

Paul Arthur Van Dyke. *Merchants of Canton and Macao: Success and Failure in Eighteenth-Century Chinese Trade.* Hong Kong, China: Hong Kong University Press, 2016. xlvii + 443 pp. Illustrations. \$79.00, cloth, ISBN 978-988-8139-32-3.

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Canton (Guangzhou) was central to Chinese maritime enterprise from the end of the seventeenth century to the mid-nineteenth century. During these years, a form of institutionalization of maritime trade took shape, and large Chinese trading firms, the Qing emperor's court, and the European companies and private traders built stakes in it. The extensive scholarship in the field, in which the author of *Merchants of Canton and Macau* made significant intervention earlier, established the general outline of what is sometimes called the Canton system or in this book, the Canton era (p. 16). The main elements of that system are the Qing Empire's desire to regulate the trade and yet keep it reasonably competitive, negotiations biased to favor large firms (European joint stock companies, or Co-hong, the syndicate of Chinese firms through which the companies were allowed to deal), and extensive use of trade credit. The Co-hong factor helped standardize weights and measures, advances, and exchange rates, thus fostering credit transactions and imparting stability to the business done by those outside the license system—inland merchants, for example. The general outline also shows how smuggling, corruption, institutional weaknesses such as the inadequacies of credit markets and bankruptcy rules, and the limited financial capacity of some

of the Co-hong firms strained the system and contributed to its decline. In fact, as this book observes, very few Co-hong firms survived in the mid-nineteenth century. But until then, the Canton era formed a crucial part of Eurasian trade of the eighteenth century, by means of which tea emerged as a mass consumption good in the Eastern world, silk and porcelain redefined the idea of luxury, Chinese junks developed ties in Southeast Asia, and trade generated revenues for the state.

What is different in *Merchants of Canton and Macau*? Several things. First, the book is focused on merchants rather than the system. As Van Dyke puts it, “historians sometimes forget that we are talking about real people” (p. 16). This shift of attention from the context to the people delivers a more fluid, varied, and unpredictable picture than we would obtain otherwise. Inland merchants and merchants outside the Co-hong guild, for example, receive due attention. One of the surprising results of the shift is that some of the biggest Chinese trading firms appear institutionally quite weak (carrying unsustainable debt), which raises the question, how did they carry on for so long? The answer to that question is embedded in the second contribution of the book, the rather less original thesis that the Qing state imposed “limits to their expansion” (p. 13), even as political

connections helped to overcome the debt burden. The book asks a counterfactual--why did the large Chinese trading firms not expand overseas despite signs that some of them were keen to do so?--and answers that the state discouraged such attempts, being afraid of losing revenue and perhaps the prospect that it would not be able to offer protection to merchants in the seas. In the end, the rules of the game were tilted in favor of the European companies, and the Chinese merchants operated within stricter limits. "All that mattered was that harmony was maintained in Canton," Van Dyke writes, and the revenues were assured (p. 15). The ambiguous role of the state should interest those who might read a business history work like this one to explain the emergence of world inequality from the early 1800s.

Van Dyke's work is distinguished by the breadth of archival research and the ability to use sources in several languages, which, among other advantages, allows inclusion in this account of Macau under Portuguese administration. Fifty-five pages of endnotes, long quotations from sources, sixty-four appendices spanning over a hundred pages, seventy-eight illustrations including photos of documents, an eleven-page list of abbreviations, and a huge bibliography that starts by listing the libraries and archives visited and the material consulted (an additional twenty pages), bear witness to the scale of the archival enterprise. Superhuman levels of archival research have seemingly become an established tradition in the history of the Hong merchants of Canton, thanks to Van Dyke's other books and works such as those by Weng Eang Cheong and K. A. Ch'en.

The tradition comes with a cost, however. The introduction and some of the general (nonbiographical) chapters of the book contain statements with interesting possibilities; that is, they lend themselves to, say, a comparative history of the Hong merchants in Canton and the Parsi merchants of Bombay and Surat. But the books on

eighteenth-century maritime history, on both the Indian and Chinese sides, usually run out of space trying to cope with the mountain of papers the Europeans left behind and cannot push their work in these directions. Why does comparative history matter? I will return to the question at the end of the review. For the moment, let us acknowledge the key strength of the book's method. It is a research monograph, of course, but more than that, it is a guide to future researchers in this specialized field.

The main text of the book contains ten chapters (excluding the introduction and the conclusion), five of which are biographical and five which discuss the porcelain and silk trades. The length of the biographical chapters varies, depending on the richness of the source material available on the family firm being studied. So does the profile of the firms and the families described therein. The three substantial studies are those of Swequa and brothers between 1741 and 1772 (chapter 1), Monqua and family between 1734 and 1796 (chapter 2), and most importantly, Poankeequa and family between 1748 and 1788 (chapter 3). Why is the Poankeequa case the most substantial in the book? Because the material allows the author to draw credible and useful generalizations about the reasons for the firm's success, which included an ability to deal with a portfolio of European clients; proximity to politics and skills as negotiator with political actors, though this factor comes with the qualification that "Qing officials used Poankeequa as much as he used them" (p. 95); and "exclusive access to Spanish silver" (p. 95). The two briefer studies (chapters 4 and 5) are significant for they discuss two Hong merchants with substantial interest in the inland trade. These biographical chapters contain references to other works (like Cheong's) that have discussed these individuals before, which show many specific points about these families that are open to different interpretations.

Two financial topics, silver and credit, bring us back into issues that potentially link big chunks of Asian trade that engaged with the Europeans as heavily as the Canton merchants did. Van Dyke's account of the "success and failure" of Chinese merchants--their failure to go to Europe, for example--is state-centric and tentative. But, of course, there are other alternatives. That the access to New World silver benefited the Europeans more than the Asians is a well-known one. Van Dyke in this book casually hints at another possible story of huge significance, but does not quite see how big it is. He notes that "interest rates inside and outside of China remained unequal" (p. 15), the Chinese average being considerably higher than the European one in the eighteenth century, and possibly diverged as a financial revolution matured in western Europe. An almost identical statement can be made about the eighteenth-century Indian seaboard where dramatic growth of private enterprise occurred too under a similar impetus, namely, European interest in Indian goods and increasing circulation of goods within Asian trade.

A possible parallel between India and China raises two questions for comparative business history. Since the political systems of the two regions were so different, the roots of the interest rate divergence between Europe and Asia must be partly structural rather than political. What were these roots? And, why did capitalism flourish at all in regions where the cost of capital was so high? Surely there were compensating advantages in India and China, and again, these strengths cannot be fully explained in political terms since their politics were so different. Questions like these call for closer integration of the Canton trade scholarship not only with other trading sites in Asia but also with Chinese banking and financial history. Perhaps authors of pathbreaking books like the one reviewed will take up that challenge in future.

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