published in 1862. An able linguist who spoke English “nearly like a Briton,” Tang began his career working as a translator for the courts of the Hong Kong colonial administration when he was barely twenty. After serving briefly as a secretary and interpreter at the Maritime Customs House in Shanghai, Tang joined Jardine, Matheson and Co., traveling in between Hankou, Shanghai, Fuzhou, and Hong Kong on behalf of the firm; by 1863 had risen to become Jardine’s chief comprador in Shanghai. He compiled this six-volume set in response to the frequently asked questions that arose as he delegated his multifarious responsibilities in Jardine’s various offices. This compilation included lists of English and Chinese words arranged by different categories of transaction (including metal, trade rules, tobacco, silk, tea, weights, measurements, accounts, lawsuits, personnel, fabric, shipping, hiring, cur-
It also contains situational dialogues useful in negotiations over hiring, chartering, renting, inventory checking, and so forth. The “model conversation” between the comprador and his foreign employer, stripped down to the bare minimum of the functionally adequate in both languages, skipped all niceties in favor of matters such as “how much,” “when,” “how,” “which currency,” and “whose account.” The expressions varied from being awkwardly stiff and unembellished to being peremptory or threatening. Chinese translations of English words were given with the Cantonese pronunciation. It was a text compiled with the tangible presence and pragmatic needs of a specific constituency in mind, especially the people who spoke “in the Canton dialect . . . the Canton people who have transactions or are connected with foreigners.” And it was among the first of many others that were to appear in print in the next half century.

A new breed of Chinese merchants appeared who sought the pragmatic value of the “learning of commerce.” The Society for East Asian Business Studies (Yadong shangxue she) was a club formed by a dozen young men in their twenties, working as accountants, bookkeepers, warehouse custodians, and managerial assistants in Hong Kong’s various merchant houses. As practitioners of trade they sought to organize their experience into a systematic body of knowledge. Travel, conversations, newspapers, and foreign language proficiency featured largely in their work and life, as did writing and publishing. These friends put out a journal, Shangwu kaocha bao, in 1907. Their venture received support from thirty-some Chinese businesses in Hong Kong, including over a dozen Jinshan zhuang—firms that specialized in trade with California. The journal set as its goal “the study of everything” that had something to do with the conduct of “commerce,” which ranged from finance, trade, shipping, insurance, commercial geography, market condition, commercial regulations, tariffs, and trade agreements to local history and current events. Additional subjects for study included partnerships, contracts, government registration, debt services, agents, brokers, mining, manufacturing, railroad management, colonial administrations, and, with Southeast Asian economies in mind, plantations. The colleagues used photographs and drawings to teach each other about the wide variety of coins and currencies in use in the Southeast Asia maritime trade. Much of their writings concerned details and the materially tangible—to the trained eye, the journals depict a maritime environment fragmented by myriad differences, large and small, that ranged from matters of money, language, diet, and measurement to the rules of law and the power of local authorities.
It is arguable whether these new merchants and their hybrid cultural styles won acceptance or respectability, even in the first decades of the twentieth century. Yet the maritime trade and the wealth they represented did not escape attention. Over the course of the second half of the nineteenth century, trade expanded steadily on the Chinese coast in the context of repeated armed conflicts; it came to be thought of as war. Economic affairs, as international dealings, were no longer private businesses outside the purviews of the state.

TRADE AS WAR

The earliest usage of the term *shangzhan* (war of commerce) is sometimes attributed to Governor-general Zeng Guofan and his reflections on the state of the world in the late nineteenth century—especially in comparison with the Warring States period in the third century B.C. History taught that Lord Shang of the state of Qin had devised a strategy of *gengzhan* (war of the tillers) that used agricultural surplus to fill the state’s coffers. Thus enriched, he assembled a powerful army that, under Qin Shi Huang, unified China’s separate kingdoms for the first time in history. What the Europeans introduced in the decades after the Opium War, Zeng observed, was a war in which traders were like soldiers and commerce played a pivotal role in determining the outcome of rivalries among the nations.

Deeply impressed with the “unprecedented” nature of British commercial wealth and military might, one school of thought in mid-nineteenth-century China explained Western power by focusing on commerce and industry, especially on state action that encouraged and supported such activities. In an 1878 memorial to the throne, the censor Li Pan explained:

> Western nations regard the rise and fall of commerce as a matter of consequence for the fortunes of the state. Rulers and subjects join their hearts in this belief. Commerce is where everyone’s interest lies; all give their best efforts in this regard. . . . To invade a rival state in ancient times, rulers dissipated their wealth in order to expand their territories. To invade a country in today’s world, Western nations expand territories and gain wealth at the same time. . . . Grand Councilor Zeng once remarked, “Shang Yang fought wars of tillers and Western nations are fighting wars of traders.” How true this statement is!

Arguments like these ultimately confirmed the harmony of interest between the state and the “merchants” (*shang*), or more precisely, the mar-
It was in the self-interest of the state to extend to the new merchants necessary protection (bao) and to aid their competition against foreign merchants for profits. But what bao shang actually meant in practical measures was open to interpretation. It went beyond the issue of how the merchants and bureaucrats cooperated, and encompassed broader questions of the role of the state in facilitating the rise of a modern economy. This became further entangled in the court politics of the late Qing.

It is noteworthy that Li Pan’s memorial appeared in 1878, a critical juncture in the development of state-sponsored Chinese mercantilism. Li continues: “Earlier, under the rallying cry for ‘self-strengthening’ in the aftermath of the Taiping Uprising (1850–1862), provincial governors had launched several projects to build arsenals and shipyards in the hope of modernizing China’s military industry. But court conservatives greeted these initiatives with skepticism. They argued that the strength of the nation stemmed from the moral quality and not the technological know-how of the Chinese people.”

Conservative officials had criticized the Fuzhou Arsenal and Shipyard, citing its large expenses as evidence of wastefulness, and sought to shut it down. In 1872, in a famous response that defended the military industrialization projects, Li Hongzhang, governor-general of Zhili Province (present day Hebei and Henan), presented a memorial that proposed the shipyard expand its operations and build merchant vessels. These ships would then service a mercantile operation, the China Merchants Steamship Navigation Company. To organize the company, Governor-general Li formulated the slogan guandu shangban or “official supervision, merchant management.” The steamship company was to come under the direction of an official who was appointed by a regional governor and managed by merchant executives with treaty port experience. To attract merchant capital and to ensure the new company’s profit, Li further proposed that it be granted the exclusive right to carry the state’s tribute rice from south China to Tianjin. In advancing the proposal, Li envisioned Chinese ships carrying cargo and passengers and competing successfully with foreign ships—“taking back” (wanhui) from foreign companies profits and interest (liquan) that should rightfully be Chinese, “so that every penny we earn will be a penny less to profit a foreign enterprise.” In other words, state concern with Sino-foreign rivalry was not to be restricted to armed struggles on the battlefields, but was also to take into account national contests in the acquisition of wealth. It was well within the scope of the self-strengthening endeavors of the Chinese
state to sponsor commercial enterprises. It was in this context that officials and merchants were to collaborate on mercantile projects.

Li Hongzhang’s memorial led to the organization of the China Merchant Steamship Navigation Company, which was used as a template for the organization of other “official supervision, merchant management” enterprises that included mining, telegraph bureaus, railroads, machine-powered weaving, cotton spinning, and banking. Invoking self-important arguments about their contribution to national interest, Li and other regional officials were able to obtain state concessions such as tariff reductions and tax exemptions for the business enterprises that they had sponsored. In addition, they placed public funds in these enterprises as a source of credit. They expected, in return, profits from these operations to help pay for new expenses such as the purchase of military uniforms and ammunition.

Bao shang in the context of “self-strengthening” proponents justified bureaucratic sponsorship of mercantile projects. It also gave official blessing to commercial profits in the name of statist goals. Late Qing mercantile enterprises functioned as the economic arm of regionally centered “bureaucratic machines” that potentially challenged the power of the imperial court. Regional officials in coastal provinces—Li Hongzhang, Zhang Zhidong, and, later, Yuan Shikai—were among the first to grasp the economic significance of Western-style industrial and mercantile enterprises. These officials pursued guandu shangban projects that tapped treaty-port comprador wealth as a new source of investment capital. Their notion of shang or “commerce” went beyond what a subsistence economy might sustain to encompass goals of entrepreneurial growth and development.

To the extent that imperial officials turned to sponsor large-scale modern enterprises, a new arena of interaction emerged between officialdom and the new merchants. Few comprador merchants, for example, attained civil service examination degrees through scholarly merit. Instead, the merchant elite found opportunities to purchase such degrees, and also held expectant titles for government offices. Tang Tingshu, Xu Run, and Zheng Guanying, the principal merchant managers of the China Merchant Steamship Navigation Company, were all commoners from Guangdong who made their fortunes as Chinese compradors for foreign firms. They also all purchased civil service degrees and held bureaucratic titles as expectant daotai. Within the framework of “official supervision, merchant management,” these men not only invested their private wealth, but also contributed their experience as managers of Western firms. Their
service in government-sponsored projects, meanwhile, served to induct them into a bureaucratic culture of status and hierarchy.

*Guandu shangban* enterprises provided the opportunity, in addition, for the rise of a new breed of officials who wielded enormous influence as business directors of expanding modern enterprises. Sheng Xuanhuai (1844–1916), who held the lowest examination degree (*xiucai*), began his career in 1870 as a staff assistant who oversaw the supply of the Huai Army, which was under the command of Li Hongzhang. Shrewd and capable, Sheng Xuanhuai served, from the 1870s onward, as the top official manager of the China Merchant Steamship Navigation Company. The success of the steamship company, in turn, led to Sheng’s directorships in other *guandu shangban* enterprises that ranged from telegraph bureaus and railroad lines to coal mines. Sheng’s predominant position in these enterprises made him a pillar of Governor-general Li Hongzhang’s bureaucratic enterprise. His ability to hold on to managerial positions had less to do with the profit performance of the companies, however, than the power of his political backing. It was his bureaucratic connections rather than his capitalist acumen that accounted for Sheng’s towering stature as China’s leading bureaucratic capitalist in the late nineteenth century.44

Merchants and officials thus joined efforts as managers and investors in state-sponsored modern enterprises. But this proximity guaranteed neither consensus nor harmony. In the case of the China Merchant Steamship Navigation Company, Sheng Xuanhuai’s major nemesis was none other than the fabulously rich Xu Run. Xu, who sent his children and grandchildren to Oxford and the United States, was the leader of a group of comprador investors from Guangdong, some of whom had learned English in Hong Kong. In comparison, Sheng, who was more persuasive among shareholders from northern China, was the son of a provincial degree-holder and a retired official who had spent years working on the compilation of a statecraft compendium for fellow Confucian bureaucrats.45 For years the two men fought for each other’s dismissal from the company, a contest that was settled only after the death of Li Hongzhang, Sheng’s powerful patron.

Comprador merchants and Confucian bureaucrats were not meant to commingle seamlessly. But the most striking aspect of the *guandu shangban* enterprises was not that merchant shareholders and government directors clashed, but how the new lines of wealth and old lines of prestige mixed. The new enterprises represented a veritable “amalgam” of merchants and officials, with men of merchant backgrounds bearing
official titles and interacting with “regular” authorities at all levels. The titles carried prestige. They were, furthermore, essential for carrying out the company’s business, because contact with officialdom—whether through tribute rice, tariffs, inland duties, official freight, or passengers—was facilitated when company managers could interact as equals, or near equals, with incumbent officials. In this process merchant enterprises under official supervision became “bureaucratized”—mindful of status and attentive to protocol. The ritualized practices and conventionalized etiquette of the imperial bureaucracy were superimposed upon an emerging culture of semi-official industry and business.

Likewise, merchant impact on the officialdom was just as significant. Sheng Xuanhuai amassed, towards the end of his life, a personal fortune consisting of dozens of pawnshops and multiple pieces of Shanghai real estate valued between 20 and 40 million silver taels. He lived on Bubbling Well Road in the International Settlement, the same street as his comprador rival, Xu Run, and hosted hundreds of guests in just as grand a style.

The two men came from divergent places and backgrounds and followed different career paths. But a mere thirty years after the founding of the steamship company, and within both men’s lifetimes, the official had spoken of himself as a private merchant (shang) while the comprador came to be greeted as an expectant official. Within the framework of guandu shangban, the new middleman had found his bureaucratic niche. At the same time the officialdom had devised a means both to tap the comprador wealth and harness their knowledge of the world beyond China.

MERCHANT BUREAUCRATS

In 1895, after the signing of the Treaty of Shimonoseki, foreign industries obtained the right to own and operate manufacturing facilities in Chinese treaty ports. Economic rivalries between Chinese and foreign merchants extended from commerce to production, and from finished goods to capital investment. In response to a perceived intensification of foreign economic exploitation, court policy shifted once again. It went from statements of encouragement to active government promotion of private mercantile enterprises. The state not only sanctioned official and gentry investment in commerce and industry, but also promoted private merchant investment in industry.

Private Chinese merchants responded accordingly. Between 1895 and
1911 privately owned merchant enterprises (shang ban), numbering in the thousands, appeared all over China, the majority of which were valued at no more than fifty thousand taels in initial capital investment. Many engaged in food processing, producing flour, oil, egg powder, tea, sugar, salt, wine, canned food, and so forth for consumption. Others made soap, cosmetics, light bulbs, porcelain, rubber, tiles, glass, cement, matches, paper, candles, dye, chemicals, and the like, supplying households and businesses alike. Individuals with strong bureaucratic connections—Sheng Xuanhuai (1844–1916), Zhang Jian (1853–1926), and Zhou Xuexi (1866–1947), for example—also participated with their own funds as private merchants (shang). The steady diminution of the role of officials in the operation of industries was matched by a corresponding rise of privately operated enterprises. As a growing number of private individuals turned to new-style mercantile enterprises in response to state encouragement, the notion of bao shang took on new meaning. It went beyond state patronage of industrial projects to encompass the creation of conditions that facilitated mercantile undertaking. In order to promote commerce and industry for the benefit of the Chinese nation, the time had come for a broad reevaluation of the status of the merchant in Chinese society.

Merchants complained that they had been hampered, on one hand, by an abundance of restrictive rules at home, and were thus unable to exercise their entrepreneurial initiatives; on the other hand, they felt the state was not adequately involved in their protection in the courts. To extend its benevolence (bao) to the merchants (shang), the state had to reform its laws and reorganize its institutions. The merchants also wanted more effective representation of Chinese mercantile interest against that of the foreigners.

In the general political climate fashioned by reformers and revolutionaries such as Liang Qichao and Sun Yat-sen, young educated merchants were particularly vocal on behalf of their newly acquired knowledge about the outside world. Chinese poverty and military defeat, they argued, were the results of a general Chinese ignorance of the ways of “civilized nations,” especially of the “self-governing” (zizhi) societies of the West. Successful conduct of commerce required knowledge. Methodical study of commerce as a new branch of “learning” (shangxue) was necessary, because the Chinese had to change the way they conducted business.

In the mid-1890s, Zheng Guanying emerged as the most important voice regarding shangzhan. A former comprador, an official-in-waiting, and the author of several editions of collected essays entitled Sheng shi
wei yan, Zheng gained a national audience in the aftermath of China’s defeat in the first Sino-Japanese War. Zheng affirmed the concept of shangzhan, but attacked the bureaucratic presence in the mercantile domain: “Western nations send their merchants to engage in wars of trade. To oppose them, our merchants meet their Western counterparts. But how difficult things are on our side that we remain habituated in old ways and mired in the norms of the past; that we insist that all decisions rest with civil service degree-holders who are [not merchants] but scions of gentry official families!”

The issue of the moment, in other words, was not whether the merchants deserved the support or protection of the state, but whether the old-line bureaucrats were competent enough to perform their duties with regard to commerce. From the perspective of many treaty port intellectuals and comprador merchants, their differences with the Confucian officialdom were better off being emphasized instead of concealed: it was these differences that enabled the merchants to claim a greater capacity to handle China’s commerce in the interests of the Chinese nation and state.

It became a prevalent view, by the end of the decade, that the practice of new-style commerce required training and preparation in a new body of knowledge, and that business schools (shangwu xuetang) should be established to fulfill this function. In addition, as part of this new knowledge consisted of up-to-date market information and familiarity with local practices across vast regions, the creation of business gazettes (shangbao) as well as merchant associations (shanghui) was proposed, in order to facilitate the accumulation and circulation of such intelligence. The new merchants, in other words, rose to success on the basis of a new discipline of knowledge and information that required training, and thus new institutions.

A classical Confucian education, clearly, was no longer an adequate preparation for merchants. The imperial bureaucracy, staffed by individuals trained in the classics, had to therefore be reformed in order to accommodate the needs of mercantile activities. It should come as no surprise that Zheng Guanying was among the first to propose the creation of a new Ministry of Commerce to address the issues at hand. Merchant demands—or rather, mercantile arguments—began to yield results around the turn of the century. Sheng Xuanhuai, the leading bureaucratic entrepreneur, memorialized the throne in 1899 for the creation of an office (yamen) of commercial affairs, as well as a separate minister of commercial treaties (shangyue dachen):
All nations have government offices that deal with commercial affairs. These offices complement the boards of revenue and are separate and distinct from ministries of foreign affairs. . . . All treaty nations, whenever negotiations turn to commerce, would refer such matters to the yamen of commercial affairs. . . . On matters such as the produce and productions of various places, the management, transportation, distribution, and sale of all merchandise, the yamen may obtain information from merchant associations in various places. Chinese and foreign merchants should be permitted to present matters in writing to the yamen about commercial affairs at any time. Merchants should also be permitted to meet with commerce officials without putting on official robes. Such interactions will assure that information and viewpoints on the ground reach the higher circles of authority.54

Until the creation of these new offices, Sheng Xuanhuai went on, Chinese mercantile interest would continue to be hindered by old bureaucratic practices. The Zongli yamen, which since its establishment in the 1860s had been negotiating commercial treaties, had neither the resolve nor the skills to defend Chinese merchant interest when confronted with foreign demands. Instead of being placed at the mercy of the bureaucracy, Sheng suggested, Chinese merchants should be allowed and encouraged to organize themselves so as to look after China’s commerce. There should be chambers of commerce in all towns, so merchants could gather to study conditions that affected their affairs. Sheng Xuanhuai not only subscribed to the view that merchants, rather than bureaucrats, should serve as the custodian of China’s mercantile interests, but also outlined a comprehensive readjustment of interactions between the two.55

Riding on the momentum of such viewpoints and taking advantage of the pro-reform climate in the aftermath of the Boxer Uprising in 1900, bureaucratic reformers and mercantile interest groups were able to push through a range of institutional innovations in the 1900s. In 1899 the court established the minister of commercial treaties position (shangyue dachen) and appointed Sheng Xuanhuai. It was in this capacity that Sheng negotiated international contracts, entered agreements, revised terms, and directed all semi-state modern enterprises (coal mining, railroads, telegraph bureaus, steamships, and banking) that involved foreign investments. In 1903 a new Ministry of Commerce was set up, initially as part of the Ministry of Agriculture, Industry, and Commerce, and later as an independent entity, to coordinate commercial affairs and to assure the dissemination of information and expertise. In the same year the Imperial Law Drafting Commission, led by a team of three that included Wu Tingfang, a former comprador from Hong Kong and a Qing emissary
to the United States, announced a range of new laws including commercial
laws. The new laws encouraged (or ordered) Chinese merchants in all
major towns, both in China and overseas, to form chambers of commerce.
These associations (shanghui) with elected leaderships helped not only
to implement the state’s new laws, but also to gather and submit local
information by means of bureaucratic channels. The newly established
Ministry of Commerce, meanwhile, worked to facilitate the creation of
schools of commerce and the advancement of “business learning” (shang-
xue) at administrative and commercial centers on all levels. The ministry
collected trade information, published the Shangwu guanbao (Govern-
ment Gazette on Commercial Affairs), and supervised the formation of
local chambers of commerce. In addition, it also encouraged the forma-
tion of local societies for the study of business knowledge (shangxue hui).
By the first decades of the twentieth century, the new-style merchants had
succeeded not only in attaining social respectability, but also in establishing
a significant foothold in the imperial bureaucracy.

Two pieces of commercial legislation were announced in 1903: the
“merchant code” (shangren tongli) and the “corporation code” (gongsi
lii). Under the former, the state enumerated and recognized as com-
merce activities of twenty-some categories. These included purchasing,
sales, letting, renting, manufacturing, reprocessing, public utilities (elec-
tricity, gas, and water), publishing, printing, banking, money exchange,
lending, advancement of credit or credit-related services, operation of
public gathering places, warehousing, insurance, delivery, delivery-related
services, brokerage services, middleman services, or agency services. Old-
fashioned street peddling and “handicrafts,” or anything else that failed
to incorporate the use of machinery or necessitate a permanent business
premise or address, were explicitly excluded from the coverage of the
new laws. To obtain legal recognition, all eligible merchants, as defined
and qualified by law, had to register with local government authorities.
To be qualified for registration, they were required, in trade practices, to
observe new laws concerning the use of trademarks. And in areas not
yet covered by law, merchants were required to follow the rules and prin-
ciples of bookkeeping, accounting, record keeping, account balancing,
and so forth as spelled out in the various textbooks of shangxue.

But while drafting laws, setting up offices, and taking up responsibil-
ities in ways that seemingly responded to mercantile demands, the state
also turned the argument against the merchants. According to the im-
perial law commissioners, the backwardness of Chinese commerce was
not a result of traditional state prejudices, but rather had its roots in the
general ignorance of the vast majority of the mercantile population. The
latter had been held back in their pursuit of wealth because China had
never had a tradition of “teach[ing] the merchants what they need to
know in a school of business.” Chinese merchants learned their trade in-
formally, “either from their fathers or from their master-employers,”
which contributed to the fragmentation of practice and undercut the
state’s ability to provide aid. In essence, the government believed Chi-
nese merchants needed to reform their ways in order to benefit from
official assistance.

In the 1900s the imperial government ordered the organization of nu-
erous local chambers of commerce. A principal duty of the chambers
was the distribution of standardized record-keeping forms to registered
members; these included daily record books, monthly balance sheets, and
annual total balance sheets by revenue and assets. Merchant conformity
to the use of these new forms was a precondition for successful ap-
lications for business registration. Proper registration with local au-
thorities, meanwhile, was not only a precondition for a merchant’s legal
capacity to act, but also for the legal recognition and representation of
the business in court.

From the perspective of the state, then, business education, which
taught standardized rules of record keeping and accounting, was worth-
while as it provided a foundation for the implementation and enforce-
ment of commercial law. The idea of commerce as learning received
prominent endorsement when the ministry used its official gazette to list
the names of leading foreign business schools in Germany and the United
States. It also outlined a business curriculum, using the undergraduate
curriculum from the College of Commerce at the University of Califor-
nia as an example. University-level knowledge was linked, in turn, to a
whole new field of professions, including accounting, banking, and bro-
kerage services.38 As a model and a vision, foreign examples and state
endorsement combined to legitimize business schools and to lend pres-
tige to the pursuit of commerce. Meanwhile, the legal framework laid
down by the imperial government was reaffirmed in 1913, and again in
1928. Despite regime shifts, the state-merchant relationship continued
to evolve within these terms for the next half century.

Whether as bureaucratic capitalists, merchant-officials, or official-
merchants, the very appearance of such mixed functions and crossed iden-
tities suggested a new pattern of relationships between the merchant and
the state. Mercantile perspectives gained legitimacy, and merchants
gained respectability either as businessmen or officials. There were two
sets of agents of modernization: the state and the merchants. Under their partnership commerce and industry became the concerns of the nation and the state. The first undertakings of the newly constituted provincial chambers of commerce included the promotion of “national goods” manufactured in China, and the occasional boycotting of foreign imports. Chamber projects were guided by regular customs reports of trade figures, which were read as vital statistics of the economic health of the nation and the state. By all indications, “economism”—as a new way to think of the role of merchants and economy in the Chinese state and society—had taken hold by the first decade of the twentieth century.

VOICES OF THE MARKETPLACE

In the 1908 novel Shisheng (Market Sounds; 1908), we come upon the first literary statements regarding the new merchants and their place in society. Li Bozheng is an affluent entrepreneur and a salt merchant who enters the silk business at a time when Chinese silk production is feeding the French looms in Lyon. Li Bozheng “deliberately buys cocoons at a price much higher than that offered by foreigners.” His explanation: “I am not afraid of losing money. I may lose it to a Chinese, but I am not letting foreigners make money out of us.” Author Ji Wen lavishes praise on Li because he behaves “less like a merchant than a philanthropist motivated by the Confucian virtues of benevolence and righteousness.” Ji’s characterization of the merchant offers yet another case of an operative “axiological system” in literary representations at the turn of the last century. It is the merchants rather than the scholars who exhibit Confucian virtues and shoulder the educated man’s public responsibility.

Yet there is a twist in this early twentieth-century version of the transposition of virtue from the scholars to the merchants. Unlike earlier vernacular stories, Merchant Li does not forego his profits because he is afraid of the supernatural. He does so, instead, out of concern over the rivalry between “the Chinese” and “the foreigners” in the silk market. To protect Chinese interests, Li acts out of a self-ascribed public spirit and sacrifices his own self-interests for the good of his fellow compatriots. Even if he is ridiculed as a pompous fool, merchant Li sets himself apart from the ordinary profit-seekers who clutch the abacus and follow the dictates of the numbered beads.

Fan Muli, another main character in the story, is a “gentleman-merchant” who engages in a variety of unconventional activities despite his old-fashioned admiration for Fan Li, a model of business virtue in
the second century B.C. Fan Muli spearheads a number of early twentieth-century innovations. He launches a co-op to organize rural artisans. He sponsors a homemade harvesting machine, the invention of an ingenious villager, for use in the rice field. He establishes a training school to turn ordinary peasants into inventors. He opens an exhibition hall to showcase new products. He buys up large chunks of land to build schools and service centers. He believes in the pragmatic efficacy of machines, mathematics, science, and accounting. But above all, he has faith in the innate intelligence of the Chinese people, especially those who work with their hands and are close to the soil. Fan’s grand solution that defeats foreign competition, it turns out, is simply the education of China’s peasants and artisans—the nurturing and disciplining of the innate intelligence and capacity of the Chinese masses. Fan Muli opens a school, hires teachers who have studied in Japan, offers a curriculum that consists of literacy, foreign languages, mathematics, and technology, inspires young peasants to attend classes, and turns their inventions into business enterprises and industrial products. While Pan Mingduo, a nineteenth-century merchant, “wouldn’t open a volume unless it teaches the way of the sagely dao,” Fan Muli is only interested in new knowledge. Unlike Pan, whose private virtue ultimately brings him material rewards, Fan sees public deeds as a means to societal wealth. Like his friend Li Bozheng, Fan sees himself as serving the collective cause of the “Chinese.” It is the new task of the merchants to share with their fellow citizens a world of new knowledge. Hard work and integrity continue to matter. Yet what distinguishes the new merchants from the old ones—what allows them to look down upon the old-style bureaucrats locked in their backward-looking norms—is their knowledge of the world beyond China and its established ways.

By the early twentieth century the new merchants, confident and eager, were ready to advance their claim to patriotic citizenship. From their perspective, the virtuous Xindu merchants—thriftily, diligent, honest, self-effacing, and praised by late Ming Neo-Confucian thinkers—no longer served as adequate paragons for the new merchant heroes of Shanghai. Fan Muli moves about the city riding in a horse-drawn carriage. He puffs Havana cigars held in between fingers glittering with diamonds. His filter holder is encircled in translucent green emerald. He wears silk, satin, and matching jackets and gowns trimmed with fox, lined with sable, woven in patterns, and embroidered in gold. Merchant Li, who entertains with grandeur in his mansion, receives compliments for the magnitude of his
wealth and aspires to world-class monopolies and trusts. In Shanghai a whole new style of life evolved, based upon the wealth and spending of the new merchants. In contrast, the Xindu merchant of disciplined frugality and social anonymity—traveling by foot, carrying his own umbrella, wearing straw sandals, and clad in simple cloth—had become the very image of backwardness and conservatism.