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The Rise and Fall of a Public Debt Market in 16th-Century China: The Story of the Ming Salt Certificate. By Wing-kin Puk. Leiden: Brill, 2016. Pp. vi + 202. €92,00/$119.00.

Much has been said about the different views on "public debt" in China and the West in premodern times. The main differences were the non-existence of (large) banks, including a national bank, in China, and the concept that it sufficed, at least in most cases, to finance the running of a government by means of the regular tax income. Wing-kin Puk adds to this debate a new finding, namely that even if banks did not develop in China as they did in the West, there were indeed times when the Chinese government acknowledged the existence of "public debt." Moreover, he discloses a case when wealthy merchants speculated with a kind of "government bond"—the salt certificates.

It is not accidental that the wealthy salt merchants played a crucial role in the financial support of the Ming government. For more than a thousand years, salt merchants had supplied border garrisons with grain, the interior with salt, and the government with credit. It was only the Ming who, with their ambition to gain full control over society and economy, tried to fully regulate the salt administration, yet without being able to make it perfect. One problem was the inability to produce all the salt for which the merchants had advanced their capital, and another, the capriciousness of money, be it paper, silver, or certificates backed by salt. Puk brings together all these aspects, and minutely describes the attempts of state and merchants to balance out the system, with the highest possible profits for both sides. The result was the salt syndicate system of the late Ming and the Qing periods. Puk also makes numerous comparisons with banking and finance in the West, and concludes that the Chinese government preferred a strict "commercial management" of capital by the state and thus a different form of capitalism (p. 170).

The first chapter of Puk's book describes the grain-salt exchange system during the early Ming period. It is based on a wide range of official and archival sources, as well as a few crucial secondary studies on the field. He minutely describes the system of salt administration during the Ming, and names and shortly comments on the most important studies in the field. Using an abundance of primary sources and quantitative data, he critically analyses ongoing or past discussions. He points at the problem that most sources reflect just the administrative (i.e. the government) point of view, and not that of the merchants (pp. 13, 16). His book is thus a valuable addition to Ray Huang's *Taxation and Governmental Finance*,[1] and similar studies

[1] Ray Huang, *Taxation and Governmental Finance in Sixteenth-Century Ming China* (London: Cambridge University Press, 1974), pp. 200–224.

on Qing period salt merchants. Puk covers quite a few aspects shedding new light on the salt administration of the Ming empire, like the use of salt certificates as tokens proving the legitimacy of salt transports (in order to prevent smuggling, pp. 25–26), or the design of the certificates which made it possible to keep tables on all stages of the exchange and transport by clipping the edges of the ticket in turn (pp. 30–31). Already at that stage, Puk explains, the government accepted that the certificates became transferable and inheritable, thus being a kind of "bearer bond." This was all the more important to the merchants as the salt delivery business was not profitable at all (p. 33). Yet the transfer was restricted to members of merchant families, a rule reflecting the corporatist approach by which the Ming ruled their subjects. This restriction was, nonetheless, often violated in practice (p. 34). Puk goes on to describe the development away from the intra-family transfer of salt certificates by inheritance to the (actually illegal) transfer by sale. The reader learns that the government, in need of funds, issued too many certificates which made it impossible to redeem them in time because the salterns were never able to produce that much salt. The longer it took to draw salt with the certificates, the higher their market value rose, and this tendency led to the rise of a black market of speculation (p. 36).

The Ming government was aware of the problems and tried to solve them—unsuccessfully—by allowing purchase of certificates with paper money instead of with grain (which resulted in the breakdown of the grain-salt exchange system, pp. 38, 54), or by compulsory redemption, which led to a run on salt and a huge backlog in the supply with this precious item: as the government defaulted on its debt (p. 41), it was decided to "honour" the older certificates with paper money (actually worthless), or not at all (p. 46).

The mystery of the backlog ("blocking") in salt supply can, as Puk argues, be solved by an analysis, which he carries out in Chapter 2, of the speculation on the salt certificates. He begins his narrative with the increasing importance of silver, a global monetary metal, on the China markets. Not only was the whole taxation system monetized, but merchants were in the second half of the fifteenth century allowed to purchase salt certificates with silver money, instead of delivering grain to the border areas as before. Puk finds out that the salt-producing households were so poorly paid by the government for overfulfilling the quotas that salt merchants bought their surplus produce and also granted loans (p. 82). In order to avoid the increase of this "contraband" business, the government legalized the free sale of surplus salt, but imposed a tax on it. Moreover, it assumed the marketing of surplus salt and ensured that only certificate-holding merchants had access to the commodity. Most merchants, nevertheless, were not able to advance such large amounts of money. A reform of the whole salt administration system in the second third of the sixteenth century saw a further source of income for the government, namely a new kind of salt certificates for "cost-paid salt" (p. 65), and later such for "river salt" (pp. 69ff.). The author concludes that through the fifteenth and sixteenth centuries, there were several groups fighting for profit: the government for revenue, the traditional frontier merchants delivering grain to the border garrisons, and the "interior merchants," soaring to hitherto unknown heights, and eventually drawing the blueprint for the syndicate system to hedge their bets in the long run.

In a case study on the Lianghuai 兩淮 merchants, Puk analyses the trade and capital volumes with which the salt merchants speculated (Chapter 3). A local government "voraci[ous] for revenue" (p. 104) simply issued salt certificates, collecting the tax on them in advance (pp. 86–87). This was a novel trend in the late sixteenth century and created new problems. The high number of certificates in circulation was in conflict with the insufficient amounts of salt produced. Only the wealthiest "hoarders" could speculate with the certificates and wait until they achieved the most favourable redemption prices, probably after a period as long as ten years. Ready silver was therefore necessary to survive such a game. The advance taxation had thus, as Puk shows, triggered a "sophisticated form of financial speculation" (p. 89). Hoarders even speculated on unissued certificates (p. 98). Only in 1617 was the problem solved by introducing the syndicate system. The Lianghuai merchants lost a great deal of capital in this process, but accepted it as a new mode of long-term generation of profits in a hereditary system with exclusive rights.

Chapters 4 and 5 go beyond the time frame set by the book title. Both analyse the situation of salt merchants, organized in syndicates, under the early and high Qing. Chapter 4 describes the social standing of the salt merchants along with a study of the issue of permanent residence in the city of Yangzhou 揚州. The author endorses the observations of Antonia Finnane's *Speaking of Yangzhou*,[2] and adds to them quotas of the state examination (pp. 121–26) and findings on the merchants' relations with the authorities (pp. 132–34). Puk asserts that the reduction of the financial players of the empire, the salt merchants, to "tax captains" gave them new functions in the local society. They took over responsibilities where the government failed, for instance, in providing loans to the salt-producing households, and thus acted as financial institutions ("banks") on a local level. Another result of the introduction of the syndicates was the central government's withdrawal from the salt administration. As long as the "tax captains" delivered their annual quotas, the government did not care about the minutiae of the salt business (p. 135).

Chapter 5 offers a closer look at two cases. Puk's study brings to light that under the syndicate system the salt merchants remained spectacularly prosperous, but their

[2] Antonia Finnane, *Speaking of Yangzhou: A Chinese City, 1550–1850* (Cambridge, MA and London, England: Harvard University Asia Center, 2004).

financial wellbeing was more due to lineage connections and patronage (p. 159, today one would say *guanxi* 關係) than to the ups and downs of the financial market.

Puk's case studies of merchant families under the Qing are certainly illuminating concerning our knowledge about the patronage network ("social capital") and the self-image of linages displayed, for instance, in genealogies and local gazetteers. Yet it would have been helpful if the author had again indicated (e.g. on p. 19, or in the conclusions to Chapters 4 and 5) how the information found in the last two chapters fits into the frame of the rest of the book. A clearer focus on the financial issue would have benefited the book's conception.

Moreover, the finding that Qing salt merchants were more "tax farmers" than financiers of the state could have been a chance to make the connection with the early modern West, where countries like France also had a defective system of state finance, as can be seen in studies of James C. Riley or Eugene Nelson White.[3] Puk often contrasts the situation in late imperial China with Great Britain, and thus follows quite a few earlier studies. Yet the financial success of the Bank of England is just the most spectacular case. A comparison with financially less successful governments in Europe, as the ancien régime in France undoubtedly was, would have given a fresh impetus to the recently discussed observation of the intra-European "Little Divergence" (e.g. Karel Davids, as a counterpoint to Kenneth Pomeranz's *Great Divergence*),[4] showing that the Chinese system of public finance was certainly very different from that of Great Britain, but probably less so than that of other European states.

When speaking of salt tax paid by the merchant syndicates during the Qing period, the author might have added some short information on the enforced contribution system (*juanna* 捐納 or *juanshu* 捐輸), by which the government regularly fleeced the prosperous salt merchants (as shown in the study of Kwan Man Bun, the *Salt Merchants of Tianjin*,[5] and hinted at on pp. 102–3). Puk speaks of members of salt merchant families taking the state examinations (pp. 121–26) without mentioning the possibility to purchase brevet titles or even posts, which again brings

3 James C. Riley, *The Seven Years War and the Old Regime in France: The Economic and Financial Toll* (Princeton, NJ: Princeton University Press, 1986); Eugene Nelson White, "Was There a Solution to the Ancien Régime's Financial Dilemma?," *Journal of Economic History* 49, no. 3 (September 1989), pp. 545–68.

4 Karel Davids, *Religion, Technology, and the Great and Little Divergences: China and Europe Compared, c. 700–1800* (Leiden: Brill, 2013); Kenneth Pomeranz, *The Great Divergence: China, Europe, and the Making of the Modern World Economy* (Princeton, NJ: Princeton University Press, 2000).

5 Kwan Man Bun, *The Salt Merchants of Tianjin: State-Making and Civil Society in Late Imperial China* (Honolulu, HI: University of Hawai'i Press, 2001).

the issue close to the example of France (see e.g. William Doyle, *Venality*),[6] and alternative ways for governments to yield higher revenues—if "public debt" is not an option. The important function of the salt merchants as feeders of the government's treasure is often mentioned by Puk in his book. He might have kept to his main issue, government finance, and have described more explicitly the changes in the financing mechanism after the introduction of the syndicate system—instead of making an excursion into social history. To sum it up: Chapters 4 and 5 present very interesting information on the salt merchants in the Qing period, but many points are of no relevance to the theme of the book, while others that would be relevant to the topics of government debt or public finance, are neglected.

On the first two pages of his Conclusion (pp. 160–61), the author very briefly recapitulates his findings on the Ming salt merchants, but then turns to the issue of banking in order to find reasons for and consequences of the non-development of credit institutions from which the government could borrow, and deals with the question why capitalism took a different path in China than in the West. He stresses that appropriate institutions are necessary to guarantee the circulation of capital, and not just the existence of capital—for instance, in the form of the Tang and Song period *feiqian* 飛錢, *jiaozi* 交子, or *huizi* 會子 (actually tools for money remittance, and not marketable letters of exchange). The "revolutioniz[ing of] the credit market" (p. 165) was to be seen, as Puk goes on to explain, in the Song period institution of certificate exchanges (*jiaoyinpu* 交引鋪, p. 166) trading with salt or tea certificates. These certificates were even speculated in, and on a "much larger scale" than the Ming salt certificate hoarders did (p. 166). This is a very late point of time to mention that speculation had occurred even before the Ming. Why does Puk make the reader believe all the time that the Ming period speculation case was unique? Why not relate this fact in the first chapter of the book, and (perhaps later in Chapter 3) in more detail, so that the reader understands the mechanism behind the speculation, and contrast it with that of the Ming case?

Puk asserts that not only "no banking establishment of substantial scale evolved in China until the late nineteenth century" (p. 168), but also a stock exchange was created only as late as 1921 (p. 169). Yet the concept of shares was well known in the private market, for instance, in the shape of coal mine shares or shares for the investors into the salt enterprises in Sichuan. For the process of the traditional Chinese economy and the capital market, lack of a central stock exchange obviously did not matter, nor did the absence of a concept of "transferable debt" (p. 170). Puk has shown that there had indeed been the "sprouts" of "futures and options" (pp. 90,

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6 William Doyle, *Venality: The Sale of Offices in Eighteenth-Century France* (Oxford: Clarendon Press, 1996).

104), “futures and bonds” (p. 160), or “commercial papers” (pp. 34, 104), and that the government was well aware that it owed money to the salt merchants. The author leaves the thoroughly worked-through field of the discussion on whether there had been “sprouts of capitalism” (pp. 7–9) in premodern China, and asserts that there was indeed capitalism, but in a different shape. This shape was mainly modelled by the government that in 1617 turned a liability (the duty of delivering salt to the certificate holders) into an asset (by declaring that credit was actually a tax, p. 164). This finally brought the possibility to speculate with government certificates to an end.

Yet were the consequences of the introduction of the hereditary syndicates, namely the dissolution of a “public debt” market, intentional or not? In his introduction, Puk writes “I tell a story of the accidental rise and the *unintended* [my italics] fall of a public capital market” (p. 1), but later says that the Ming government “*abolished* [my italics] what could have become a market for public credit” (p. 85). The criticism by numerous officials regarding the “hoarders” and the speculation on the price of the salt certificates, along with the government’s problems to clear “blocked certificates” indeed might suggest that the government greatly profited by the introduction of the syndicate and the point-blank transformation of credit into tax. Is this probably a proof of the political strength of the mature Wanli 萬曆 administration to carry out decisive reforms, while internally eunuchs were carrying out bloody fights against the Donglin Faction 東林黨? The decision for the 1617 “coup” might also have been motivated by the costly military campaigns of the Wanli emperor, just as the British national debt was characterized by the emergence of a military-fiscal state (pp. 162–63). A consideration of these backgrounds, not dealt with by Puk, would certainly have added to our understanding of how and why such crucial decisions could indeed have been realized after problems had been lingering on for more than a century.

Apart from the above discussion, I would like to add a few points. Puk explains the backlog of certificate redemption mainly by the low incentives granted to the salt producers by the government, and the issuing of an inappropriately high and therefore uncovered number of salt certificates. This would clearly fit into the history of paper money during the Ming and the late Qing periods. Yet was there really no way of making salt production and delivery more effective?

I also would have appreciated a short theoretical part on, or an account of the author’s *own* definition of the expressions “public debt,” “public capital market,” or “financial capitalism” (pp. 1, 166), adapted to the historical circumstances of imperial China. These terms appear rather late even in European economic history, and therefore seem somewhat anachronistic in the context of the Ming period.

The reader learns that the salt administration system was already centuries old at the beginning of the Ming. What, then, was the main difference in the salt-grain exchange between the Tang, the Song, and the Ming? A very brief history would no doubt have helped to know more about the novelties created by the Ming.

Puk later lists attempts of the Qing to attain higher revenue, like various "para-taxes," surcharges, fees, taxes, or (extorted) contributions (p. 5) and in some cases anticipates the financial development of the late nineteenth and the twentieth centuries. The "ultimate" solution of the financial problem of the Qing, the *likin*/*lijin* 釐金 tax, could well have been part of this list.

Finally, when speaking about a "public debt" market, this includes the story of the speculation with salt certificates. Puk follows a number of publications that contrast Great Britain's success in establishing a system for public debt with the absence of government debt in China, and therefore discusses banking institutions. The speculation case would have given Puk another option to argue for the different shape of capitalism (he only marginally touches the issues of discounting bills of exchange, different modes of bookkeeping and accounting, and stock exchanges on pp. 168–69). As could be seen, people (the notorious "hoarders") did indeed speculate, but the 1617 deal ended the game by abolishing the institutions. Not only did the government not support banks, but it made the trade with certificates, bills, options, bonds, etc. impossible. Also the trade with credit instruments was non-existent in China, in contrast to Europe, where the first bubble made its appearance as soon as 1720. Some words in this direction would certainly not have overloaded Wing-kin Puk's rather short book.

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The* Shenzi Fragments*: A Philosophical Analysis and Translation. By Eirik Lang Harris. Translations from the Asian Classics. New York: Columbia University Press, 2016. Pp. xv + 173. $55.00.

Eirik Lang Harris is to be commended for publishing the first complete English translation of the extant fragments of an important classical Chinese text, *Shenzi* 慎子 (*Master Shen*), attributed to Shen Dao 慎到 (b. *c.* 360 b.c.). P. M. Thompson's pioneering study of the fragments and their history (preface dated 1974, but not published until 1979)[1] sadly provoked little scholarly response until the present

1 P. M. Thompson, *The* Shen Tzu *Fragments*, London Oriental Series 29 (Oxford: Oxford University Press, 1979).