

Chapter 5. Merchant Guilds and Collective Taxation in Nineteenth-Century China

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Long-distance trade networks underwent consistent development during the eighteenth and nineteenth centuries. Business networks matured into loosely associated groups (*bang* 幫)——not just the nominal provincial *bangs* like “Shanxi *bang*” or “Huizhou *bang*”, but more concrete constituencies like the “western Chongqing *bang* of pine timber traders” or the “association of timber brokers in Suzhou”——and some went further to become incorporated guild-like organizations with permanent estates. Such merchant guilds (with the names of *huiguan* 會館 or *gongsuo* 公所), which first appeared in the late sixteenth century, proliferated in cities and market towns and started to take on such functions as establishing trading rules, mediating members’ disputes, and interacting with local authorities.¹

These merchant guilds are at the center of our discussion in this and the next chapter, which collectively offer a comprehensive study of the functions of merchant guilds in commercial taxation, providing economic services, and making and enforcing trade regulations. Each of these aspects of guild functions has been extensively recognized and studied in existing literature. However, past studies tend to take a guild’s fiscal responsibilities and its economic

¹ For a detailed study on these newly established merchant organizations in eighteenth- and nineteenth-century Suzhou, see Ch’iu Pengsheng 邱澎生, *Shiba shijiu shiji suzhou cheng de xinxing gongshang ye tuanti* 十八十九世紀蘇州城的新興工商業團體 (Newly Emerged Industrial and Commercial Organizations in the Suzhou City during the Eighteenth and the Nineteenth Centuries) (Taipei: Taiwan daxue chuban she, 1990).

functions as separate matters, largely neglecting the connections between the two.² By examining organized groups of timber traders and brokers in multiple marketplaces, what I hope to achieve is not only to provide a detailed depiction of these functions as specific to the trade of timber, but also to elucidate the *complementarity* of these functions, which has a more general relevance to our understanding of Chinese merchant guilds.

While this chapter focuses on merchant groups' negotiation with the local government regarding collective taxation arrangements and Chapter 6 centers on the economic, disciplining, and enforcing functions of merchant guilds, it will become clear that these are not parallel, but interconnected, functions. The very reason that a merchant guild could enforce its trade regulations and internal disciplines among its members was that it could provide appealing benefits that were exclusive to members in good standing – should a member violate guild rule, he would face the punishment of being excluded from such benefits. The exclusive services provided by a guild to its members included (but were not limited to) storage, business intelligence, legal assistance, and, most interesting for our purpose here, collective taxation coverage. It is somewhat counterintuitive that the inclusion in (instead of evasion from) a collective taxation plan should be something appealing to an individual merchant. This chapter will put forward the argument that the increased capacity of the state in direct commercial taxation after the mid-nineteenth century made the option of joining a guild's collective taxation

² For some overviews, see Christine Moll-Murata, "Chinese Guilds from the Seventeenth to the Twentieth Centuries: An Overview," *International Review of Social History* 53, no. S16 (December 2008): 213–47; Kwang-Ching Liu, "Chinese Merchant Guilds: An Historical Inquiry," *The Pacific Historical Review*, 1988, 1–23; Madeleine Zelin, "Chinese Business Practice in the Late Imperial Period," *Enterprise and Society*, 2013.

arrangement attractive to individual merchants, so much so that the threat of being excluded from such coverage could do much in keeping a member in line with the guild's other regulations.

This chapter's examination of merchant groups' collective taxation arrangements with local governments also challenges us to revise the conventional belief about the connections between a guild's taxation responsibilities to the local government and its "monopoly" – often not to keep newcomers out but to force the inclusion of everybody in the trade into the guild.³ Scholars have noticed that merchant guilds often tried to solicit the government's support of such monopolistic attempts through a delicate rhetoric of their obligation to pay taxes, goods, or corvee to the state.⁴ What is often not clear, however, is the result: how successful was this litigation strategy? Did the magistrate always grant a tax-paying guild's request to force the inclusion of newcomers? Does it mean there could be only one guild for each major trade within the same city? In other words, my question here centers on the implication of such taxation arrangements for market access and market structure. The benefit of focusing on the single trade of timber, instead of sampling from all the different trades, is that by patching together all the available information on timber trade within a city I can have a clear idea about the interactions between different timber-trading groups in this marketplace and scrutinize the magistrate's rationale in making certain judgments. I find that multiple merchant groups of the same trade could co-exist in the same marketplace, all with official recognition and each shouldering a designated portion of this trade's tax or service obligations to the local government. A dominant

³ For the attempts of most guilds to force all actors in the trade to join in, see Moll-Murata, "Chinese Guilds," 223; Zelin, "Chinese Business Practice in the Late Imperial Period," 786.

⁴ Zelin, "Chinese Business Practice in the Late Imperial Period," 786.

merchant guild's attempt to force the inclusion of newcomers through litigation could often end with the latter groups' petition to undertake a share of the responsibilities levied on this trade and the official recognition of this new guild's independent standing.

From Individual Brokers to Guilds

The regulations made by the eighteenth-century Qing state regarding licensed brokerages were based on the basic imagination of market transactions as being conducted by individual sojourning traders through independently operating individual brokers. By the early nineteenth century, the individual-based landscape was increasingly replaced by a marketplace delineated by organized groups. Organized guilds, of both traders and brokers, had not only solidified an expanded membership but also begun to take up more functions in internal disciplining and negotiations with external organizations, including both state organs and other merchant groups.

The increasing formalization of merchant networks into guilds with permanent estates, written regulations, and registered members reduced the dependence on licensed brokers to match and guarantee deals, especially in the most developed interregional market centers like Nanjing and Hankou. Indeed, K.C. Liu attributes the proliferation of merchant guilds in the Qing to the merchants' efforts to free themselves of the licensed brokers.⁵ Indeed, some guilds of timber traders obtained a brokerage license under the name of a deceased founder or even the anonym of a deity worshiped by the group, in order to help their members circumvent the official requirement to trade through licensed brokers. For example, in Hankou, the guild of timber traders from Changsha and Hengzhou of Hunan province obtained a license under the name

⁵ Liu, "Chinese Merchant Guilds: An Historical Inquiry," 8.

“Zou Gongyi” 鄒公義, which was not a real person but the anonym of a local god, Master Zou.⁶

Such practices streamlined the separate obligations of licensed brokerages and merchant guilds to the local government into one. Member merchants registered their deals with the guild and paid the charges of a few percent in the name of “membership fees.” The guild in turn used the fund to pay for the brokerage license fee and other surcharges levied by various government offices as well as to keep the organization running and afford services to its members.

In response, licensed brokers also tended to organize themselves into incorporated associations to collectively deal with their now organized customers and defend their legal privileges of taxation. In Suzhou, for example, the Xunzheng 巽正 Association of licensed timber brokers was founded in response to the establishment of the Daxing 大興 Association of timber traders, as members of the latter organization attempted to circumvent the brokers and sell to customers directly. Upon its founding, the Xunzheng Association petitioned to the Suzhou prefect that “all timber from Fujian, Zhejiang, Jiangxi, and Hunan should be taxed by the association at four coins per standard raft... seller who transported timber to Suzhou must trade through us brokers and be forbidden to deal with customers directly,” which was to ensure that “enough funds could be raised to cover the service obligations (*chaiwu* 差務) to the local government.”⁷ Similar guilds of timber brokers also existed in Nanjing and Hankou, which

⁶ Chen Xing 陈醒 and Chen Lilian 陈立廉, “Hanyang Yingwu Zhou zhumu shichang shihua” 汉阳鹦鹉洲竹木市场史话, in *Wuhan wenshi ziliao wenku* 武汉文史资料文库, reprint of 1964 article, vol. 3 (Wuhan: Wuhan chuban she, 1999), 127.

⁷ *Ming Qing Suzhou gongshang ye beike ji* 明清蘇州工商業碑刻集 (Stele Records from Commerce and Industry in Ming-Qing Suzhou) (Jiangsu: Jiangsu renmin chuban she, 1981), 123–25.

engaged in constant negotiations with multiple organizations of timber traders that were founded on the basis of the merchants' native places or the origin, destination, or targeted customers of their timber.

Collective Taxation and Market Access

Any group of merchants that were considering establishing a *bang* or a guild for their trade faced a trade-off. The benefits included enhanced network connections, better enforcement of trade regulations, common space for business negotiations and storages, and so on. They also enjoyed some level of official recognition and protection if they chose to register their real estate properties and guild regulations with the local government. Yet organized groups were also more visible to local officials and clerks and therefore more vulnerable to their squeeze. Individual traveling merchants, on the other hand, were more likely to be able to live beyond the local government's purview of revenue extraction, given the latter has limited direct control over commerce, that is, before the 1850s. The proliferation of various forms of merchant organizations since the mid-eighteenth century indicated net benefit from this trade-off, in many occasions if not always. That is to say, many guilds were formed during the century between the 1750s and the 1850s *despite* the disadvantage of being more susceptible to government demands, because these costs were overcome by the economic benefits of cooperative activities.

After the mid-nineteenth century, as later sections will show in more detail, the calculation changed – as the state's capacity of direct taxation improved, staying out of a guild would no longer shield one from taxation but often subject him to more extortions. By then, the collective taxation arrangement offered by a guild would more likely be perceived as a benefit by a potential member, not a burden. The option of collective taxation, together with the economic

benefits from other cooperative activities, attracted members and contributed to the proliferation of merchant guilds. This is an extension and refinement of Negishi Tadashi's argument, that merchant guilds proliferated after the mid-nineteenth century because guilds could provide some organized defense against state intrusions.⁸

While developments after the mid-nineteenth century will be examined in later sections, this part examines the development of collective taxation arrangements over the preceding century. As merchant associations increasingly became the organizing framework in the market, local magistrates experimented with ways to incorporate them into the local framework of commercial taxation. By the first half of the nineteenth century, a balance was struck out of negotiations between merchant groups and local magistrates: officials lent their legal authorities to enforce customary practices in each trade as stipulated in guild regulations, as long as they did not object with basic principles of free market entrance and fair exchange. Other than that, officials maintained a non-interventionist position in the market. In return, merchant guilds offered their cooperation in securing the local government's fiscal objectives through collective taxation arrangements, which magistrates promised to be limited to the basics and fairly allocated among different merchant groups.

As mentioned in the previous chapter, the reform on the licensed brokerage system in the 1730s had prohibited local offices and their employees from purchasing goods of public or private needs below market prices or extracting supplies through licensed brokers without

⁸ See Negishi Tadashi 根岸佶, *Chūgoku no girudo* 中國のギルド (Chinese Guilds) (Tōkyō: Nihon Hyōron sha, 1953); Negishi Tadashi 根岸佶, *Shanghai no girudo* 上海のギルド (Guilds in Shanghai) (Tōkyō: Nihon Hyōronsha, 1951).

compensation.⁹ In principle, local governments were now supposed to make necessary purchases at the going market price, just like other market actors. However, this part of the new law was seldom followed in practice. Succeeding emperors attempted to abolish “official purchase prices” time and again, but all in vain.¹⁰ For one thing, the annual procurement of imperial timber was still conducted at below-market official prices until the end of the dynasty (see chapter 2). The fund-deprived local government had no means to obey this central law exactly.

How did local governments respond to their funding challenges? Maura Dykstra’s study on the state-building process in the city of Chongqing based on Baxian archives gives us some crucial clues to how local officials more generally may have gone about mobilizing the funds they needed and how these official actions in turn supported increased authority of merchant groups. During the second half of the eighteenth century, local government began demanding contributions from merchant associations in the name of “official duty” (*chai 差*), based on the concept of which collective taxation of merchant groups were arranged, negotiated, and contested. By assigning “exclusive responsibilities” to different merchant groups, the local state established an innovative framework to tap market resources. This local state-building process in turn fostered the increased formalization of merchant groups.¹¹ This argument about the role of

⁹ QL_HDZL, *juan* 18, 35. A similar sub-statute was also added to the Qing Code, see Xue Yunsheng 薛允升, *Du li cunyi 讀律存疑* (1905) (Notes from Reading the Qing Code), Punctuated and edited by Huang Tshing-chia 黃靜嘉 (Taipei: Chinese materials and research aids service center, 1970), 412–13.

¹⁰ See such attempts by Emperor Jiaqing and Guangxu in JQSL, year 1803 (JQ8), month 9, day 21 (*guichou*) and GXSL, year 1884 (GX9), month 2, day 23 (*jiayu*).

¹¹ Maura D. Dykstra, “Complicated Matters: Commercial Dispute Resolution in Qing Chongqing from 1750 to 1911,” Los Angeles (Dissertation, University of California, Los Angeles, 2014), chap. 5.

state initiative in formalizing merchant groups and my emphasis on the economic benefit of collective actions as a major rationale for merchants to form associations are not necessarily in contradiction, but point to different factors that were simultaneously contributing to the proliferation of merchant organizations during this period.

Although it was not realistic for the local government to afford market prices, the allocation of official duties was by no means arbitrary. Dykstra has observed that local officials made a range of commitments to allocate duties in a fair and just manner in an effort to keep official purchases from ruining businesses, including opening the channel of negotiation with merchant groups to adjust official purchase prices – not high enough to cover the merchants’ cost, but at least to limit their losses caused by the official procurement system to a reasonable amount.¹²

Switching to the merchants’ perspective, how was a merchant group’s standing affected by the framework of performing exclusively assigned official duty? Being recognized as a proper merchant group and assigned an exclusive duty by the local government offices surely lent security and legitimacy to the group. Scholars have recognized that many petitions brought by merchant coalitions in a magistrates’ court involved a delicate negotiation in which their official duties were used as the legitimate cause to press for the officials’ endorsement of the guilds’ attempt to suppress dissidents in the group or drive out competitors.¹³ The previously quoted statement from the Xunzheng Association in the city of Suzhou was one example of making

¹² For an example of merchant groups successfully negotiating official prices with local magistrates, see *Ibid.* at 240.

¹³ Zelin, “Chinese Business Practice in the Late Imperial Period,” 785–86; Dykstra, “Complicated Matters,” 259–61.

explicit connections between its claimed authority over timber traders and the official duties it performed. However, were these requests always granted in a magistrate's court? If not, what was the magistrate's consideration in making different decisions? What was the implication for market structure and openness: would all the traders in the same business be essentially forced to join the same guild? Would it be possible to form a separate guild of the same trade? The following examples will provide insights into these questions.

The first is a simple case in which a merchant group brought suit against an individual merchant who refused to conform to the fee-collecting scheme of the group and, consequently, could offer more competitive prices in market exchange. The petition of the merchant group, which is quite representative of the genre, reads:

In the timber trade, a typical petition by merchant associations reads as follows:¹⁴

Petition. We the timber trading *bang* in the city of Chongqing, including the firms Mei Rongxing, Tong Yiyuan, Li Daosheng, Wang Yongmao, Li Lisheng, Jiang Yongju, Xu Bingxing, and Wang Ruisheng, now collectively request Your Magistrate's judgment on the following matter of defying official duties and illicitly usurping the trade. We operate businesses of timber trade, and shoulder the annual duty of supplying all the local government offices and examination halls in the provincial capital without any violations. Recently, an insubordinate Li Guisen has forcibly occupied a position in the Fushun Storehouse and illicitly made sales of timber. He vied to compete with us in the trade, and defied the responsibility to contribute for the official duty. We have verified the

¹⁴ BX 006-056-0868. Similar cases in other trades can be seen in Dykstra, "Complicated Matters," chap.

truthfulness of this condition, with a former buyer (from Li Guisen), He Changfa, as the living testimony of Li's surreptitious sales. We have invited all the *bang* members to gather and reason with Li, who still did not repent and even threatened to sue us without fear.

Our business is small, yet our *chai* duty is heavy. Upon repeated urge from the magistrate's office to remit the required timber, we went to collect Li's share without any success. Now that Li Guisen conducts trade but shoulders no official duty, other members of our *bang* all have a wait-and-see attitude. It is for certain that others will follow suit and it will be more difficult to fulfill the *chai* duty. We collectively request Your Magistrate to open a court session to investigate this matter and make things right...

稟狀。本城木幫梅榮興、同義元、黎道生、王永茂、李立生、江永聚、徐炳興、王瑞生，今於大老爺台前為抗差霸買、協稟做主事。情民等各買木廠生意，充當值年，承應各衙及省垣關差等事無違，今遭不法李桂森霸距福順棧內，私賣木料，霸奪民等各家生買，抗差不應，民等查實，買主何長發活質，說出李桂森暗賣前情。邀集幫眾理論，惡尤恃橫估霸、賭控不畏。切民等買微差繁，疊奉札飭催解，民等往收關差無著。今桂森霸抗，有買無差，民等幫眾各懷觀望，勢必效尤，差務難辦，協稟作主喚究...

In this case, because levies collected from group members were, at least partially, used to fulfill this trade's duties towards the local government, the legal authority of the magistrate was called upon to discipline the uncooperative individual. By expressing their concern that if left untended, others might follow this precedent and the official duty could be in jeopardy, the merchant group subtly insinuated the magistrate's obligation of helping enforce their internal regulations in exchange of their performance of the duties. The magistrate's verdict at the end of

the petition confirmed his overall priority in ensuring the timely delivery of the group's due amount of contribution:

Verdict: await the court's voucher to order Li Guisen to contribute to the *chai* duty according to the group's regulations. Should he violates this order, bring him to court for punishment. As for this year's due payment of 40 taels for the timber needed at the Renwu-term Examination, which the provincial governor and administrative commissioner have repeatedly pressed for delivery within 10 days, the group should follow the order to raise the full amount and submit it as soon as possible to the specialized agent for remittance. Do not make other excuses to drag on anymore. Otherwise, should any official business be adversely affected, you will be held accountable.

批：候簽飭李桂森照規幫差，如違帶究。至本年壬午科應解闈場木植銀 40 兩，現奉藩憲迭訊嚴催，勒限十日批解，仰及遵照克日如數措齊呈繳，聽後專差申解。勿再藉詞推延，致干究追不貸。

From the magistrate's verdict, we may make some inference about the initial cause of the lawsuit. It was possible that the sequence of events was just like how the merchant group presented it, that Li Guisen's refusal to pay for the *chai* duty obstructed the group's timely payment for their 40-tael due. Or, it was also possible that Li's individual share of contribution would not make such a big difference, but the group simply utilized the provincial officials' urgent demand for examination fund as an opportunity to press the magistrate into disciplining Li, possibly a long-term competitor who refused to join the group or failed to conform to the group's way. As the magistrate warning at the end, "Do not make other excuses to drag on anymore," indicated, he might have suspected the latter possibility.

While individual defiant like Li Guisen would often be straightened by court verdicts,¹⁵ magistrates were more cautious when dealing with conflicts between groups. Similar lawsuits brought by official-duty-bearing groups against competing groups of merchants seldom resulted in protected fiefdoms, but a re-allocation of official duties so that the defendant group was officially granted access to the market by being assigned a portion of the obligation. The result was the projection of exclusively assigned official duties to officially recognized merchant associations. Any group of merchants that wanted to dissociate or remain separate from an existing guild due to dissatisfaction with its trade rules or fee collection schemes would be able to do so with official recognition by assuming an independently assigned official duty. Enrollment in some exclusive responsibilities to the local state became a merchant group's best shield against a competing guild's challenge on its legitimacy as well as against local government subordinates' illicit exactions. From the perspective of market access, it did not attain the level of absolute free entrance, but was still a much decentralized structure than the one once imagined by earlier scholars, such as H.B. Morse, that Chinese merchant guilds exerted a tyranny on market access and trade rules.¹⁶ The following case will illustrate.¹⁷

The timber-trading *bang* within the city of Chongqing that showed up in the previous case, also known as the Cunninghamia *bang* (*Shamu bang* 杉木幫), was assigned the annual *chai* duty of 40 taels in the name of contributing the timber needed for examinations since 1864. Another timber-related group in the city, the Green Mountain *bang* (*Qingshan bang* 青山幫) of

¹⁵ For similar cases in the timber trade, see BX 006-056-0905, 41, 51, 52.

¹⁶ Hosea B Morse, *The Guilds of China* (Shanghai: Kelly & Wash Ltd, 1909), 28.

¹⁷ BX 006-6336.

coffin materials, was not involved in the performance of this particular duty. It should be noted that while the names of these *bangs* indicated different specializations, there was no clear-cut boundaries in their members' business scope. And neither group could claim a monopoly in the trade of a certain kind of timber. Firms in the Cunninghamia *bang* traded cunninghamia planks in addition to poles, which was a good material for coffins; and members of the Green Mountain *bang* could sell their inventories for uses other than coffin making. Members of the Cunninghamia *bang* and the Cypress *bang* (showed up later in the case) certainly focused on cunninghamia and cypress respectively, but did not necessarily limit their business to that particular variety.

In 1884, when the local government raised the original duty by 20 taels, the Cunninghamia *bang* attempted to enlist the Green Mountain *bang* to share the responsibility. Their version of events was that when the 40-tael duty was initially assigned to timber merchants in Chongqing twenty years ago, the Green Mountain *bang* was able to shirk the duty and the Cunninghamia *bang* had to shoulder their due share for the past seven examinations. The Cunninghamia *bang* continued to complain:

Now that the provincial officials ordered to increase the duty by twenty taels, Your Magistrate also sent us the direction to handle the matter accordingly, we are considerate of the public need and ought to obey the order. But they (the Green Mountain *bang*) are also a *bang* of timber trade, conducting the same business and making the same profit, how come they alone are able to escape from the official duty? They used to be peddlers doing small businesses, but now they build a guild hall at the Chuqi Gate, which is a magnificent mansion. We, on the other hand, have undertaken a lot of debt for our

business and could raise no more money. If we still have to shoulder the official duty all by ourselves, how can we possibly survive the hardship...

今蒙督憲覆札加攤銀二十兩，恩復簽飭辦理，民等體公，亦應遵辦。但伊亦木幫，生理利息同叨，何得公務獨逃？伊前此尚屬小販微賈，今於儲奇門大修公所，宮室煊赫。而民幫生理復至負貸多金，無款可籌。若復獨應公務，苦累何堪...

In their countersuit, the Green Mountain *bang* refuted the charge that they shouldered no official duty and offered their version of events:

...The truth is that we have always been trading coffin timber and making sales to many places. Known as the Green Mountain *bang*, we fulfil the official *chai* to supply seven government offices in the city with timber planks and pay the due amount of state taxes, only then do we dare to make sales. We have attempted no violations for decades. We and the *Shamu bang* have separate businesses and separate *chai* duties, and there is no confusion here.

In 1879, Zhou Tongxing of the Cunninghamia *bang* attempted to use their examination *chai* as excuses to make extortions from us and falsely sued Wang Yuchun and others in our *bang* with the charge of defying official duties in court. Thankfully, the previous magistrate made the judgment that the two *bangs* should do separate businesses and undertake separate *chai* duties, (the Cunninghamia *bang*'s official duty) has nothing to do with us. The record of the case can be checked in the Division of Works' dossier in the county government. Now that the provincial officials ordered their *bang* to pay more for the examination *chai*, Wang Yongmao (of the Cunninghamia *bang*) had the nerve to

conceal the previous lawsuit and sued us in court with the charge of defying official orders and obstructing public duties...

情民等向販棺木，各處發賣，名為青山木幫，歷應城內七轅差板，並完國課，始敢出售。數十年無違。與杉木幫各貿各差，毫無紊亂。至光緒五年，遭杉木幫周同興等以貢院差徭勒派民等，捏推抗差懸控民幫王玉春等在案，沐前主審訊，斷令各貿各差，與民等無涉，工卷可查。今沐督憲札飭，伊幫因貢院加攤銀兩，遭王永茂等膽瞞前案，以藐扎阻公控民等在案...

Here the Green Mountain *bang* invoked the basic principle of “separate trades, separate duties” (*gemao gechai* 各貿各差) regarding merchant groups and official duties, that is, separate groups were allowed to conduct their businesses and handle their duties independently according to their own preferences. Whereas the Cunninghamia *bang* was responsible for the duty related to provincial examinations, the Green Mountain assumed a different responsibility in supplying planks to seven offices in the city of Chongqing. Although both were timber-trading merchant groups, their independent organization was manifested in and guaranteed by their separate duties towards the local state. When the Cunninghamia *bang* attempted to impose their internal taxing scheme upon the Green Mountain *bang* in the name of allocating official duties five years ago, their request was rejected by the previous county magistrate precisely for the principle of “separate trades, separate duties.”

As for the current dispute, the magistrate acknowledged that the demanded 20-tael increase in the Cunninghamia *bang*'s duty was too heavy, and eventually made the decision that the 20 taels should be shouldered equally by three timber merchant groups: the Cunninghamia *bang*, the Green Mountain *bang*, and yet another group known as the Cypress *bang* (*Baimu bang*

柏木幫). The Green Mountain and Cypress *bangs* were allowed to handle the increased amount according to their existing arrangement of fee collections from members and answer directly to the local state, instead of being subject to the Cunninghamia *bang*'s directions. So what resulted was a re-allocation of official duties among different *bangs* in the same trade and a restatement of the boundaries between these groups as the merchants themselves saw fit. In addition to this incident, the Cunninghamia *bang* had made other similar attempts at taking over smaller timber merchant groups and subjugating them to its own fee-collecting formula, but never succeeded. So long as these smaller groups petitioned to the local magistrate to assume a portion of the duty in question, their independence from the interference of the Cunninghamia *bang* was protected.¹⁸

The dynamics between various merchant groups and local government authorities as exemplified by this case point to a fundamental difference in the organizational principles of merchant guilds in early modern China and Europe, despite the ostensible similarity that both relied on state support to delineate the guilds' sphere of authority. Although scholars debate on how to evaluate the benefit and cost of medieval and early modern European merchant guilds, it is consensual that they enjoyed the exclusive right to restrict the participation in certain commercial activities by obtaining formal legal privileges from a ruler.¹⁹ Sheilagh C Ogilvie

¹⁸ See BX 006-4527, BX 006-056-0905.

¹⁹ Some stress the economic benefits of European guilds in forming networks, fostering specialization, cultivating human capital, and so on. For example, see Stephan R. Epstein and Maarten Roy Prak, *Guilds, Innovation, and the European Economy, 1400-1800* (Cambridge ; New York: Cambridge University Press, 2008); Stephan R. Epstein, "Craft Guilds in the Pre-Modern Economy: A Discussion," *The Economic History Review, New Series* 61, no. 1 (2008): 155–74. Others see more problems in the guilds' price manipulation and restriction of market access. See Sheilagh C Ogilvie, "Guilds, Efficiency, and

argues that the monopoly of European merchant guilds rested in the distributional services guilds offered to two powerful groups: they enhanced the ruler's ability to extract extra revenues from the population, and the merchants' ability to extract profit by restricting the access to trade within a small group.²⁰ In a sense, chartered conglomerates like the British East India Company were an extension of this organizational principle from guilds to corporations.

Chinese mercantile organizations also sought official recognition, but official recognition was by no means the grant of a fixed fiefdom. Not only was it beyond a guild's legitimate capacity to restrict market access to a small group, its ability to force all newcomers to join the guild was also severely limited. The sphere of authority of an officially recognized group was constantly challenged and modified. As I have shown, by and large, a group of merchants enjoyed the freedom to join an existing guild or set up a separate association with distinct rules by assuming exclusive responsibilities for some official duty. Even in a second-tier timber market as Chongqing, there were at least three *bangs* of timber traders within the walled city and around a half dozen if counting in those dotted in the suburban towns. As previous discussions of the markets in Nanjing, Hankou, and Hangzhou indicate (in chapter 1 and 4), the number of timber-related merchant guilds in these larger markets was even more numerous and their duties and authorities more finely delineated. The following sections will show that when the mid-

Social Capital: Evidence from German Proto-Industry," *The Economic History Review* 57, no. 2 (2004): 286–333; Sheilagh C Ogilvie, "Rehabilitating the Guilds: A Reply," *The Economic History Review, New Series* 61, no. 1 (2008): 175–82; Sheilagh C Ogilvie, *Institutions and European Trade: Merchant Guilds, 1000-1800* (Cambridge University Press Cambridge, 2011).

²⁰ Sheilagh C Ogilvie, "The Economics of Guilds," *Journal of Economic Perspectives* 28, no. 4 (November 2014): 169–92.

century fiscal crisis across the empire compelled the formal introduction of Lijin transit taxes on commerce, the local collective taxation arrangement between government offices and merchant organizations was not abandoned, but incorporated and modified to facilitate the functioning of the new system.

The Lijin Tax

In response to the central and provincial fiscal crisis caused by the prolonged military involvement with the Taiping and rebellious groups across the empire, the Lijin tax was introduced as a small percentage transit tax on commerce. The practice was first adopted in Jiangsu in 1853 and then quickly spread all over the realm.²¹ While some provincial officials initiated the collection of Lijin taxes, the tax income was increasingly mandated and controlled by the central Board of Revenue and became a mainstay of formal government finance in the second half of the nineteenth century.

The Lijin tax marked a significant shift in the Qing taxation policy on commerce. Previously, only a dozen of domestic customs stations were established along only major interregional trading routes to directly collect transit taxes. Commercial taxes collected from the

²¹ Ch'iu Pengsheng 邱澎生, "you shili lüli yanbian kan ming qing zhengfu dui shichangde falü guifan" 由市廛律例演變看明清政府對市場的法律規範 (Examining Legal Regulations on Market Based on Changes in Market-Related Laws and Precedents during the Ming-Qing Period), in *Dang falü yushang jingji: Ming Qing zhongguo de shangye falü* 當法律遇上經濟: 明清中國的商業法律 (Taipei: Wunan tushu, 2008), 54–57.

domestic customs contributed around 10 percent to the national fiscal income before the 1850s.²² Whatever arrangements existed between the local state and merchant communities remained shadowy practices in a legally gray area.

When Lei Yixian 雷以誠, the military commander stationed at Yangzhou who first proposed the Lijin tax, encountered financial difficulties in sustaining the military activities, he initially resorted to the tried-and-tested method of “contribution mobilization” (*quanjuan* 劝捐), whereby officials lobbied the local gentries and merchant communities into making half-mandated half-voluntary contributions.²³ In the eighteenth and early nineteenth centuries, “contribution mobilization” proved to be an effective campaign to deal with the state’s extraordinary needs in wars, water control works, famine reliefs, and other irregular circumstances. Such occasional, short-term campaigns were a necessary supplement to the state’s regular commitment to fiscal abstinence.²⁴ But as the Taiping Rebellion dragged on for years and plagued the most prosperous region of the realm, the usual mobilization of contributions could not produce a sustainable source of revenue. Lei eventually turned to the idea

²² Shen Xuefeng 申学锋, “Qingdai caizheng shouru guimo yu jiegou bianhua shulun” 清代财政收入规模与结构变化述论 (Changes in the Scale and Structure of Qing Fiscal Income), *Beijing Shehui Kexue*, no. 1 (2002): 87.

²³ See Lei Yixian’s 1854 memorial on experimenting with the Lijin tax in *Huang Qing Dao-Xian-Tong-Guang zouyi* 皇清道咸同光奏议 (Qing Memorials during the Reigns of Daoguang, Xianfeng, Tongzhi, and Guangxu), Jiuqing Zhai 1903 lithographic edition (Taipei: Wenhai chuban she, 1969), juan 37.

²⁴ R. Bin Wong, “Taxation and Good Governance in China, 1500-1914,” in *The Rise of Fiscal States: A Global History 1500-1914*, ed. Bartolome Yun-Casalilla, Patrick K. O’Brien, and Francisco Comin Comin (Cambridge: Cambridge University Press, 2012), 365–72.

of Lijin tax as a way to routinize and regularize the contributions demanded from the merchant communities.²⁵

With the adoption of Lijin tax, The Qing state increased its capacity to directly and regularly tax commerce. The most visible change was the establishment of Lijin tax stops, the number of which counted to thousands, along busy water and overland routes of transportation.²⁶ While some Lijin stations replaced previously existing domestic customs that were destroyed

²⁵ Lei Yixian's memorial in Wang Yanxi and Wang Shumin, *Dao-Xian-Tong-Guang Zouyi*, juan 37.

²⁶ Since its beginning years, there were two kinds of Lijin: those levied at the market place, known as *zuoli* 坐釐, as well as transit Lijin known as *xingli* 行釐. The terms came from the conventional paired opposites of resident merchants (*zuogu* 坐賈) and traveling merchants (*xingshang* 行商). After 1858, for some export commodities like tea and silk, there was also Lijin levied as the place of production. Among the three categories, transit Lijin soon became the most paramount. Many southern and eastern provinces (Jiangsu, Zhejiang, Anhui, Jiangxi, Hunan, Hubei, Fujian, and Guangdong) that initially had marketplace Lijin taxes gradually turned to rely primarily on transit Lijin. Marketplace Lijin remained important in Manchuria.

There were many local aliases and variants of transit Lijin, usually corresponding to a particular method or stage of Lijin taxation, including *lijuan* 釐捐, *tongjuan* 統捐, *tongshui* 統稅, *qili* 起釐, *yanli* 驗釐, *luodi li* 落地釐, *qipo li* 起坡釐, *baihuo li* 百貨釐, etc. For simplicity, the current study follow the definition in the Nationalist government's 1930 announcement of Lijin abolishment and treat all these variants and other Lijin-like transit taxes as Lijin. The announcement on Dec 15, 1930 can be found in *Gongshang banyue kan* 工商半月刊, vol. 3, no. 1. For detailed discussions on the different categories of Lijin, see Luo Yudong 羅玉東, *Zhongguo lijin shi* 中國釐金史 (History of the Lijin Tax) (Shangwu yinshu guan, 1936), 55–61.

during the Taiping (such as the Longjiang Customs at Nanjing), the vast majority were newly added tax stops. Contemporaries and later scholars lamented the dramatically increased burden on commercial exchange, which was admittedly true. In the meantime, to put it into perspective, the number of reported Lijin tax stations in 1862 exceeded 2,500, only roughly on par with the density of Song-era commercial tax stations (2,060 stations in 1077) if the much larger territory of the Qing was taken into account.²⁷ By 1885, the Lijin tax was contributing about 20 percent to the fiscal income of the late Qing state, which had increased from 41 to 77 million in forty years. The absolute amount of Lijin tax quadrupled between 1885 and 1911, rising from 12 to 43 million taels.²⁸

Take a main artery of timber trade, the water route from southern Jiangxi to Nanjing and Zhenjiang, for an example (Table 1). In the pre-Lijin era, four domestic customs stations were established along the way, and timber was taxed at a rate around 3-5% at each. Under the Lijin regime, the number of tax stops increased to eleven. Wucheng, Gutang, and Hukou stations used to be branches of the Jiujiang Guan Customs, and a voucher system had been employed to prevent repeated taxation on timber that passed through more than one of these branch stations. Under the Lijin regime, they have become independent stations. The same applied to the Dasheng Guan and Nanjing Lijin stations, which used to be branch stations of the Longjiang Guan Customs.

²⁷ William Guanglin Liu, “The Making of a Fiscal State in Song China, 960-1279,” *The Economic History Review* 68, no. 1 (February 2015): 69; Luo Yudong, *Zhongguo lijin shi*, 81.

²⁸ Shen Xuefeng, “Qingdai caizheng shouru,” 84–85, 88.

Table 1 Lijin Taxes on Timber, Jiangxi — Jiangsu

Lijin Taxes on Timber, Jiangxi—Jiangsu				
Province	pre-Lijin customs	Lijin Tax Station		Lijin Tax Rate (%)
Jiangxi		Sanjiang Kou	三江口	6
	Gan Guan	Ganzhou	贛州	7
		Sanhu	三湖	7
	Jiujiang Guan	Wucheng	吳城	8
		Gutang	沽塘	7
		Hukou	湖口	2
Anhui		Anqing	安慶	4
	Wuhu Gong Guan	Wuhu	蕪湖	8
Jiangsu	Longjiang Guan	Dasheng Guan	大勝關	2
		Nanjing	南京	8.4
		Zhenjiang	鎮江	5

Source: "Jiangxi zhi mucai ye," 11-12.

When Lijin was first introduced in Yangzhou in 1853, the tax rate was set at roughly one percent, which was literally what “Lijin” meant. In the following decades, the Lijin tax rates had been increased steadily. By the Guangxu era (1875-1908), average Lijin tax rates were around 4 to 5 percent, varying from 1 percent in Fengtian to 10 percent in Fujian and Zhejiang. The rates during the Republican period roughly remained at the late-Qing level.²⁹ Table 1 reports the Lijin tax rates on timber at each station along the southern Jiangxi to Zhenjiang route as of the late 1920s.³⁰

²⁹ For average Lijin tax rates and collection methods in each province, see Luo Yudong, *Zhongguo lijin shi*, 56–57, 62.

³⁰ Yin Qing 蔭青, “Jiangxi zhi mucai ye” 江西之木材業 (The Timber Industry in Jiangxi), *Jingji xun kan* 經濟旬刊 4, no. 7 (1935): 11–12.

But the tax rate at individual stations only partially determined the total Lijin that a shipment of commodities would incur along the way. Of equal importance was how many stations one needed to stop for and pay the taxes, which also varied greatly between provinces.³¹ Jiangsu and Anhui, for example, ordered that merchants had to pay taxes at every Lijin station that they encountered along the way within the province (*yuqia wanli* 遇卡完釐). So although the 5 percent average Lijin tax rate of Jiangsu did not seem to be very high, with its more thickly planted tax stops and the pay-at-every-station rule, the burden endured by merchants in Jiangsu was the greatest. Jiangxi, on the other hand, adopted the so-called “two departures, two inspections” (*liangqi liangyan* 兩起兩驗) system, whereby long-distance merchants would pay Lijin taxes for four times within Jiangxi province. Under this system, a merchant traveling through Jiangxi would pay the first “departure tax” (*qijuan* 起捐) at the first Lijin stop that he encountered in the province and submit his intended itinerary. Between the current stop and the last Jiangxi’s Lijin stop on his journey, two more Lijing stations were selected out as checking points, where his commodities would be inspected and taxed. The taxes paid at the third stop was called the second “departure tax”, while those paid at the second and the last stops were called “inspection tax” (*yanjuan* 驗捐). This system was also used in Fujian and eastern Zhejiang. Other collection methods included one-time collection at departure stations, adopted in Shandong, Fengtian, and Heilongjiang; collections at departure and arrival stations in Hunan, Sichuan, and Shaanxi; and the so-called “one departure, one inspection” (*yiqi yiyan* 一起一驗) system with one check point between departure and arrival, adopted in western Zhejiang and Guangdong.

³¹ Luo Yudong, *Zhongguo lijin shi*, 62.

Table 2 Average Lijin Rates and Collection Method by Province

Average Lijin Rates and Collection Method by Province			
Province		Average Rate (%)	Collection Method
Jiangsu	江蘇	5	pay-at-every-station
Anhui	安徽	2	pay-at-every-station
Hubei	湖北	2	pay-at-every-station
Guangxi	廣西	2	pay-at-every-station
Gansu	甘肅	1-2	pay-at-every-station
Zhejiang (west)	浙西	5.5	“1 departure 1 inspection”
Zhejiang (east)	浙東	10	“2 departures 2 inspections”
Jiangxi	江西	10	“2 departures 2 inspections”
Fujian	福建	10	“2 departures 2 inspections”
Guangdong	廣東	7.5	“1 departure 1 inspection”
Hunan	湖南	6	departure and arrival
Sichuan	四川	4	departure and arrival
Shaanxi	陝西	4	departure and arrival
Shandong	山東	2	one-time collection at departure
Fengtian	奉天	1	one-time collection at departure
Heilongjiang	黑龍江	1	one-time collection at departure
Jilin	吉林	2	unknown
Yunnan	雲南	5	unknown
Henan	河南	1.6	unknown
Shanxi	山西	1.5	unknown
Zhili	直隸	1.5	unknown

Source: Luo Yudong, *Zhongguo lijin shi*, 62.

With the information on different provinces’ collection methods, let us go back to Table 1 and consider a typical merchant who travelled the popular route of Ganzhou—Nanjing. Within Jiangxi, he paid Lijin taxes at Ganzhou, Hukou, and two out of the three stations in between, accumulating a total tax rate of about 23%. Entering Anhui and Jiangsu, he paid taxes at every station that he passed through. The total Lijin tax incurred along the Ganzhou-Nanjing route would be around 45.4% of the total value of his commodity.

The nationwide layout of Lijin stations and personal provided the basic infrastructure of direct commercial taxation. Upon arriving at a Lijin tax station, the ship owner was responsible

to declare the number of crews and passengers and the kind and value of the cargos. The declaration form was submitted to the Lijin station, and a clerk was dispatched to inspect the ship. The inspectors randomly selected some cargos, measured their volume, estimated the weight using a list of empirical constants for each particular kind of commodity, and compared the result against the declaration form. Based on the verified volume of commodities, the amount of Lijin taxes was billed. Each merchant on the ship then took his bill to the station and made the payment.³² Three-part receipts were adopted in most provinces (although the exact design differed by province), with one part retained at the tax station, one issued to the merchant, and one submitted to the provincial bureau for auditing. The receipt obtained was valid for a specified amount of time for the merchant to pass the inspections at the following stations.³³

Merchant Guilds “Undertake Contributions”

In addition to this formal structure of direct taxation, *renjuan* 認捐, or “undertaking contributions,” was a common arrangement between Lijin Bureaus and merchant organizations. Merchant organizations assessed themselves and undertook an organizational-level tax quota from the Lijin bureau or other taxation agencies; in return, individual members, with certificates issued by the organization, would not be subject to direct taxation when passing through the Lijin

³² Ibid. at 99–103.

³³ Fujian, Zhejiang, Guangxi, and Gansu had four-part receipts, the additional part either submitted to the provincial financial ministry for inspection or used as a passport by the merchant to pass through the following stops. For explanations and illustrations of the receipts used in different provinces, see Ibid. at 93–99, 625–40.

stations. Besides transit taxes, this arrangement was most commonly used for Lijin or its variants in other names levied on local market places.³⁴

For example, in Hankou, the Bamboo-and-Timber Lijin Bureau delegated the collection of timber taxes to the native-place association of Hunan timber merchants (the Lianghu Huiguan 兩湖會館) and the guild of licensed timber brokers (the Muhang Gonghui 木行公會). The guilds developed a scheme to collect a percentage fee from members' timber and submitted a portion of this income to the Bureau as Lijin. A three-section ticket was used for exporting timber from Hankou, each section bearing a stamp to verify fulfilled payments to the Lianghu Huiguan, the guild of brokers, as well as the “education contribution” to the local state. The collection of the “education contribution” was in fact also delegated to the Lianghu Huiguan. The Lianghu Huiguan even established an office adjacent to the Lijin Bureau to collect contributions. Once all three payments were completed, the merchant was issued, by the Lianghu Huiguan instead of the Lijin Bureau, a receipt certifying that his due amount of tax was paid in full and his timber could pass through the Lijin station.³⁵ Similarly, the Association of Tax-paying Timber Merchants in Hangzhou (mentioned in Chapter 4) assumed a quota of Lijin taxes on timber that was to be exported to six nearby prefectures in Zhejiang and Jiangsu, which legitimized its collection of

³⁴ Ibid. at 109–17.

³⁵ Chen Xing and Chen Lilian, “Hanyang Yingwu Zhou zhumu shichang shihua,” 128.

fees from members and the coercing requirement that all the timber buyers from these prefectures should join the organization.³⁶

From the late Qing through the Republican period, two timber trade organizations in Shanghai, the South Marketplace Association of Timber Merchants and the Zhenxun Association of Imported Timber, applied the collective taxation practice for a series of duties and fees, including Lijin and similar transit taxes, levies on particular kinds of timber, duties at domestic and maritime customs, and moorage rent payable to the Land Bureau.³⁷ Membership certificates issued by the organizations would ensure the cargoes' fast passage through tax stations and harassment from the bribe-seeking taxation clerks could be minimized.³⁸ The arrangement featured either a monthly or annual quota payable by the organization to certain tax agencies or the organization as the intermediate collector of an individual member's dues. The former included the "contributions of imported timber" undertaken by the Zhenxun Association and the "contributions of Hunan timber" undertaken by the South Marketplace Association.³⁹ The latter included the rent payable to the Land Bureau and the sales taxes introduced in the 1931. The South Marketplace Association designated a clerk, whose name was put on record with the maritime customs, to help members declare duties and mediate any issues that arose in their

³⁶ Chen Ruizhi 陈瑞芝, "Hangzhou mucai ye de neimu" 杭州木材业的内幕 (The Insider's Story of the Timber Business in Hangzhou), in *Zhejiang wenshi ziliao xuanbian (di jiu ji)* 浙江文史资料选编 (第九辑) (Hangzhou: Zhejiang renmin chubanshe, 1964), 94–95.

³⁷ Taxation-related matters are mainly covered in SHMA S145-2-5.

³⁸ SHMA S145-1-7, pp. 44 (1925).

³⁹ SHMA S145-2-5, pp. 20–21 (n.d.); S145-1-33 (1922).

interactions with the customs.⁴⁰ Merchant organizations represented members to fend against higher taxes, as evidenced by the South Marketplace Association's resistance to increased levies on timber-transporting boats from Fujian, and the Zhenxun Association's constant bargaining on the total quotas of imported-timber contributions.⁴¹

In the case where merchant organizations undertook a lump-sum tax quota, the funds, of course, came from fees collected from member firms. The amount of membership fees usually varied according to the sizes of businesses, but did not correspond exactly to a firm's estimated tax dues. In fact, it seemed that a few leading members would contribute an exceptionally large share to the funds of the organizations. For example, in the Shanghai Zhenxun Association, the largest firms each made a one-time contribution of 3,000 taels initially and subscribed to a monthly payment of 40 taels, whereas ordinary members paid a 30-tael joining fee and a monthly fee of less than one tael. Since the organizational regulations stipulated that voting rights were linked to monetary contributions, the mechanism meant that large firms shouldered tax burdens for smaller members in return for legitimate authority in decision-making.⁴² The fund of the merchant organization also had a cushion effect: the various agency's frequent attempts to increase tax quotas, if not resisted successfully by the organization, would be absorbed by the collective fund first before resulting in higher membership fees. In 1925, when the Zhenxun Association had to elevate the monthly fees after the tax bureau's demand to increase their

⁴⁰ SHMA S145-2-8, pp. 62–63 (1932).

⁴¹ SHMA S145-1-33 (1922); S145-1-7, pp. 26–31, 46–47 (1913–1925).

⁴² SHMA S145-1-7, p. 26 (1925).

quotas by five times, it stipulated a 20% increase for ordinary members and a 30% to 40% increase for the top 10 firms (from their already much higher base).⁴³

There seemed to be a change of attitude towards merchant guilds' collective taxation among common merchants that was brought about by the state's increased capacity of direct commercial taxation after the introduction of Lijin. In the pre-Lijin era, the state had little direct monitoring and control over traveling merchants. Direct transit taxes were only collected at a few domestic customs, and the tax rates were relatively low. Whereas organized groups were visible targets for the local government's exactions, individual merchants outside of any commercial organization had an easier time evading such demands and held considerable advantages in cost-saving. In other words, from individual merchants' perspective, in spite of other possible benefits from joining a commercial organization, the collective taxation arrangement was more often than not considered a burden.

The increasing implementation of direct commercial taxation since the second half of the nineteenth century changed the situation. The middle- and lower-Yangzi area where timber trade flourished, including Jiangsu, Jiangxi, Zhejiang, Hubei, and Hunan, happened to be those provinces that established the most concentrated net of Lijin stations. A merchant had nowhere to hide. The good news for him was that the long-established practice for a merchant organization to collectively pledge a quota of contribution was incorporated into the Lijin tax regime. From this individual merchants' perspective, the collective taxation regime had now become a more desirable service. The capacity of merchant organizations to negotiate with multiple agencies regarding tax rates was considered an attractive feature by potential members. If covered by the collective arrangement of a commercial organization, a merchant would be

⁴³ SHMA S145-1-7, p. 49 (1925).

shielded from the unpleasantness of the long wait to be assessed at a tax, the volatile tax rates, and bribe-seeking clerks.

Indeed, the Zhenxun Association mentioned the undertaking contribution practice as a major benefit to join the organization in its public letter to non-members:⁴⁴

Furthermore, the association undertakes annual contributions for the timber tax.

Compared to each practitioner in this trade making his individual payment, (collective taxation) precludes the malpractice of harassment and extortions (at the tax stations) and reduces the economic cost greatly. The benefit to our business is indeed remarkable. Over the years, the tax station negotiated with us seeking to take it back to be run by the government directly, and attempted to increase the amount of our contributions. These were only fended off by the association's endless endeavors and utmost struggles.

又如木捐一項每年由公所認捐，較諸各同業各自納捐，不但留難需索之弊可免，而經濟上亦大減負擔，營業便利實非淺鮮。稅所歷年交涉屢欲收回仍歸官辦，並有增加捐數等因，亦持有公所百計經營竭力抗阻得免。

Indeed, some non-member merchants even chose to pay monthly fees to the Zhenxun Association in order to get covered by its collective taxation arrangement.⁴⁵

⁴⁴ *Zhenxun Muye Gonghui baogao lu*, pp. 39-40.

⁴⁵ *Zhenxun Muye Gonghui baogao lu*, pp. 19-22.

This perspective furthers earlier endeavors in the literature to understand the rationale for the proliferation of merchant guilds in the late nineteenth century. Negishi Tadashi's study on Shanghai guilds argues that the state's increasing demand for "contributions" from merchants after the mid-nineteenth century prompted the founding of many trade-based guilds as an organized response to such solicitations.⁴⁶ While increased state demands were indeed an inducer, I argue that, more precisely, it was the *combined* effects of the expansion of direct taxation apparatus and its failure to completely replace the traditional indirect platform that made the option of collectively undertaking tax quotas more appealing to the merchant communities in the late Qing and Republican era.

Conclusion

While the eighteenth-century reform centered on individual brokers and traders, the nineteenth century saw the proliferation of self-directed merchant organizations. Local government experimented with ways to incorporate the newly emerged merchant institutions into the local framework of commercial taxation. The resulting bargain between the local government and merchant groups centered on the latter's undertaking exclusively specified official duties. A merchant association's enrollment in some exclusive responsibilities to the local state lent legitimacy to its standing and provided protection against random government underlings' illicit exactions. In the first half of the nineteenth century, such collective taxation arrangements between merchant groups and local government existed in a legally gray area and the central

⁴⁶ Negishi Tadashi, *Shanghai no girudo* 上海のギルド (Tōkyō: Nihon Hyōronsha, 1951), 243-47.

state largely turned a blind eye to its increasing prevalence. These revenues supplemented the ill-funded local administration and were beyond the auditing and control of the central state.

The Qing state's capacity of direct commercial taxation was improved dramatically by the introduction of the Ljin tax in the 1850s. The provincial administrations gained immediate benefit from its collection, and the central state soon moved to impose regulation and assert claims on this new tax. The nationwide layout of more than two thousand Lijin stations provided the basic infrastructure to collect transit tax, a level of coverage that surpassed the Song system for the first time in centuries. But this direct-taxation infrastructure did not replace the well-established collective taxation arrangements between merchant groups and state agencies. Rather, merchant organizations' practice of pledging contributions was incorporated into a scheme of Lijin tax farming and became even more prevalent in the second half of the nineteenth century. Merchant organizations assessed themselves and undertook an organizational-level tax quota from the Lijin bureau; in return, individual members, with certificates issued by the organization, would not be subject to direct taxation when passing through the Lijin stations. If covered by the collective arrangement of a commercial organization, a merchant would be shielded from the unpleasantness of the long wait at tax stops, inconsistent tax rates, and bribe-seeking clerks. In a way, the expansion of the state's direct taxation apparatus made the alternative of joining a collective taxation program offered by merchant organizations a more appealing option in the late Qing and early Republican era.

This chapter has covered the merchant organizations' interaction with the local state and their tax-related functions. The next chapter will turn to the economic functions of merchant organizations by focusing on their regulations on business practices, internal enforcement mechanisms, and connections to other formal and informal platforms of dispute mediation. The

taxation and economic functions of merchant guilds were not separable, but were connected within a web of complementary institutional arrangements that sustained the effective operation of the guilds. Indeed, as the next chapter will show, the collective taxation coverage had become such a benefit that a merchant guild could use it as leverage to enforce other guild regulations among its members.

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