THE GRANDEUR OF THE QING ECONOMY

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MING-QING ECONOMIC DYNAMISM AND FOREIGN TRADE

At the end of the Ming dynasty, just before the Manchus overthrew the Ming and established the Qing dynasty, China's economy was in a period of expansion. New markets were being founded, and merchants were extending their businesses across provincial lines and even into the South China Sea. Chinese merchants were already active in Southeast Asia during this time, and, in fact, one of the arguments then made regarding the cessation of China's state-sponsored maritime expeditions to various places in the southern seas (such as the famed "Ming Voyages") was that these expeditions were no longer necessary. Chinese merchants themselves were going out to the South China Sea and were trading with these areas themselves, so there was no longer a need to have a tributary relationship with other states or city-states in this area. In certain instances the Qing state did balk at the movement of people into overseas commerce and tried to limit rice and metallic currency from moving out of the country, but the state simply did not have the capacity to stop trade completely. The circulation of goods went on with or without state approval. [Read more about the Ming Voyages (PDF)]

The economic growth so evident under the Ming dynasty continued under the Qing dynasty, up until the time of the Opium War in the 1840s. During this time China's domestic economy was a dynamic, commercializing economy, and in some small ways, even an industrializing economy.

The Stereotype of an "Anti-Merchant" Qing State

A common stereotype about late imperial China -- one that is actually perpetuated in the study of practically every period in Chinese history -- is that the Chinese government was anti-merchant. Common reasons given to support this assertion are: that Confucianism was anti-business and anti-merchant; that Confucian scholar-officials were at the top ranks of Chinese society; that state policy impaired economic activity by not supporting it in any constructive way; and that taxes were so heavy that they squeezed the life out of merchants and their businesses. But all these things are untrue.

CHINA AS A VAST CONTINENTAL MARKET, IN CONTRAST TO THE SMALL STATES OF EUROPE

Unlike Europe during this same period, which was composed of many small states, each with its own political system, national boundary, and tax system, Qing China was a vast continental market with no impediments to the movement of goods across provincial boundaries. In analyzing the various institutions that were in place in China at this time, it is important to keep in mind that the structure of China's large continental empire affected economic development, economic growth, and economic structures.

QING CHINA'S ACTIVE ECONOMY, WITH MANY IMPORTANT MARKETS AND MANY COMMODITIES

China did not have a single central market during the Qing dynasty (Shanghai, for example, was just a small town until the late 1800s), but it was big enough to have many important markets and goods moving amongst them. Some goods -- particularly specialty items -- moved across great distances. Medicinal herbs from the mountains in West China moved East, where they were used for medicines and salves. Cotton moved from North China to cotton weavers in Central China. Rice moved in much more localized markets because of its bulk and because it was readily available in many places. But where there was a market for a certain product, Chinese merchants were there to create the facility to move the product.

Farming Economy with Proliferation of Markets
China's economy during the Qing dynasty was still largely a farming economy. Eighty percent of the population lived in the countryside at the end of the Qing dynasty, and most people had some relationship to farming or to something that was a byproduct of farming. So China at this time does not fit the image of a modern industrial economy. On the other hand, China was a place where, by the late Ming dynasty and into the Qing dynasty, there was a proliferation of markets. Approximately eighty percent of the population lived within a day's journey of a market town and could take some of their produce to the market and become involved in marketing activities.

Development of a Complex Market Structure
The Qing dynasty saw not only an increase in the number of markets and market towns, but also an evolution in market structures. If marketing is viewed as a hierarchical process, wherein there are some markets that are central and collect the goods from many lower markets in the hierarchy, then China was "filling out" its hierarchy during this period. There were markets that served entire regions, markets under these that served sections of regions, and an increasing number of markets that served the producers. Simultaneously, the markets that were serving the producers were moving from being periodic markets (markets that only met a few days a week, to which farmers could come and bring their produce) to becoming stationary markets that operated every day and had stores that existed all the time, wherein people were working full time as merchants.

[See webpage for Interactive: Commercial Activity in 18th-century Suzhou.]

Development of a Merchant Hierarchy
The Qing dynasty also saw the development of a merchant hierarchy. There were merchants who worked only within a local marketing community, and also farmers who spent some of their time working as peddlers to bring in extra money. But there were also long-distance merchants, whose economic life blood involved extensive traveling. Even in the early Qing there is evidence of the establishment of guild halls in distant parts of China to represent and serve the interests of merchants from other parts of China who traveled there. As aliens in that particular community (perhaps not speaking the dialect of that region), these traveling merchants would need a place to stay and to meet with other merchants to conduct business.

Taxes Paid in Money

During the Qing period, all Chinese people had to pay part of their taxes to the government in money (usually copper coins or silver) as opposed to goods-in-kind. This meant that the farmers, especially, had to sell what they produced in order to acquire currency for their taxes. In fact, one could say that the Qing government's tax policy was one of the factors that pushed economic growth in China during this time.

Paper Money and Bimetallic Currency

Although China was one of the first societies to introduce paper money (around the 11th century), for most of its history before modern times, as well as during the Qing dynasty, China also used bimetallic currency, meaning that both copper and silver were in circulation. Copper coins with an opening cut out in the middle (used to tie several coins together) were used for everyday transactions, and silver was used for larger transactions and for paying taxes to the government.

Early Banks and Long-distance Trade

China's use of bimetallic currency over a large marketing area created in turn a big industry in money-changing. By the 18th century, money changers were playing many additional roles, including providing credit, particularly within local market communities as well as developing into the earliest native Chinese banks. China had a huge market and a large number of commodities that were moving both within local marketing systems and over longer distances. But conducting this kind of business with heavy, metal money became problematic, especially if a merchant had to carry huge bags of silver on his donkey or by other means. This would also make the merchant vulnerable to any bandits he might encounter on the road. The remittance bank was developed during this period to address this problem. The remittance bank would take cash deposits from a merchant in one place and issue him a remittance certificate, which the merchant could then take elsewhere to pay someone with whom he was doing business. That person could in turn go to a bank in his area and exchange the certificate for coins. By the 18th century there was a vast network of such banks, and they were extremely important to the development of commercial activity in China.

**Remittance Banks
("Shanxi Banks")**

Remittance banks were also often referred to as "Shanxi banks." This is because merchants from the province of Shanxi in northwest China, which was not itself a very rich province, became bankers to the rest of the country. They did this by developing a system from taking deposits by merchants in one place and issuing remittance certificates that could be redeemed elsewhere.

IMPORTANCE OF THE GRAND CANAL IN TRADE WITHIN CHINA

To a certain extent, the Qing state itself facilitated the movement of goods to market by locating Beijing, its capital, far to the north, away from the rich and prosperous rice growing areas of Southern China. This resulted in a natural market for the demand of goods in the North, if for no other reason than to feed the imperial household and court. This was one of the reasons why it was so important to keep the Grand Canal working. The Grand Canal was a major conduit for grain, salt, and other important commodities. Any taxes that were paid in kind were paid in grain, which was shipped along the Grand Canal. Thus, control of the Grand Canal was of critical importance to the Qing government.

ADDRESSING THREE MISCONCEPTIONS ABOUT THE QING ECONOMY

1. STATE CONTROL OF THE ECONOMY

A major misconception about the relationship between the Chinese state and the economy is that the state controlled economic activities with a heavy hand. But if one really looks at the size of the Chinese bureaucracy and the size of China throughout its history, whether in terms of the size of the territory or the size of the population, one can see that no Chinese state could have controlled economic activity completely. More importantly, as early as the Tang Dynasty in the 7th century, the state made the decision to withdraw from control of the economy, and thereafter the Chinese state was no longer determining where a market could or could not be established.

The Qing, a Laissez-Faire State?
In practice the Chinese state under the Qing took a relatively laissez-faire approach to the economy, and the state did not regulate trade. Indeed, the Chinese legal system, which was one of the most advanced and sophisticated legal systems in the world during this time, left the regulation of private matters largely to the people directly engaged in the economic exchange. With certain exceptions, the state set out specific parameters for economic activity, but it was mainly within the local economic communities, within the guilds and elsewhere, that Chinese customary law for the handling of economic affairs was emerging. The emerging rules, regulations, and customs of this time suited the needs of the people who were engaged in commerce.

An Exception: The State Monopoly on the Salt Trade
To a large extent the Qing state concerned itself only with the movement of a small number of goods that were seen as essential for life and were also a good source of revenue for state coffers. The most important of these was salt. But the state did not regulate how salt was manufactured; it only required a license for the transport of salt. Licensing for the transport of salt was an important source of the revenue for the Qing state.

Hereditary Occupations
By the Ming dynasty, the Chinese state had stopped trying to control what occupations people could have. This contrasts with Japan where, until the late 1800s, people were born into a hereditary status or occupational group and were expected to do what their fathers did. By the beginning of the Qing dynasty, the only truly hereditary occupation in China was the military, and most of the people involved in this system were attached to the ethnically Manchu military structures rather than to the ethnically Han Chinese military.

2. SILVER IN CHINA AND THE WORLD ECONOMY

Those who would argue that China was not involved in the world economy by the Qing period have only to look at some of the consequences of China's use of currency -- both copper and silver. China under the Qing had an enormous unmet demand for silver. As the economy grew, the populace needed silver for transactions in the marketplace. As early as the 1720s, Mexican silver dollars were used in transactions in Southern China. Mexican silver had the advantage of already being in coin form and being reliable for its weight in silver, so that one did not have to go to a money changer to have him weigh the silver and take a fee for attaching a certificate. The Chinese government did not mint silver coins, so throughout this period people were using minted and raw silver coming into the country through the Philippines and other areas that were points of trade in the Southern China region. Western European nations during this time had very few commodities other than silver to sell to China in exchange for the tea, porcelain, and silk that were being imported to meet their own growing demand. Indeed, this inflow of silver from the West is one reason for the rapid expansion of China's economy during the 18th century.

Read more about the story of silver in China at the website CHINA AND EUROPE: 1500-2000 AND BEYOND

3. CREATION OF THE "CANTON SYSTEM" IN 1760

The notion that the Chinese government feared foreign traders and did not want foreign traders on its shores is a major misconception. Although foreign trade was not a dominant source of revenue for the imperial household, it was taxed at a number of ports along the Chinese coast and was an important source of revenue for the central government. It was not until the 1760s that China really began to limit foreign trade to the single port of Canton, and there is much speculation about why this happened. Some scholars have related this to Chinese awareness of the activities of the British East India Company in India in the 1750s, when Britain was effectively colonizing India, and the Chinese government's fear of similar foreign encroachment on its own soil. Other scholars see the creation of the single port of call for European ships at Canton as being a mutual decision, because, in fact, Canton was the only port that really could provide the kind of facilities that foreign traders needed. Canton had a sufficient number of merchants, sufficient capital to be able to bring goods from the interior in sufficient amounts to make it worthwhile for foreigners to come all the way from England to China. The trip from England to China during this time was indeed very long, and ships only came once a year. The merchants bought everything they could to fill up the ships and soon set sail again.