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The burgeoning subfield of the history of capitalism is making its way from American studies to Chinese studies. Ghassan Moazzin’s book on foreign banks in modern China is a timely trailblazer to this new development. With the German Deutsch-Asiatische Bank (DAB) at the center and its British competitors in the backdrop, Moazzin chronicles how capital arrived in China from Europe to generate more money. His lucid account of multinational enterprises’ knowledge transfer and unpredictable risks highlights contingencies which have often been less discussed in economic history. The author also presents a thorough examination of sources and scholarship, and this successful synthesis is a labor of love for the new subfield, facilitating inclusive and ongoing discussions.

Moazzin’s book title has a specific time phrase, “1870 to 1919.” Broadly speaking, this half-century witnessed the rise of the first global economy, with the adoption of the gold standard by most industrial countries and the convergence of prices for most goods. From the point of view of trade and manufacturing, China was usually considered as “left behind” or even a “hole” in this new global economy because the volume of goods in and out of China appeared disproportionately small compared to its population. Moazzin, however, examines China’s role in this phase of capitalism from the angle of international finance. He finds that by 1914, “Chinese finance had become internationalized and well connected to the global capital flows that were the basis of the first global economy,” thanks to the cooperation of European and Chinese moneymen (p. 23).

The story of foreign banks and Chinese finance in this book consists of three successive developments, all of which were epitomized in the trajectory of DAB, the most formidable non-British bank in China at the turn of the twentieth century. Chapters 1 and 2 elaborate on the entry and competition of foreign banks in Chinese treaty ports. For example, the DAB was a second united German attempt fourteen years after the initial failure, and it had to strategize independently with German, Russian, and Chinese clients. In the sub-
sequent development, covered in chapters 3-5, foreign banks opened the door for international borrowing for the Chinese government, exemplified in the establishment of the War Indemnity Loan of 1898, the Tianjin-Pukou Railway Loan of 1907, and the Reorganization Loan of 1913 respectively. In the third development (chapter 6), the DAB’s sudden doom in 1919 also foreshadowed the collective fate of its peers, as the preeminence of foreign banks in modern China turned out to be a one-time historical phenomenon that was never replicated, even in the most open days of China’s market reform over the next century.

In other words, foreign banks became both the makers of and losers in modern China’s financial internationalization. This unique paradox sets Moazzin’s book apart from the imperialism paradigm that characterizes banks as the financial arms of foreign infringement of Chinese sovereignty. Conversely, Moazzin enables the reader to see foreign banks as for-profit multinational enterprises whose opportunities and risks stem from an asymmetry of capital, information, and political context between their home countries and China. Ironically, foreign banks’ prominence and prolonged existence in China also gradually balanced this asymmetry, weakened their competitiveness, and ultimately became “the makers of their own demise” (p. 272).

Moazzin’s nuanced analysis of capital flow, knowledge transfer, and risk factors offers a crucial understanding of the paradoxical role of foreign banks in Chinese capitalism. First, he demonstrates how capital flowed in directions not dictated by imperialism or nationalism. For instance, the DAB was the Reich-endorsed uniter of all German financial interests in China. Yet, it supplied more credit to Chinese banking institutions (Qian Zhuang) than to German merchants, effectively channeling the large Chinese deposits in DAB back to trade financing for Chinese merchants. In knowledge transfer, primary finance tools regarding branch structuring, foreign exchanges, and international remittances didn’t mystify Chinese bankers for long, and the Chinese government also became familiar (and later too comfortable) with raising capital in the global bond market. Furthermore, the business of foreign banks was “unimaginable without risks” like illiquidity, loan loss, and political instability on multiple national fronts (p. 15). In the aftermath of the 1911 revolution, the DAB and its peers collectively safeguarded the new Chinese Republic’s credit. Yet, with the sudden outbreak of World War I, these banks became the sources of risk in Chinese eyes due to the chaos within the European home front; consequently, they faced bank runs, a breakdown in cooperation among themselves, the rise of Chinese domestic competitors, and even forced liquidation, such as in the case of the DAB.

The book’s concept of the “Chinese frontier” would have benefited from more nuance, considering its centrality to the author’s assessment of the scale of Chinese financial internationalization. As the foreign banks’ operations were mostly limited to the coast of the vast Chinese empire, Moazzin proposes a conceptual framework of “the frontier bank operating on the Chinese frontier” (p. 266). This phrase designates the coastal treaty ports as a frontier region and captures the intermediating role of foreign banks in this zone of contested capital, currencies, and economic visions. However, the book contains few material details about the actual space of this frontier and, hence, the likely different scenarios for foreign banks. For instance, most of the DAB activities recorded in this book took place in Shanghai or Beijing, yet in its heyday, the bank also had branches in five other treaty ports: Qingdao, where the German navy was stationed; Ji’nan, the railway hub made possible by DAB-financed loans; Tianjin, the financial center of north China; Hankou, the economic hub of central China; and Guangzhou, the heart of the Canton system. The lack of elaboration on these “non-Shanghai” treaty ports limits the breadth of the frontier approach and may not support the author’s conclusion that
“Chinese finance went through a process of full-fledged internationalization during the two and a half decades before the First World War” (p. 267).

These points aside, a monograph of such quality testifies to years of diligent and astute research. Moazzin draws upon primary sources in four languages (German, Chinese, French, and Japanese); offers a comprehensive review of previous scholarship with a sense of empathy, respect, and even humility; and supplements texts with rigorous numerical analysis. Cambridge University Press has also conveniently placed Moazzin’s extensive notes at the bottom of the page, providing the reader with fast reference to the academic conversation.

This book came out in June 2022, coinciding with the end of the brutal Shanghai lockdown, which triggered massive capital exodus from China. Subsequent headlines in global finance news have striking parallels with the historical DAB story: renowned entities such as Vanguard Group and Norwegian Sovereign Wealth Fund dismantled their China offices, Chinese state-owned giants like Petro China and China Life Insurance voluntarily delisted from the New York Stock Exchange, and across the Global South, Chinese banks faced losses when recipient nations of the “Road and Belt Initiative” had difficulty servicing their sovereign debts. The underlying themes of the history of financial capitalism that Moazzin presents in the book, including the ever-changing information asymmetry and unpredictable political risks, remain highly relevant in this post-COVID era.

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