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Chinese Merchants in the Eighteenth Century

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 Can-
ton,” 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 inclu-
sion in this account of Macau under Portuguese admin-
istration. Fifty-five pages of endnotes, long quotations
from sources, sixty-four appendices spanning over a hun-
dred 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 ad-
ditional twenty pages), bear witness to the scale of the
archival enterprise. Superhuman levels of archival re-
search 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 intro-
duction and some of the general (nonbiographical) chap-
ters of the book contain statements with interesting pos-
sibilities; that is, they lend themselves to, say, a com-
parative 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 In-
dian 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 (ex-
cluding the introduction and the conclusion), five of
which are biographical and five which discuss the porce-
lain and silk trades. The length of the biographical chap-
ters 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 im-
portantly, Poankeequa and family between 1748 and 1788
(chapter 3). Why is the Poankeequa case the most sub-
stantial in the book? Because the material allows the au-
thor to draw credible and useful generalizations about the
reasons for the firm’s success, which included an abil-
ity to deal with a portfolio of European clients; prox-
imity 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 signifi-
cant for they discuss two Hong merchants with substan-
tial interest in the inland trade. These biographical chap-
ters 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 Can-
ton merchants did. Van Dyke’s account of the “success
and failure” of Chinese merchants—their failure to go to
Europe, for example—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 signifi-
cance, but does not quite see how big it is. He notes that
“interest rates inside and outside of China remained un-
equal” (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 differ-
ent, the roots of the interest rate divergence between Eu-
rope and Asia must be partly structural rather than po-
itical. 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 In-
dia 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 trad-
The book under review is an important addition to the growing body of literature on Chinese banking and financial history. It provides a detailed account of the operations of the foreign trade banks in China during the eighteenth century. The author, Paul Arthur Van Dyke, has done an excellent job of analyzing the factors that contributed to the success or failure of these banks.

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