

## The Rise and Fall of a Public Debt Market in 16th-Century China

# Monies, Markets, and Finance in East Asia, 1600–1900

*Edited by*

Hans Ulrich Vogel

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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



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Cover illustration: It is not clear how the Ming salt certificate looked like, but the *Daming huidian* [The Great Ming Compendium, late 16th century edition] recorded the regulations about the salt monopoly, stipulated in late 14th century. These characters, about six hundred, are supposed to be printed on every salt certificate.

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## Abbreviations

- DMHD* Shen Shixing 申時行 et al., eds., *Daming huidian* 大明會典 (1587 edition, rpt. Yangzhou: Jiangsu guangling guji keyinshe, 1989).
- HT* *Huitang Chengshi Xianchengtang chongxu zongpu* 槐塘程氏顯承堂重續宗譜 (1673 edition).
- HWJSWB* Chen Zilong 陳子龍 et al., eds., *Huang Ming jingshi wenbian* 皇明經世文編 (1628–1644 edition, rpt. Beijing: Zhonghua shuju, 1962, 1997).
- KXZP* *Zhongguo diyi lishi dangangan* 中國第一歷史檔案館 ed., *Kangxi chao hanwen zhupi zhoushe huibian* 康熙朝漢文硃批奏摺彙編 (Beijing: Dangan chubanshe, 1984–)
- MSL* *Ming shi lu* 明實錄 (Taipei: Academia Sinica, 1962).
- SKCM* Siku quanshu cunmu congshu bianzuan weiyuanhui 四庫全書存目叢書編纂委員會, ed., *Siku quanshu congmu congshu* 四庫全書存目叢書 (Liuyingxiang, Tainan: Zhuangyan wenhua shiye, 1996).
- SKJH* Siku jinhui shu congkan bianzuan weiyuanhui 四庫禁燬書叢刊編纂委員會, ed., *Siku jinhui shu congkan* 四庫禁燬書叢刊 (Beijing: Beijing chuanshe, 2000).
- XXSK* Xuxiu siku quanshu bianzuan weiyuanhui 續修四庫全書編纂委員會, ed., *Xuxiu siku quanshu* 續修四庫全書 (Shanghai: Shanghai guji chubanshe, 1995).
- YZCLYFZ* Yongzheng changlu yanfazhi 雍正長蘆鹽法志 (rpt. Taipei: Taiwan xuesheng shuju, 1966).



# Introduction

Schools of economic thought become popular or obsolete from time to time, much like fashion, but David Ricardo's formulation of land, labor and capital wears well. Now known as "factors of production", land, labor and capital are identified by Ricardo as crucial elements determining the value of produce.<sup>1</sup> An inquiry into one or all of these three "factors of production" will shed important light on how an economy works and how a society is organized. Working from this assumption, I study the salt certificate in the Ming dynasty. I tell a story of the accidental rise and the unintended fall of a public capital market in Ming China, in the form of speculation in salt certificates, between the early sixteenth century and the year 1617.

Salt administration, defined as government control over the production, distribution and consumption of salt, was a long tradition in imperial China. Samuel A. M. Adshead observes that, in a global context, the Chinese salt administration "had the longest and most continuous history", and "in intellectual sophistication, with its administrative handbooks, technical languages and tradition of expert argument, it had no rival."<sup>2</sup> The rich heritage of Chinese salt administration poses a challenge to researchers. Edmund Worthy shows us that scholars of several generations have contributed to the Western scholarship on the Chinese salt administrations of various dynasties.<sup>3</sup> Hans Ulrich Vogel has devoted much effort to exploring the technical and cultural aspects of salt in Chinese history.<sup>4</sup> It is the mission of this book to use the same official archives but tell a story beyond salt administration, a story about financial capitalism in Ming China.

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- 1 David Ricardo did not discuss land, labor and capital in terms of "factors of production", but in terms of rent, wages and profits belonging to landlords, labourers and capitalists, respectively. For a succinct statement of this point, see his *On the Principles of Political Economy and Taxation*, in Piero Sraffa ed., *The Works and Correspondence of David Ricardo* (Cambridge: University Press for the Royal Economic Society, 1951–1973), vol. 1, 49.
  - 2 Samuel A. M. Adshead, *Salt and Civilization* (Basingstoke: Macmillan, 1992), 178, 321.
  - 3 Edmund H. Worthy, "Regional Control in the Southern Sung Salt Administration", in John Winthrop Haeger ed., *Crisis and Prosperity in Sung China* (Tucson: University of Arizona Press, 1975), 101 ff. To Edmund Worthy's literature review can at least be added Saeki Tomi's paper, "Economie et Absolutisme dans la Chine Moderne: Le Cas des Marchands de Sel de Yangchow", trans. Michel Cartier, *Revue historique*, T. 238, Fasc. 1 (1967), 15–30.
  - 4 Yoshida Tora, *Salt Production Techniques in Ancient China: The 'Aobo Tu'*, trans. Hans Ulrich Vogel (Leiden: Brill, 1993); Hans Ulrich Vogel, "Salt and Chinese culture: Some comparative aspects", paper for the 8th Symposium on Chinese Dietary Culture (Sichuan University, 2003).

The Ming salt certificate was a product of the salt monopoly, known as the “grain-salt exchange” [*kaizhongfa*]. Along the eastern coastline of China, men from saltern households toiled in the salt fields, producing salt for the government monopoly. The Ming government divided the entire country into salt production and consumption areas; designated consumption areas were supposed to consume salt from particular production areas. Although the government monopolized salt production and supervised salt consumption, it delegated the task of salt transportation in a very peculiar way. The government invited merchants to deliver grain to its frontier garrisons; in return, merchants were given salt certificates with which they could draw salt directly from the salt fields. In essence this grain-salt exchange was a promise the Ming government made to merchants in return for their service in providing grain to soldiers at the borders. The salt certificate therefore was a public debt of grain, denominated in salt, that the government owed merchants. Certainly, the Ming government did not perceive the “grain-salt exchange” in terms of borrowing from the public, but in terms of “salt administration”. However, if one is looking for public credit in early modern China, the salt certificate must constitute the closest evidence.

Once created, the salt certificate very quickly deviated from the itinerary the state planned for it and ventured into the unknown. Merchants found the salt certificate more convenient and valuable than real salt, so much so that they did not care to redeem the salt certificate for salt. A speculative market for the salt certificate emerged in the fifteenth century, leading to chronic collapse of the salt administration. Starting from the sixteenth century, the use of silver further fuelled speculation in salt certificates. In the early seventeenth century this phenomenon brought into being a group of powerful financiers, many of whom originated from Huizhou. Regarding the speculative “bubble” as a serious breach of its administration, the Ming government struck a deal with these financiers, granting them a hereditary franchise in the salt trade, but at the same time imposing on them the hereditary obligation of paying a salt certificate tax. This “syndicate system”, established in 1617, effectively terminated the speculation in salt certificates and therefore also abolished the market for public debt. From 1617 onward, and throughout most of the Qing dynasty, the salt certificate was no longer a form of public debt, but a tax receipt.

Such is the story of the Ming salt certificate in a nutshell. Before unfolding the story, however, it is important to delineate the theoretical context. To do so, we will have to turn back to capital, one of the three “factors of production”, identified by Ricardo, and briefly review its history in both China and the West.

The capital market, in which capital circulates in varying forms (IOUs, notes of debt, securities, bonds, stocks, and futures), has long drawn the attention

of historians.<sup>5</sup> They use the capital market as an indicator by means of which different historical episodes are compared. Almost immediately, the difference between China and Europe in the early modern period, in terms of capital markets, becomes very obvious.

In studying the capital market, a line can be drawn between private and public credit. As far as private credit is concerned, there are parallels between Europe and China. For example, the Chinese banks known as *qianzhuang* in Jiangnan and *piaohao* in Shanxi, flourishing in the eighteenth century, might be regarded as Chinese counterparts to European banks. Loans were common in both contexts: Chinese farmers and merchants borrowed capital extensively from pawnshops, and credit was offered and accepted when advance payments were made for crops yet to ripen.<sup>6</sup> In coal and salt mining, where the threshold of capital pooling was much higher than in agriculture, sophisticated forms of shareholding partnership existed. From the Mentougou coal mines in the western suburbs of Beijing, for example, Deng Tuo collected 137 contracts ranging from late Ming to mid-Qing, of which 12 explicitly documented buying and selling of coal mine shares.<sup>7</sup> From the Zigong salt mines of Sichuan in the Qing dynasty, Vogel identified the operation of private mining partnerships, and Madeleine Zelin discovered “a complex system of shareholding in which shares

5 For a definition and discussion of “capital market”, see Peter Newman et al., eds., *The New Palgrave Dictionary of Money and Finance* (London: Macmillan, 1992), 302–311.

6 Andrea McDerry, *Shanghai Old-style Banks (Ch'ien-chuang), 1800–1935: A Traditional Institution in a Changing Society* (Ann Arbor: Center for Chinese Studies, University of Michigan, 1976); Zheng Yifang 鄭亦芳, *Shanghai qianzhuang 1841–1937: Zhongguo chuantong jinrongye de tuibian* 上海錢莊 1841–1937 : 中國傳統金融業的蛻變 [Shanghai Old-style Banks 1841–1937: the Transformation of Traditional Chinese Finance] (Taipei: Academia Sinica, 1981); Zhang Guohui 張國輝, *Wan Qing qianzhuang he piaohao yanjiu* 晚清錢莊和票號研究 [A Study of Old-style Banks in Late Qing] (Beijing: Zhonghua shuju, 1989); Pang Ming-te, “Rural Credit Market and the Peasant Economy (1600–1949)”, Ph.D. Thesis, University of California at Irvine, 1994); Huang Jianhui 黃鑒暉, *Shanxi piaohao shi* 山西票號史 [A History of the Shanxi Old-style Bank] (Taiyuan: Shanxi jingji chubanshe, 2002).

7 Deng Tuo 鄧拓, “Cong Wanli dao Qianlong—Guanyu Zhongguo ziben zhuyi mengya shiqi de yige lunzheng 從萬曆到乾隆—關於中國資本主義萌芽時期的一個論證 [From Wanli to Qianlong—A Case Study of the Sprouts of Capitalism in China]”, in Nanjing daxue lishixi Zhongguo gudaishi jiaoyanshi 南京大學歷史系中國古代史教研室, ed., *Zhongguo ziben-zhuyi mengya wenti taolunji xubian* 中國資本主義萌芽討論集續編 [Collected Papers on the Sprouts of Chinese Capitalism (Supplement)] (Beijing: Sanlian shudian, 1959), 133–182. Also see Tang Mingsui 湯明燧, Li Longqian 李龍潛, and Zhang Weixiong 張維熊’s comments on Deng Tuo’s paper in the same book, “Dui Deng Tuo tongzhi ‘Cong Wanli dao Qianlong’ yi wen de shangque he buchong 對鄧拓同志〈從萬曆到乾隆〉一文的商榷和補充 [Discussion and Elaboration on Comrade Deng Tuo’s paper ‘Cong Wanli dao Qianlong’],” 183–217.

were transferred, bought, and sold”, “established by contract and upheld by the state”.<sup>8</sup> Zelin pointed out that the lively market for salt-well shares effectively pooled capital needed for the costly operation of salt mining, which “might not produce dividends for up to a decade or more”.<sup>9</sup> When compared with partnerships in the United States or those of Chinese coal mines, salt mining partnerships in Zigong were in an “advanced stage of business development”, having many more small shareholders and being long-lasting, usually surviving the death of the founding generation.<sup>10</sup> Capital was pooled through shareholding partnerships, and shares were alienable through well-defined contracts and long-lasting arrangements. In this sense, a sophisticated capital market for private credit existed in late imperial China.

However, when it comes to public credit, no parallel can be drawn between Europe and China. In Europe, the first government borrowing occurred in Italian city-states as early as the thirteenth century. War imposed draconian demands on governments’ financial resources and led to the invention of national debt. Realizing that regular taxes and revenue could not meet such demand, governments were forced to borrow from the public, notably from financiers and courtiers. In the early fourteenth century, the Commune of Florence had a public debt of nearly 50,000 gold florins.<sup>11</sup> Public credit became a vital, if not the most important, source of revenue for European governments, and remained so for centuries to come. Beginning with Charles V of France in the fourteenth century, tax revenue was frequently used to service annuities.<sup>12</sup> By 1713, the national debt owed by the French government had reached three billion francs, or almost equivalent to the total amount of eighteen years of royal revenues.<sup>13</sup> In 1815, the nominal British national debt was about twice as

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8 Hans Ulrich Vogel, *Untersuchungen über die Salzgeschichte von Sichuan (311 v. Chr.-1911): Strukturen des Monopols und der Produktion* (Stuttgart: F. Steiner, 1990), 49–60; Madeleine Zelin, “Managing Multiple Ownership at the Zigong Salt Yard”, in Madeleine Zelin, Jonathan K. Ocko, and Robert Gardella, eds., *Contract and Property in Early Modern China* (Stanford: Stanford University Press, 2004), 230–231.

9 Zelin, “Managing Multiple Ownership at the Zigong Salt Yard”, 231.

10 Zelin, “Managing Multiple Ownership at the Zigong Salt Yard”, 237–238.

11 Carlo M. Cipolla, *The Monetary Policy of Fourteenth-century Florence* (Berkeley: University of California Press, 1982), 2–3.

12 Larry Neal, *The Rise of Financial Capitalism* (Cambridge: Cambridge University Press, 1990), 5.

13 Earl Jefferson Hamilton, “Origin and Growth of the National Debt in Eastern Europe”, *American Economic Review*, 37 (May 1947), 122.

much as Britain's national income.<sup>14</sup> The huge amount of debt, the challenge of servicing old debts with new ones, and the attempt to persuade the public to lend more money, led to institutional innovations in European finance. To Peter Dickson and Henry Roseveare, new forms of government borrowing, such as the creation of the national debt and the establishment of the Bank of England in the seventeenth and eighteenth centuries, were important milestones in the development of English public credit, so much so that they used the term "financial revolution" to describe these phenomena.<sup>15</sup> Julian Dent even asserted that the success of the financial revolution led to the success of the industrial revolution in England.<sup>16</sup>

In China, as noted by Liu Qiugen and more recently by Niv Horesh, the practice of the government issuing bonds to borrow from the public only occurred in the late nineteenth century and under Western influence.<sup>17</sup> Before that, the Han and Tang governments borrowed from merchants, if only occasionally. The Song dynasty, which historians often perceive as more pro-commerce than the Ming, boasted the invention and implementation of *huizi*, a short-term bond and paper currency.<sup>18</sup> The Yuan government borrowed from merchants and granted them a monopoly over certain tax fields in return. Yet none of these precedents led to institutionalized public borrowing. The Ming and Qing emperors and their ministers resorted to numerous forms of surcharges, fees, and taxes, or to such extortion as "appealing for donations", but they do not seem to have given thought to borrowing capital from the public through interest-bearing notes.<sup>19</sup> Even Kenneth Pomeranz, when identifying "surprising resemblances" between China and Europe, recognized that "Western Europe may well have had more effective institutions for mobilizing large

14 J. F. Wright, "The Contribution of Overseas Savings to the Funded National Debt of Great Britain, 1750–1815", *Economic History Review*, Vol. L, No. 4 (1997), 657.

15 Peter Dickson, *The Financial Revolution in England: A Study in the Development of Public Credit, 1688–1756* (London: Macmillan, 1967); Henry Roseveare, *The Financial Revolution, 1660–1760*, Seminar Studies in History (London and New York: Longman, 1991).

16 Julian Dent, *Crisis in Finance: Crown, Financiers and Society in Seventeenth-century France* (New York: St Martin's Press, 1973), 21.

17 Liu Qiugen 劉秋根, *Mingqing gaolidai ziben* 明清高利貸資本 [Usury Capital in Ming-Qing China] (Beijing: Shehui kexue wenxian chubanshe, 2000), 20–22; Niv Horesh, *Chinese Money in Global Context: Historic Junctures between 600 BCE and 2012* (Stanford: Stanford University Press, 2013), 69.

18 For a detailed study of Song monetary policy, see Wang Shengduo 汪聖鐸, *Liang Song huobishi* 兩宋貨幣史 [The Monetary History of the Two Song Dynasties] (Beijing: Shehui kexue wenxian chubanshe, 2003).

19 Liu, *Mingqing gaolidai ziben*, 20–22.

sums of capital willing to wait a relatively long time for returns”, though he immediately warns that until the nineteenth century, “long-term syndicated debt was primarily used within Europe to finance wars”.<sup>20</sup> He agreed that “the Chinese state borrowed very little, [and] did not involve merchants very much in revenue-forwarding”, and that “public borrowing developed much more slowly in China and southeast Asia than in western Europe”. He also agreed that the financial needs of European states “led to the development of a more efficient capital market in general” although he warned against the simplistic view that attributes the development of a capital market to the state’s need for credit. On the whole, with caution, Kenneth Pomeranz accepted that “Western European capital markets were the most efficient in the eighteenth century world.”<sup>21</sup>

Fernand Braudel would have agreed. In studying the history of capitalism, he remarked that the European economy was more developed than those of the rest of the world “thanks to its superior instruments and tools: the bourse and various forms of credit.”<sup>22</sup> He proposed a three-tier hierarchy for economies outside Europe according to the extent to which their capital markets had developed: “Japan, Insulinde (the Malay Archipelago), and Islam” being at the top, followed by India, and, “at the bottom, China, just above thousands of primitive economies.”<sup>23</sup> More pertinent to this book is Braudel’s observation that

shops and peddlers also abounded in China; but fairs and bourses, the more intricate cogwheels of the mechanism, were lacking... [T]his was an extremely important factor in the nondevelopment of Chinese capitalism.<sup>24</sup>

We need neither hastily agree with Braudel, nor hastily dismiss him as being “Euro-centric”. Braudel’s statement is a very useful reminder. He and the above scholars force us to answer the following question: how was capital circulated in China in the early modern period? This question can be fine-tuned into more concrete, more historically-oriented queries: who were the actors, and

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20 Kenneth Pomeranz, *The Great Divergence: China, Europe, and the Making of the Modern World Economy* (Princeton and Oxford: Princeton University Press, 2000), 4.

21 Pomeranz, *The Great Divergence*, 173–174, 178.

22 Fernand Braudel, *Afterthoughts on Material Civilization and Capitalism*, trans. Patricia M. Ranum (Baltimore: Johns Hopkins University Press, 1977), 34.

23 Braudel, *Afterthoughts on Material Civilization and Capitalism*, 34–35.

24 Braudel, *Afterthoughts on Material Civilization and Capitalism*, 32.

what kinds of institutions were involved, as far as the circulation of capital was concerned; and how did these actors and institutions evolve over time? Answers to these questions will constitute a substantial part of this book, with focus on the Ming salt certificate. Now, however, it is time to turn to the studies of late imperial Chinese socio-economic history.

## Productivity and Beyond

Historians of the Ming dynasty agree that overall trade grew by leaps and bounds in China in the sixteenth century, but they do not often find a place in it for the salt trade, let alone the salt certificate. A brief review of the literature will demonstrate how remote a study of credit-bearing instruments, such as the salt certificate, may be from the current focus in Chinese socio-economic history. Recent studies by the “California School” of Kenneth Pomeranz, R. Bin Wong, and Li Bozhong bring an expansionist perspective to Ming and Qing economic history.<sup>25</sup> Their studies demonstrate that by the eighteenth century the Jiangnan economy had become no less advanced than that of England. A likely precursor of the School, Andre Gunder Frank, saw the infusion of foreign silver into China as just such a major source of change. He coined the phrase “Sinocentric world economy” to characterize Chinese economic growth in the eighteenth century.<sup>26</sup> In a similar vein, R. Bin Wong argued that “Smithian dynamics”, meaning “productivity gains attending division of labor and specialization”, were pronounced in China from the sixteenth to nineteenth centuries, the evidence being the expansion of cash cropping, handicrafts, and trade; the growth of market networks for products, labor and credit; and the increase in land productivity.<sup>27</sup> Li Bozhong presented a prosperous Jiangnan in early and mid-Qing which was blessed by warm winters from 1720 to 1830, and by agricultural enhancements introduced by double-cropping, ox tilling, and a “fertilizer revolution”.<sup>28</sup> Kenneth Pomeranz found that Jiangnan

25 The term “California School” was first coined by Jack A. Goldstone. See his “The Rise of the West—or Not? A Revision to Socio-economic History”, *Sociological Theory*, Vol. 18, No. 2 (Jul., 2000), 175–194, especially 178.

26 Andre Gunder Frank, *Reorient: The Global Economy in the Asian Age* (Berkeley: University of California Press, 1998), 160–162, 126.

27 R. Bin Wong, *China Transformed: Historical Change and the Limits of European Experience* (Ithaca: Cornell University Press, 1997), 13–70.

28 Li Bozhong 李伯重, *Agricultural Development in Jiangnan, 1620–1850* (Basingstoke, Hampshire: Macmillan; New York: St. Martin's Press, 1998), pp. 35–54. For Li Bozhong's discussion of the Jiangnan population, see his *Duo shijiao kan Jiangnan jingjishi*



and England until the nineteenth century shared “surprising resemblances” in demographic structure, levels of technology, market development, household allocation of labor, and even cultural norms and government commercial policy.<sup>29</sup> What made Britain a “fortunate freak” in terms of nineteenth century industrialization was coal and colonies.<sup>30</sup>

Again, to better understand and contextualize the arguments of the California School, it might be helpful to look at studies of the “sprouts of capitalism” [*zibenzhuyi mengya*] by mainland Chinese historians from the 1950s to 1980s.<sup>31</sup> The California School continues to emphasize productivity but is

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(1250–1850) 多視角看江南經濟史 [The Economic History of Jiangnan Seen From Various Perspectives] (Beijing: Sanlian shudian, 2003), 137–240. For his discussion on the development of industry and advances in urbanization in Qing Jiangnan, see his *Fazhan yu zhiyue: Ming Qing Jiangnan shengchanli yanjiu* 發展與制約：明清江南生產力研究 [Development and Constraint: A Study of Productivity in Ming-Qing Jiangnan] (Taipei: Lianjing, 2002), 11–93, 377–446.

- 29 Pomeranz, *The Great Divergence*. For an intensive debate on Pomeranz’s work, see the four articles by Philip C. C. Huang; by James Lee, Cameron Campbell, and Wang Feng; by Robert Brenner and Christopher Isset; and also by Pomeranz himself, in *Journal of Asian Studies*, vol. 61, no. 2 (May, 2002), 501–662.
- 30 Pomeranz, *The Great Divergence*, 264–297, 313–315. Pomeranz notes that China also has coal deposits, but that Chinese coal deposits were farther away from the economically most developed region, the Yangzi Delta. Moreover, since Chinese coal deposits were arid rather than water-logged, the problem facing the Chinese was ventilation, an unlikely technology that could have led to a breakthrough in transportation “as the steam engines that pumped out Britain’s mines did”. See Pomeranz, *The Great Divergence*, 65–67.
- 31 In 1957, the Chinese History Teaching and Research Unit of the People’s University of China published a two-volume collection of papers on the “sprouts of capitalism”. See Zhongguo remin daxue Zhongguo lishi jiaoyanshi 中國人民大學中國歷史教研室, ed., *Zhongguo zibenzhuyi mengya wenti taolunji* 中國資本主義萌芽問題討論集 [Collected Papers on the Sprouts of Capitalism in China], 2 vols (Beijing: Sanlian shudian, 1957). Two years later, the Department of History in Nanjing University published a supplemental collection: *Zhongguo zibenzhuyi mengya wenti taolunji xubian* (Beijing: Sanlian shudian, 1959). Altogether, the two collections included 53 papers. The Department of History in Nanjing University further published two collections of papers in 1981 and 1983; see Nanjing daxue lishixi Ming Qing shi yanjiushi 南京大學歷史系明清史研究室, ed., *Ming Qing zibenzhuyi mengya yanjiu lunwenji* 明清資本主義萌芽研究論文集 [Collected Papers on the Sprouts of Capitalism in Ming-Qing China] (Shanghai: Shanghai renmin chubanshe, 1981); *Zhongguo zibenzhuyi mengya wenti lunwenji* 中國資本主義萌芽問題論文集 [Collected Papers on the Problem of the Sprouts of Capitalism in China] (Nanjing: Jiangsu renmin chubanshe, 1983). In 1987, Tian Jujian 田居儉 and Song Yuanqiang 宋元強 published a collection of 30 papers covering the last three decades; see their *Zhongguo zibenzhuyi mengya* 中國資本主義萌芽 [The Sprouts of Capitalism



more optimistic, whereas mainland historians studying “sprouts of capitalism” were both pessimistic and divided. Mainland historians started by identifying early signs of capitalism in the Ming-Qing economy: operation of large-scale handicraft workshops employing wage-laborers, the cultivation of commercial crops such as cotton and mulberry leaves, technological advances in the cotton and silk industries, increasing commercialisation, and the emergence of merchant groups, guilds, and banks. Nevertheless, identifying the “sprouts” proved easier than measuring their maturity, and soon historians were divided into two camps. One camp argued that the “sprouts” of capitalism matured in the mid-Qing at the latest, and that China was ready to evolve into capitalism. Fu Zhufu and Li Jingneng documented emerging “sprouts” of capitalism from as early as the Tang dynasty.<sup>32</sup> Wu Han drew attention to the recovery of productivity in the early Ming, notably in agriculture.<sup>33</sup> Jian Bozhan found strong evidence of “sprouts” of capitalism in the famous Qing novel *Dream of the Red Chamber* [*Honglouloumeng*]: the polarisation of land ownership (big landlords against landless peasants), monetising of land rents, specialization of agricultural production, and commoditization of the land itself.<sup>34</sup> Deng Tuo, Li

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in China], 2 vols (Chengdu: Bashu shushe, 1987). Wu Chengming and Xu Dixin's collection of papers in 1985 is more focused and better structured. See Wu Chengming and Xu Dixin 吳承明、許滌新, eds., *Zhongguo zibenzhuyi de mengya* 中國資本主義的萌芽 [The Sprouts of Capitalism in China] (Beijing: Beijing chubanshe, 1985). Wu and Xu's book has been translated into English as *Chinese Capitalism, 1522–1840* (New York: St. Martin's Press, 2000); Chris Bramall and Peter Nolan's introduction is a useful guide to Chinese and Japanese scholarship (“Introduction: Embryonic capitalism in East Asia”, xiii–xl), as is Kenneth Pomeranz' review of this book in *Economic History Services*, Aug 24, 2000, URL: <http://www.eh.net/bookreviews/library/0285.shtml>. See also Timothy Brook, “Capitalism and the writing of modern history in China”, in Timothy Brook and Gregory Blue, eds., *China and Historical Capitalism* (Cambridge: Cambridge University Press, 1999), 110–157.

- 32 Fu Zhufu and Li Jingneng 傅策夫、李景能, “Zhongguo fengjian shehui nei zibenzhuyi yinsu de mengya 中國封建社會內資本主義因素的萌芽 [The Sprouts of Capitalistic Factors within the Feudalistic Society of China]”, in *Zhongguo zibenzhuyi mengya wenti taolunji*, 295–337.
- 33 Wu Han 吳晗, “Mingchu shehui shengchanli de fazhan 明初社會生產力的發展 [The Development of Social Productivity in Early Ming]”, in *Zhongguo zibenzhuyi mengya wenti taolunji*, 126–159.
- 34 Jian Bozan 翦伯贊, “Lun shiba shiji shangbanqi Zhongguo shehui jingji de xingzhi—Jian lun *Honglouloumeng* zhong suo fanying de shehui jingji qingkuang 論十八世紀上半期中國社會經濟的性質—簡論《紅樓夢》中所反映的社會經濟情況 [On the Nature of Chinese Society in the First Half of the Eighteenth Century—A Brief Study of the Socio-economic Situation as reflected by the Novel *A Dream of the Red Chamber*]”, in *Zhongguo zibenzhuyi mengya wenti taolunji*, 338–400, especially 362–363.

Zhiqin, and Chen Zhanruo shared Jian's view. Shang Yue even argued that the Ming dynasty's last five decades experienced qualitative transformation into capitalism, only to be sabotaged by the "backward" rule of the Qing dynasty.<sup>35</sup>

The other camp was more cautious. Wang Zhongluo saw the Ming Jiangnan textile industry as paralyzed by the government's exploitation.<sup>36</sup> Liu Danian thought that Ming-Qing China was far from the brink of capitalistic transformation, limited as it was by the "feudal" state and, by the nineteenth century, reduced to poverty by the invasion of Western imperialism.<sup>37</sup> Wu Dakun criticized his colleagues for overestimating the development of "sprouts" of capitalism by confusing a "feudalistic" commodity production with a "capitalistic" one.<sup>38</sup> Li Shu also felt that the history of the Ming dynasty risked being "modernized" when historians labeled feudalistic phenomena in capitalistic terms.<sup>39</sup>

With these debates, major intellectual breakthroughs in the study of Ming-Qing socio-economic history were quietly accomplished in the socialist China of the 1950s and 1960s. Fu Yiling and Deng Tuo pioneered the use of non-government archives in historical research. Analyzing land deeds and genealogies from Fujian and Huizhou, Fu Yiling studied the role of merchants in mobilizing capital for trade and industry.<sup>40</sup> As mentioned above, relying on

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- 35 Shang Yue 尚鉞, *Zhongguo zibenzhuyi guanxi fasheng ji yanbian de chubu yanjiu* 中國資本主義關係發生及演變的初步研究 [A Preliminary Study of the Formation and Transformation of Capitalism in China] (Beijing: Sanlian shudian, 1956).
  - 36 Wang Zhongluo 王仲孳, "Mingdai su song jia hu si fu de zue he jiangnan fangzhiye 明代蘇松嘉湖四府租額和江南紡織業 [The Rents of the Four Prefectures of Suzhou, Songjiang, Jiading and Huzhou in the Ming Dynasty and the Textile Industry of Jiangnan]", in *Zhongguo zibenzhuyi mengya wenti taolunji*, 1–19.
  - 37 Liu Danian 劉大年, "Guanyu Shang Yue tongzhi wei *Ming Qing shehui jingji xingtai de yanjiu* yi shu suo xie de xuyan 關於尚鉞同志為《明清社會經濟形態的研究》一書所寫的序言 [On Comrade Shang Yue's preface to *A Study of the Socio-economic Situation of Ming-Qing China*]", in *Zhongguo zibenzhuyi mengya wenti taolunji xubian*, 306–330.
  - 38 Wu Dakun 吳大琨, "Guanyu 'Luelun hongloumeng shehui beijing' ji qita—Da Chen Zhanruo xiansheng 關於〈略論紅樓夢社會背景〉及其他—答陳湛若先生 [On the paper "A Brief Discussion on the Social Background of the Novel *A Dream of the Red Chamber*" and others—A Reply to Mr Chen Zhanruo]", in *Zhongguo zibenzhuyi mengya wenti taolunji*, 734–741.
  - 39 Li Shu 黎澍, "Guanyu Zhongguo zibenzhuyi mengya wenti de kaocha 關於中國資本主義萌芽問題的考察 [An Examination of the Problem of the Sprouts of Capitalism in China]", in *Zhongguo zibenzhuyi mengya wenti taolunji*, 742–780, especially 742–743.
  - 40 Fu Yiling 傅衣凌, *Ming Qing shidai shangren ji shangye ziben* 明清時代商人及商業資本 [Merchants and Commercial Capital in Ming-Qing Era] (1956; Beijing: Renmin chubanshe, 1980); *Mingdai Jiangnan shimin jingji shitan* 明清江南市民經濟試探 [A Preliminary Study of Urban Economy in Ming-Qing Jiangnan] (Shanghai: Shanghai

contracts and land deeds from the Mentougou coal mines near Beijing, Deng Tuo studied the system of buying and selling shares in the Ming coal mining industry.<sup>41</sup> Peng Zeyi's collection of archives of Qing handicraft industry and commercial guilds is an important contribution to the study of business and commerce in late imperial China.<sup>42</sup> Peng Xinwei compiled a substantial history of Chinese currencies through the ages.<sup>43</sup> Wu Chengming arrived at the first quantified estimates of the size of the Chinese market.<sup>44</sup>

Outside of the "sprouts" paradigm, Quan Hansheng in Hong Kong documented the influx of silver from the sixteenth to the eighteenth centuries.<sup>45</sup> Moreover, before Quan published his findings, Liang Fangzhong, of the Academia Sinica in the 1940s and writing from Guangzhou in the 1950s, had noticed that payment in silver had radically changed the Ming taxation system

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renmin chubanshe, 1957); *Ming Qing nongcun shehui jingji* 明清農村社會經濟 [Rural Society and Economy in Ming-Qing China] (1961; Beijing: Sanlian shudian, 1980).

- 41 Deng, "Cong Wanli dao Qianlong", 133–182. Also see Tang, Li, and Zhang's comments, "Dui Deng Tuo tongzhi 'Cong Wanli dao Qianlong' yi wen de shangque he buchong", 183–217.
- 42 Peng Zeyi 彭澤益, *Zhongguo jindai shougongye shi ziliao (1840–1949)* 中國近代手工業史資料 [Historical Sources on Handicraft Industries of Modern China (1840–1949)], 4 vols. (Beijing: Zhonghua shuju, 1962); *Zhongguo gongshang hanghui shiliaoji* 中國工商行會史料集 [Historical Sources on Industrial and Commercial Guilds of China], 2 vols. (Beijing: Zhonghua shuju, 1995).
- 43 Peng Xinwei 彭信威, *Zhongguo huobi shi* 中國貨幣史 [A Monetary History of China] (Shanghai: Shanghai renmin chubanshe, 1988). The book has been translated into English by Edward H. Kaplan as *A Monetary History of China* (Bellingham, WA: Western Washington, 1994).
- 44 Wu Chengming 吳承明, *Zhongguo zibenzhuyi yu guonei shichang* 中國資本主義與國內市場 [Capitalism and Domestic Market of China] (Beijing: Zhongguo shehui kexue chubanshe, 1985). For his more recent work, see Wu, *Zhongguo de xiandaihua: Shichang yu shehui* 中國的現代化：市場與社會 [The Modernization of China: Market and Society] (Beijing: Sanlian shudian, 2001).
- 45 Quan Hansheng 全漢昇, "Meizhou baiyin yu shiba shiji Zhongguo wujia geming de guanxi 美洲白銀與十八世紀中國物價革命的關係 [American Silver and the Price Revolution of Eighteenth-century China]" (1957) and "Mingqing jian Meizhou baiyin de shuru Zhongguo 明清間美洲白銀的輸入中國 [The Influx of American Silver During the Ming-Qing Era]" (1969), both in his *Zhongguo jingjishi luncong* 中國經濟史論叢 [Collected Papers on Chinese Economic History] (Hong Kong: New Asia Institute of Advanced Chinese Studies, 1972), 475–508 and 435–450, respectively. Also see Quan Hansheng and Li Longhua 李龍華, "Ming zhong ye hou taicang sui ru yanliang de yanjiu 明中葉後太倉歲入銀兩的研究 [A Study of the Annual Silver Revenue of the Ministry of Revenue]", *Xianggang Zhongwen daxue Zhongguo wenhua yanjiusuo xuebao*, vol. 5, no. 1 (1972), 123–157.

by the sixteenth century.<sup>46</sup> Neither Quan nor Liang linked the Chinese context to the workings of a global economy, but their studies would have accorded very well with Andre Gunder Frank's argument about the global movement of silver.

In rejecting conventional wisdom about the "inevitable" rise of the west, the California School also rejects the pessimism of the "sprouts of capitalism" studies, which were largely influenced by Karl Marx's theory about the "Asiatic mode of production" and exaggerated Asia's political despotism. The California School invokes Smithian classical economics to arrive at a new appraisal of economic development in late imperial China. The California School also disputes the Malthusian narrative underlying Philip C. C. Huang's "involution" hypothesis and Mark Elvin's idea of a "high-level equilibrium trap". Both Huang and Elvin argued that demographic pressure in eighteenth-century Jiangnan reached a point where the advantages of technological innovation had been eliminated, and that diminishing marginal productivity in agriculture had set in.<sup>47</sup> The California School objects, arguing that but for accidents and luck (coal and colonies), Europe also would have failed to overcome its Malthusian population constraint. Still, the theoretical foci begin and end with agricultural production and productivity; and there begins and ends the socio-economic history of late imperial China. What about capital and capital markets? On these questions, both the "sprouts of capitalism" and the California School offer little analysis.

Such omissions are not without reason. Referring to Europe, M. M. Postan warns against regarding the use of money and credit as an indicator of progress. To him, a medieval merchant's

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46 See Liang Fangzhong 梁方仲, "Yitiaobian fa 一條鞭法 [On the "Single-Ship Reform"]" (1936), "Mingdai yinkuang kao 明代銀礦考 [A Study of Silver Mines in the Ming Dynasty]" (1939), and "Mingdai guoji maoyi yu yin de shuchuru 明代國際貿易與銀的輸出入 [The Foreign Trade of the Ming Dynasty and the Export and Import of Silver]" (1939) in his *Liang Fangzhong jingjishi lunwenji* 梁方仲經濟史論文集 [Collected Papers on Economic History by Liang Fangzhong] (Beijing: Zhonghua shuju, 1989), 34–89, 90–131, 132–179.

47 Philip C. C. Huang, *The Peasant Family and Rural Development in the Yangzi Delta, 1350–1988* (Stanford: Stanford University Press, 1990). Also see his review article on Pomeranz, "Development or Involution in Eighteenth-century Britain and China", *Journal of Asian Studies*, vol. 61, no. 2 (May 2002), 501–538. See also Mark Elvin, *The Pattern of the Chinese Past* (Stanford: Stanford University Press, 1973) and his "China as a Counterfactual", in Jean Baechler et al., eds., *Europe and the Rise of Capitalism* (Oxford: Blackwell, 1988), 101–112.

choice between purchase on credit or for ready money was not determined by any “medieval” dislike or ignorance of credit, . . . but by a very obvious economic factor which is as little medieval as it is modern. This factor was the amount of available capital.<sup>48</sup>

In the case of the European Industrial Revolution, it has been generally agreed that substantial capital investment was not essential until the later phase, with the rise of railroads and chemical industries. Albert Feuerwerker, for instance, remarks that it was not until the nineteenth century that Europe’s capital market succeeded in channeling investment into industrial enterprise.<sup>49</sup> Even so, given David Ricardo’s identification of land, labor and capital as the three crucial elements in any economy, a study of credit, financial systems, and capital accumulation is well justified. The Ming salt certificate deserves a chapter in the big book of the socio-economic history of late imperial China.

### Salt Administration and Beyond

The story of the Ming salt certificate is incomplete without an account of salt merchants and the institution within which they operated. However, relating economic growth with institutional change and human agency is easier said than done. In the broader field of commerce, Chinese historians have written a great deal more about changes in taxation than in business methods. Although the “sprouts” of capitalism studies accorded merchants a vital role, their presence was noted more as a fact than as a factor in bringing about institutional change.

One good reason for the obscure role of merchants in the study of Chinese socio-economic history has to do with sources. Most of what is known of economic institutions was recorded in official archives, such as the official histories of different regional monopolies, laws, and regulations; officials’ memorials; or imperial decrees. These documents said more about government policies and decision-making than about merchants and the market, and allowed historians to re-fight policy battles but not to retrace the steps by which merchants made commercial decisions. A case in point is the salt administration. This subject

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48 Michael Moissey Postan, “Credit in Medieval Trade”, *The Economic History Review*, vol. 1, no. 2 (Jan., 1928), 257.

49 Albert Feuerwerker, “The State and the Economy in Late Imperial China”, *Theory and Society*, vol. 13, no. 3 (May 1984), 297–326, especially 318.

has been researched extensively in institutional history terms, yet remains on the sideline of any discussion of the Ming and Qing economy.

Japanese scholars pioneered the study of the Ming salt administration in the 1940s. Nakayama Hachirō showed how the Ming government's ban against officials' involvement in the salt monopoly was broken by the officials themselves.<sup>50</sup> Nakayama also studied how the government permitted merchants to purchase "surplus salt" directly.<sup>51</sup> However, he never related these interesting changes to changes in the economy. Another prominent historian, Fujii Hiroshi, noted the importance of a crucial episode in the Ming salt administrative reforms, namely, Ye Qi's decision to sell salt certificates for silver in 1492, and traced the consequent transformation of the salt monopoly into the syndicate system.<sup>52</sup> However, by devoting much of his effort to argue that Ye Qi's reform did not happen, he missed the bigger and more important theme: starting from the mid-fifteenth century, the Ming government indeed became more and more used to collecting tax in silver.

After the Japanese historians of the 1940s, the most important research on the salt administration was published by Hsu Hong, a Chinese historian in Taiwan. Hsu Hong's meticulous research detailed almost every aspect of salt administration: the administrative structures of salt production, transportation and sale; the government's anti-contraband effort; and the establishment of the syndicate system in 1617.<sup>53</sup> Also, Lee Long-wah, a student of Quan

50 Nakayama Hachirō 中山八郎, "Kaichūhō to yanwa 開中法と占窩 [The Grain-Salt Exchange and the Practice of 'yanwa']", in Katō Shigeshi 加藤繁, ed., *Ikeuchi hakushi kanreki kinen Tōyōshi ronsō* 池内博士還暦記念東洋史論説 (Tokyo: Zayūhō Kankōkai, 1940), 579–596; "Min-dai ni okeru yoen shikau no kiken 明代における餘鹽私賣の起原 [The Origin of the Private Sale of Surplus Salt in the Ming Dynasty]", in Katou Hakushi Kanreki Kinen Ronbunshū Kankōkai, ed., *Katō hakushi kanreki kinen Tōyōshi shūsetsu* 加藤博士還暦記念東洋史集説 (Tokyo: Fuzanbou, 1941), 509–524.

51 In theory merchants were not supposed to purchase salt from the salt yards. But salt producers were allowed to harvest salt in excess of the official quota. It did not take long for them to sell the "surplus salt" to merchants, resulting in significant changes in the salt trade. The problem of "surplus salt" will be thoroughly explored in Chapter Two.

52 Fujii Hiroshi 藤井宏, "Mindai enshō no ichi kōsatsu 明代鹽商の一考察 [A Study of the Salt Merchants of the Ming Dynasty]", *Shigaku zasshi* 史學雜誌, vol. 54, no. 5 (1943), 506–554; vol. 54, no. 6 (1943), 627–666; vol. 54, no. 7 (1943), 693–735.

53 Hsu Hong 徐泓, "Mingdai qianqi de shiyan yunxiao zhidu, 明代前期的食鹽運銷制度 [The Transport and Sale of Salt in Early Ming]", *Guoli Taiwan daxue wenshizhe xuebao* 國立臺灣大學文史哲學報, vol. 23 (1974), 221–266; "Mingdai qianqi de shiyan shengchan zuzhi 明代前期的食鹽生產組織 [Salt Production in Early Ming]", *Guoli Taiwan daxue wenshizhe xuebao*, vol. 24 (1975), 161–193; "Mingdai zhongqi shiyan yunxiao zhidu de bianqian 明代中後期食鹽運銷制度的變遷 [The Transformation of the Transport and Sale



Hansheng, provided a detailed study of how the grain-salt exchange, which was essentially a kind of barter, gradually incorporated silver.<sup>54</sup> In his examination of Ming finance and taxation, Ray Huang devoted a whole chapter to the Ming salt monopoly.<sup>55</sup> This was, so far, the only systematic study of the Ming salt administration in English.<sup>56</sup> To Huang, “it was perhaps in its management of the salt monopoly that the Ming government demonstrated most clearly its ineptitude in business administration.”<sup>57</sup> He related this ineffectiveness to the Ming founder’s anti-commercial mentality. The above studies have made strong efforts to understand the laws and regulations governing salt administration, but have not as much to say about salt merchants.

While Susan Mann’s work on Chinese merchants offered important insights into the institutional context within which merchants interacted with the

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- of Salt in Mid- and Late Ming], *Guoli Taiwan daxue lishi xuesi xuebao*, vol. 2 (1975), 139–164; “Mingdai houqi yanye shengchan zuzhi he shengchan xingtai de bianqian 明代後期鹽業生產組織和生產形態的變遷 [The Transformation of the Organization and Nature of Salt Production in Late Ming], *Shen Gangbo xiansheng bazhi rongqing lunwen ji* 沈剛伯先生八秩榮慶論文集 [Collected Papers in Celebration of the Eightieth Birthday of Professor Shen Gangbo] (Taipei: Lianjing chuban gongsi, 1976), 389–432; “Mingdai houqi de yanzheng gaige yu shangzhuanmai zhidu de jianli 明代後期的鹽政改革與商專賣制度的建立 [The Reform of Salt Administration and the Establishment of Salt Franchise in Late Ming], *Guoli Taiwan daxue lishi xuesi xuebao*, vol. 4 (1976), 299–311; “Mingdai de siyan 明代的私鹽 [Contraband Salt in the Ming Dynasty], *Guoli Taiwan daxue lishi xuesi xuebao*, vol. 7 (1980), 231–266; “Mingdai de yanwu xingzheng jigou 明代的鹽務行政機構 [The Structure of Salt Administration of the Ming Dynasty], *Guoli Taiwan daxue lishi xuesi xuebao*, vol. 15 (1990), 197–206.
- 54 Lee Long-wah 李龍華, “Mingdai de kaizhongfa 明代的開中法 [The Grain-Salt Exchange System of the Ming Dynasty], *Zhongguo wenhua yanjiusuo xuebao*, vol. 4, no. 2 (1971), 371–470. See also Xue Zongzheng 薛宗正, “Mingdai yanshang de lishi yanbian 明代鹽商的歷史演變 [The History of Salt Merchants of the Ming Dynasty], *Zhongguo shi yanjiu*, no. 2 (1980), pp. 27–37; Zheng Limin 鄭力民, “Huishang yu kaizhongfa 徽商與開中法 [Huizhou Merchants and the Grain-Salt Exchange], *Jianghuai luntan*, no. 2 (1982), pp. 10–14; Liu Miao 劉淼, *Mingdai yanye jingji yanjiu* 明代鹽業經濟研究 [A Study of the Salt and Economy in the Ming Dynasty] (Shantou: Shantou daxue chubanshe, 1996).
- 55 Ray Huang, *Taxation and Governmental Finance in Sixteenth-century Ming China* (Cambridge: Cambridge University Press, 1974), 189–224.
- 56 Thomas Metzger also provided a valuable study of the establishment of the syndicate system in 1617. However, his focus was on the Qing Lianghuai Salt Administration, not the Ming one. See Metzger, “The Organizational Capabilities of the Ch’ing State in the Field of Commerce: The Liang-huai Salt Monopoly, 1740–1840”, in W. E. Willmott ed., *Economic Organization in Chinese Society* (rpt. Taipei: SMC Publishing Inc, 1994), 21–24.
- 57 Huang, *Taxation and Governmental Finance*, 189.

government,<sup>58</sup> unfortunately for this thesis, neither the salt trade nor salt merchants were her foci. Madeleine Zelin's recent study of salt merchants of Sichuan was a welcome breakthrough in the study of the Chinese salt trade,<sup>59</sup> but her study was restricted to Sichuan in the Qing dynasty, which was markedly different from Lianghuai in geographical location, historical timing and institutional setting.

When merchant groups engaged in the salt trade are finally located and brought into the scene, research interest often shifts from business and economic development to another theme: the close relationship between wealthy merchants, their literati status, and their sponsorship of the arts. Again, the sources are partly to blame. The research on merchants relies on local gazetteers, family genealogies, and private writings, in all of which the intention to glorify family achievements dominates. These documents provide ample records of Ming-Qing salt merchants patronizing artists and literary figures, using their wealth to cultivate friendships with the social and political elite, and building or strengthening their own lineages, but they hardly ever describe the intricacies of business practices. It is to the credit of the Japanese historians that, using such sources, they demonstrated the importance of political networks in business. Terada Takanobu, one of the pioneers in this line of research, linked the success of Shanxi salt merchants not only to their geographical advantage in the salt trade, but also to the fact that many of their descendants became prominent officials.<sup>60</sup> Fujii Hiroshi, relying heavily on the biographies of nearly 60 salt merchants from Huizhou, pushed the argument to its limit by identifying the seven ways these merchants raised capital: through partnership, through agency, through marriage, through sponsorship, through inheritance, through official connections, and through self-financing. The salt merchants actively sought official patronage either by providing education for their own relatives and descendants so they could pass imperial civil examinations and become officials themselves; by purchasing official titles; or by marrying their daughters to officials. There are glimpses into merchant operations, and there are valuable insights, but these studies did not

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58 Susan Mann, *Local Merchants and the Chinese Bureaucracy, 1750–1950* (Stanford: Stanford University Press, 1987).

59 Madeleine Zelin, *Merchants of Zigong: Industrial Entrepreneurship in Early Modern China* (New York: Columbia University Press, 2005).

60 Terada Takanobu 寺田隆信, *Sansei shōnin no kenkyū: Min-dai ni okeru shōnin oyobi shōgyō shihon* 山西商人の研究：明代における商人及び商業資本 [A Study of the Shanxi Merchants: Merchants and Commercial Capital in the Ming Dynasty] (Kyoto: Tōyōshi Kenkyūkai, 1972).



demonstrate how salt merchants' business practices evolved along with the broader changes in economy.

Even Ho Ping-ti, who saw the Yangzhou salt merchants as a case of Chinese "commercial capitalism in its most indigenous form", had more to say about salt merchants' conspicuous consumption than any impact they might have made on the economy. The "vulgar and untutored of the salt merchants squandered their wealth in the most perverted manner."<sup>61</sup> The "cultured and refined" salt merchants used their wealth to patronize scholars and poets and within two or three generations completed the "social metamorphosis" from salt merchants into men of letters or officials. The Chinese clan system or lineage, with its absence of primogeniture and general moral obligation to look after poor kinsmen, made it impossible for salt merchants to accumulate or concentrate their wealth for long. Therefore, China "failed to produce a commercial capitalism that characterized the Europe of the seventeenth and eighteenth centuries".<sup>62</sup>

Ye Xian'en also focused on the merchants' social and cultural impact in one of the most detailed studies made of the Huizhou merchants.<sup>63</sup> Ye noted that Huizhou merchants' profit was diverted to non-capitalistic uses in Ming-Qing China in six ways: payment of taxes and "voluntary donations"; purchase of official degrees; investment in education for descendants; sponsorship of lineage and social charity; land purchases; and excessive luxury.<sup>64</sup> But while Ho Ping-ti lamented the "loss" of the salt merchants' wealth, Ye Xian'en revealed its rationale. From the Huizhou merchants' standpoint, Ye argued, a "diversion" of wealth that raised social status was also an investment, because commercial fortune and political connections reinforced each other.<sup>65</sup>

Harriet Zurndorfer's study of Huizhou did not neglect the salt trade, even though it was not her focus. She noted that the Huizhou merchants' fortunes were enhanced by Ye Qi's decision to sell salt certificates for silver in 1492, but she stopped short of further analysis.<sup>66</sup>

61 Ho Ping-ti 何炳棣, "The Salt Merchants of Yang-Chou: A Study of Commercial Capitalism in Eighteenth-century China", *Harvard Journal of Asiatic Studies*, vol. 17, no. 1/2 (June 1954), 130–168.

62 Ho, "The Salt Merchants of Yang-Chou", 154.

63 Ye Xian'en 葉顯恩, *Ming Qing Huizhou nongcun shehui yu dianpu zhi* 明清徽州農村社會與佃僕制 [Rural Society and the Bondservants System in Ming-Qing Huizhou] (Hefei: Anhui renmin chubanshe, 1983).

64 Ye, *Ming Qing Huizhou nongcun shehui yu dianpu zhi*, 130–144.

65 Ye, *Ming Qing Huizhou nongcun shehui yu dianpu zhi*, 2, 94–95.

66 Harriet Zurndorfer, *Change and Continuity in Chinese Local History: The Development of Hui-chou Prefecture, 800 to 1800* (Leiden and New York: E.J. Brill, 1989), pp. 95, 133–134. Such a view was strongly opposed by Fujii Hiroshi. He pointed out that selling salt certificates

These historians who branched off from economic history to study social life did make an important point about Chinese economic history: it was not that merchants would rather invest in land than in their business, as has been claimed, but that in their coming to terms with the state as merchants, they, too, like the scholars, depended on recognition through the examination system. As holders of examination degrees, they became the literati themselves. While that did not necessarily mean that their business achievement was compromised, it would mean that their social outlook was not cast in mercantile terms. Yet, when all is said and done, they fall short of the studies of institutional history with which European and North American historians are familiar. In these, even as social historians focus on lifestyles, business historians maintain an interest in the relationship between business and the economy. When California School historians such as R. Bin Wong, Kenneth Pomeranz, or Andre Gunder Frank look into the Chinese business historiography for documentation on how business methods affected the economy, the current research literature has little to offer. Seeing business through the eyes of the government, Chinese studies lacked the sensibility of the entrepreneur, who seeks a business opportunity not by following the letter of the law, but by skirting it or violating it outright. The history of the salt administration in the Ming and the early Qing provides examples in plenty of such practices, which were instrumental in shaping a business tradition. It is the object of this book to elucidate some of them.

### An Outline of the Book

This book is divided into two parts. The first part, Chapters One through Three, studies the emergence of the Ming salt certificate and its transformation. The second part, Chapters Four and Five, focuses on the salt merchants.<sup>67</sup>

Chapter One examines the “backlog” of salt certificates in the fifteenth century, first describing the harsh economic environment of the early Ming, and then tracing the development of salt certificate speculation. In response, as mentioned earlier, the government attempted to maintain the “normal”

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for silver began long before 1492, and even concluded that the 1492 event simply did not happen. This radical conclusion, however, is not convincing. See Fujii Hiroshi, “Mindai enshō no ichi kōsatsu (I)”, 534, 550.

67 I am inspired by Julian Dent’s approach: “this study must deal first with institutions, and then with men.” See Dent, *Crisis in Finance*, 11.

operation of the grain-salt exchange by setting redemption deadlines, after which salt certificates became worthless. In so doing, the government unwittingly ruined the credibility of salt certificates and triggered a run on salt.

Chapter Two studies the Ming government's various attempts to reform its salt monopoly prior to 1617, beginning in 1522 with a tax on salt certificates called the "surplus-salt silver". As silver became an important source and form of revenue, the salt administration had to secure it at all costs, even against the will of the emperor. To collect more tax in silver, the government was forced to issue more salt certificates regardless of its ability to have them redeemed. What followed were certificates for "cost-paid salt" and "river-salt" between the 1550s and the 1570s.

Chapter Three examines a crucial event in the history of the salt trade: the establishment of the syndicate system in 1617. It analyzes the dynamics between different groups of salt merchants and shows how powerful merchants cornered the speculative market of salt certificates. It argues that by establishing a syndicate system, the government in fact defaulted on its public debt, but with a concession to the merchant: as the government failed to honor its notes of debt (salt), it granted hereditary franchises in the salt trade to its creditors (the salt merchants). The syndicate system, however, transformed a proto-national debt market into a field for tax farming.

Having examined the structure of the salt monopoly, the study focuses on its agents: the salt merchants. Salt merchants were only one subgroup in the general category of merchant, but their interaction with the Ming government illuminates the state-merchant relation in late imperial China more broadly. Chapter Four looks at the migration of salt merchants, first from north China and then from Huizhou, to Yangzhou. Although non-entities in the early Ming household registration system, the salt merchants gradually achieved state recognition. With their capital they took control of the salt yards; later they created schools for their descendants to prepare for the imperial civil examination. As degree-holders and officials, they achieved both recognition and honor.

Chapter Five comprises two case studies of salt merchants in the Qing dynasty, when the salt monopoly was run under the syndicate system instead of the grain-salt exchange. The cases of the Huaitang Chengs in Lianghuai and of the Zhangs in Changlu demonstrate that patronage was the key to business success, but could come at a high price. Cultivation of social capital and political connections was necessary, if not the most important issue for them. In fact, salt merchants under the syndicate system operated not as financiers, but as tax farmers.

## The Early Ming

Much of what historians say about the Ming dynasty comes from sources written in or after the sixteenth century. Yet the early Ming was a period in which social and economic conditions were strange even by sixteenth century standards. To understand it, we have to overcome the bias in these source materials. The sixteenth century, being a time of prosperity, produced records in plenty. Comparatively, written sources from the fifteenth century are scarce. Glancing through these sparse records, we see a very different world.

Sixteenth-century China was vibrant with trade and growth. Rice, cotton, silk, and ironware were traded over long distances and in large quantities, and towns and cities were thriving. In 1567, after decades of bloody military campaigns against Japanese pirates [*wakō*], the ban on maritime trade was formally lifted. But the influx of foreign silver was the most important factor to distinguish the sixteenth century from the fifteenth.<sup>1</sup> Foreign silver provided not only a trustworthy means of transaction, but also a standardized means of calculation and taxation, hence the “Single Whip” reform by which the government quantified and standardized taxes and labor services. Merchants, often in a humble position in the early Ming, now stunned the empire with their wealth.

Historians of Ming China have long looked upon these drastic social and economic changes in the sixteenth century as evidence of the breakdown of the early Ming pattern of social control. The early Ming was indeed a very different time. The late-Yuan hyper-inflation and the war and chaos during the Yuan-Ming transition dealt a heavy blow to trade and economy. Formally launched in 1375, less than a decade after the establishment of the Ming dynasty, the grain-salt exchange was meant to be a form of barter. It was introduced at a time when specie was scarce and taxes were collected almost entirely in kind or in labor. But the scarcity of silver is not enough to explain the early Ming government’s “backward” approach to economic management. As Richard von Glahn observed, founding emperor Zhu Yuanzhang regarded currency matters as political rather than economic. Zhu believed that as emperor, he and not the market should dictate the exchange rate of money, whether copper cash

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1 Richard von Glahn, *Fountain of Fortune: Money and Monetary Policy in China, 1000–1700* (rpt. Taipei: SMC Publishing, 1997), 113–141.

or paper currency [*baochao*].<sup>2</sup> Danjō Hiroshi pointed out that Zhu Yuanzhang was also deeply hostile to landlords and other elite groups in Jiangnan, who had supported Zhang Shicheng, Zhu's strongest rival. Zhu's hostility did not abate with his enthronement. Instead, Zhu was eager to tighten his hold over the prosperous Jiangnan. One of his strategies was to defeat the "society-oriented" silver with his "state-oriented" paper currency.<sup>3</sup>

Fundamental to the early Ming government was household registration [*lijia*]. First imposed in 1371,<sup>4</sup> household registration was extended over many areas from the mid-fourteenth to the mid-fifteenth century. Under the *lijia* system, households were registered under strictly defined hereditary occupations as soldiers, commoners, or artisans, and grouped within territorial units known as *li* and *jia*, which were also units of taxation and corvée service. The status of a household determined the kind of tax or labor service it was supposed to render to the government. Households registered in the *lijia* system were, by law, tied to a geographic locality and set within a hereditary status from which there was no legal escape. People born into one occupation could neither change it nor relocate, at least in theory.

Taxation based on the *lijia* system was characterized by extensive and diverse payment in kind and the performance of various labor services. A soldier's household provided an adult male to serve in the military, a commoner's household provided the manpower needed in local government offices, and an artisan household provided artisans, some of whom went to the capital to work in the imperial palace. A salt-producing household would fulfill its labor obligation by delivering an annual quota of salt, in return for a certain amount of grain. The lack of a common accounting unit for the many items in kind that had to be paid and the many types of labor services made a centralized budget impossible; Ming government finance was characterized by the earmarking of particular incomes against particular expenditures. In an

2 von Glahn, *Fountain of Fortune*, 70, 73.

3 Danjō Hiroshi 檀上寛, "Shoki Min ōchō no tsūka seisaku (1980) 初期明王朝の通貨政策 [Monetary Policy of the Early Ming Dynasty]", rpt. in *Minchō sensei shihai no shiteki kōzō* 明朝専制支配の史的構造 [The Historical Formation of the Political Domination of the Ming Dynasty] (Tokyo: Kyūko Shoin, 1995), 115–150, especially 131, 133–134.

4 Ideally, a household registration card [*hutie*] was provided for every household. The cards contained information about the hometown, name, property, and age of every member of the household, and were bound into a stub-book. The Ministry of Revenue kept the stub, and the household kept the card. The stub and the card were cross-checked and updated regularly. See Wei Qingyuan 韋慶遠, *Mingdai huangce zhidu* 明代黃冊制度 [The Household Registration System of the Ming Dynasty] (Beijing: Zhonghua shuju, 1961), pp. 17–18. Also see DMHD, 19:19a–b, 850.

extreme case, 5,000 soldiers in a military base in Yingtian prefecture on the outskirts of the capital, Nanjing, were given their rations and wages, not by their paymasters, but by 5,000 tax-paying households. Each of the 5,000 households not only had to pay their tax in kind, but had to deliver it to its recipient.<sup>5</sup>

It seems likely that taxation in kind and the imposition of labor services were necessitated by the shortage of currency. In the Southern Song (1127–1279), the common medium of exchange was copper cash, but that had become quite rare by the early Ming. In 1375 the Ming government issued paper notes, known as *baochao*, which were disbursed as salary to government personnel and accepted for tax payments in the few taxation areas that took a money payment. But *baochao* was a fiat money; it was not changeable and was backed by nothing but the government's authority. Predictably, *baochao* failed to gain widespread support and depreciated rapidly from the time it was issued.

In an economy without a feasible currency, the salt certificate [*yanyin*] introduced into the exchange between grain and salt stood out as a very strange item. Salt was traded as a government monopoly, and merchants had to acquire the salt certificate to participate in the trade. The salt certificate was a bill, backed by the value of salt, that circulated across hundreds of kilometers, first among relatives, then among strangers. In later chapters I shall explain its significance in the development of a financial system, but to understand the salt certificate it is necessary to see that the *yanyin* served not only as a license to trade in salt, but also as a permit to travel from one place to another.

### The Grain-Salt Exchange

The Ming government was very determined, at least in its rhetoric, to maintain control over salt production, and it did this by creating a special category of household registration: the saltern households. However, Ming officials seemed to take for granted that the shipment of salt was not strictly a matter for the government. Probably the heavy cost of transportation was the reason why the government delegated the shipment of salt to merchants.

Since the government had a monopoly on the salt trade, a salt merchant traveling without a salt certificate or license [*yin*] was assumed to be a smuggler. But acquiring the certificate to trade in salt was a lengthy and arduous process. First merchants had to respond to the call to deliver grain to designated areas, usually frontier army posts. In return for the grain delivery they

5 Ray Huang, *Taxation and Governmental Finance in Sixteenth-century Ming China* (Cambridge: Cambridge University Press, 1974), 45; *MSL Taizu*, 190:5a, 2871; 200:3b–4a, 2998–2999.

received granary receipts. They then travelled to the salt distribution commission to turn in their receipts. To prevent inequities among salt merchants, officials waited until all of the granary receipts had come in, before sending them to the Ministry of Revenue, where the exact number of salt licenses needed at that time would be printed. The salt licenses then went back to the distribution offices, where the holder's name was added to the license. At this point the salt certificate holder could go to a particular salt field, show his certificate, and receive his salt. He shipped the salt, with the certificate, to a check-in station, where the salt was impounded to await official inspection and weighing. The merchant might endure another delay here, since a certain number of sacks had to be amassed before the inspection procedure began. Once his salt had been inspected and weighed and repacked, the merchant could ship the salt to a designated port, and sell it in a designated province. Under this "grain-salt exchange system" [*kaizhongfa*] which was inaugurated in 1371, salt merchants were likely to deliver grain to northwestern border areas such as Shanxi province, to draw salt from eastern coastal areas such as Jiangsu province, and to sell salt in central areas such as Huguang province (present-day Hunan and Hubei). The salt business was a long-distance trade involving heavy costs, a long investment cycle, and strict bureaucratic supervision.

The word for salt certificate, *yin*, referred to both the unit weight of salt and the license to sell salt.<sup>6</sup> As Ray Huang noted: "A license of one *yin* authorized the holder to transport 1 *yin* of salt".<sup>7</sup> Studies abound on the origin and development of the salt certificate system from the Northern Song to the Yuan dynasty.<sup>8</sup> We now know that during the Yuan and especially the Ming dynasty, the term *yin* took on a third meaning: a road or travel permit. The fact that the salt certificate could double as a road permit, as this chapter will show, is one reason why salt certificates were so valued during the Ming.

6 In the early Ming, one *yin* of salt equaled 400 *catties* (200 kg). But the unit weight varied from region to region, and also at different time periods.

7 Huang, *Taxation and Governmental Finance*, p. 193.

8 Dai Yixuan 戴裔煊, *Songdai chaoyan zhidu yanjiu* 宋代鈔鹽制度研究 [A Study of the Salt Certificate System of the Song Dynasty] (1957; Taipei: Huashi chubanshe, 1982). Liu Juan 劉雋, "Zhuanlun: Song Yuan guanzhuanmai yinfa de chuanglei yu wancheng 專論: 宋元官專賣引法的創立與完成 [On the establishment and the accomplishment of the Salt Certificate System in Song-Yuan Era]", *Zhongguo shehui jingjishi jikan*, vol. 6, no. 2 (Dec. 1939), pp. 217–266.



### Travel Under the *lijia*: *Yin* as Road Permit

The idea of the travel or road permit has to be understood in the context of household registration or *lijia*, and its attempt to keep people locked into one profession and one place. Various dynasties had attempted to restrict freedom of movement in China. The Tang Code, compiled in 653, required travelers to present travel documents at checkpoints. These documents were variously named: *gongwen* (for people on an official mission), *fuquan* (for envoys), *didie* (for official messengers), *zongli* (for soldiers), and *guosuo* (for all other travelers); but as yet there was no *yin*.<sup>9</sup>

These terms were duplicated verbatim in the Song Code of 963.<sup>10</sup> In addition, many new regulations came into being as imperial decrees. A glimpse at the penal code in the voluminous *Collected Regulations of the Song*, the *Song huiyao jigao*, shows that, beginning in the Southern Song, the term *yin* could refer to a travel document, apart from its meaning as a salt or tea certificate. For example, a decree in 1131 banned boatmen from carrying soldiers who did not have the travel permits known as *quan* or *yin*.<sup>11</sup> An 1135 decree about travel permits stated that people entering the frontier areas of Sichuan or Shaanxi had to apply for an official license [*gongping*], and called for strict enforcement in view of military threats from the Jurchens.<sup>12</sup> But travel documents in the Song were required only of certain groups of people traveling in frontier areas, not for all long-distance travel.

The earliest reference to *yin* as a general travel document appeared in 1264, in a decree stipulating that, before embarking on a journey, travelers should report to their local county administration offices for an official license called a *gongyin*. Innkeepers were to verify these travel passes and make a record of their customers' visits.<sup>13</sup> This law was later incorporated into the Ming Code.

Promulgated in 1371, the Ming Code stipulated that people who traveled a hundred *li* (50 km) or more from their hometowns needed travel permits.

9 Liu Junwen 劉俊文, *Tanglü shuyi jianjie* 唐律疏義箋解 [Annotation of the Tang Law] (Beijing: Zhonghua shuju, 1996), 640–641. For a detailed study of the *guosuo*, see Niida Noboru 仁井田陞, *Tō Sō hōritsu bunsho no ken'yū* 唐宋法律文書の研究 [A study on the Legal Texts of Tang and Song Dynasties] (1934; rpt. Tokyo: Daian, 1967), 843–856.

10 Dou Yi 竇儀 et al., eds., *Song xing tong* 宋刑統 [A Compendium of the Law of the Song Dynasty] (Beijing: Zhonghua shuju, 1984), 136.

11 Xu Song 徐松, ed., *Song huiyao jigao* 宋會要輯稿 [Collected Drafts of the Compendium of the Song Dynasty] (Beijing: Zhonghua shuju, 1957), 6533a.

12 Xu ed., *Song huiyao jigao*, 6532b.

13 *Yuan dianzhang* 元典章 [A Compendium of the Yuan Dynasty] (rpt. Beijing: Zhongguo guangbo dianshi chubanshe, 1998), 51:1b–2a, 1852–1853.



Known as *luyin*, the travel permit bore the holder's name, hometown, destination, and reason for travel. Soldiers found a hundred *li* (50 km) away from their barracks without permits were regarded as deserters; civilians a hundred *li* from their hometowns without permits were regarded as trespassers.<sup>14</sup> Punishment was 80 'strokes' [*zhang*] with a wooden stick.

As the 1371 law was by no means toothless, some unscrupulous officials made money by selling travel permits illegally. In 1380, Zhao Xingsheng, Commander of one of the Warden's Offices in the Capital [*bingma zhihuishi*] and the official in charge of road permits, was convicted of corruption for selling road permits for 3 to 5 *guan* of paper currency each, even as he claimed the printing costs from the government. "In three years he had claimed 150,000 sheets of paper from the government".<sup>15</sup> People were caught going to Nanjing with blank passes for bringing out potential deserters. In another case, some "cunning" Jiangxi people performing their labor services in Nanjing sold their travel permits for the profit, and then reported them 'lost' to the government.<sup>16</sup>

If soldiers needed passes to report to their barracks, artisans to go to a designated place to provide labor service for a project, and merchants to travel afar for business, so too did grain tax captains [*liangzhang*] who were in charge of sending grain to granaries in Nanjing and (after 1421) Beijing. Grain tax captains were people who were given the labor service of delivering grain to the government on behalf of villages under their command. Annually, on the twentieth day of the seventh (lunar) month, grain tax captains from throughout the country assembled in the capital, Nanjing, where they were given printed forms known as group certificates [*kanhe*]. On the journey to the capital, they were personally chaperoned by officials appointed by the emperor, and on the journey back, their *kanhe* would serve as their road permits.<sup>17</sup>

14 *Da Ming ling* 大明令 [The Regulations of the Great Ming], *Da Ming lü* 大明律 [The Regulations of the Great Ming], in Zhang Lu 張鹵, ed., *Huang Ming zhishu* 皇明制書 [The Policy Papers of the Imperial Ming] (1579 edition), 1:35b–36a, 14:23b–24a, rpt. *XXSK*, vol. 788: 20, 490–491.

15 Zhu Yuanzhang 朱元璋, *Yuzhi dagao xubian* 御製大誥續編 [The Second Imperial Proclamation] (1386 edition), 28b–29a, in *XXSK*, vol. 862: 282–283.

16 Zhu Yuanzhang, *Yuzhi dagao sanbian* 御製大誥三編 [The Third Imperial Proclamation] (1386 edition), 35a–35b, in *XXSK*, vol. 862: 326.

17 *DMHD*, 29:2b, pp. 557, 558. Note that the text in *DMHD* (29:3a, p. 558) does not specify to which government department the tax captain should submit their forms. It is Liang Fangzhong's opinion that the form was supposed to be submitted to the Office of Scrutiny of Revenue [*huke*], which would in turn transfer it to the Ministry of Revenue for cross-checking. See Liang Fangzhong 梁方仲, *Mingdai liangzhang zhidu* 明代糧長制度 [The

A 1483 memorial the Ministry of Revenue, trying to revive grain deliveries to the frontier, offered travel permits as well as extra salt as an incentive:

Previously [the government] invited merchants to deliver grain from Tongzhou Granary to Datong. For every *shi* [of grain] they transported, they were given 2 *yin* of salt from Lianghuai. For a long time now, no merchants have reported for delivery. Please add half a *yin* [of salt] more. It does not matter whether they are merchants, officials, commoners, etc.; *please give all of them road permits for the delivery*. . . . When merchant and commoner households deliver grain and pass the Juyong Gate and other border gates, *as long as* they have valid road permits and documents, they should be allowed to pass, and temporarily to waive registration. After the delivery is made, the old practice should be restored.<sup>18</sup> (Emphasis added.)

This memorial also reveals that, unlike the Song road permit, the Ming road permits were no longer confined to border areas, but used for all domestic travel.

In some places the road permit system remained effective even into the Qing dynasty. As late as 1786, monks from Qinghai were banned from traveling to Tibet without road permits.<sup>19</sup> Not until a constitutional reform in the early twentieth century were such regulations formally abolished.<sup>20</sup>

As well as laws and regulations, there is evidence in operas, novels, anecdotes, and private writings from the Yuan to the Qing that the road permit was a feature of daily life. In Act Seven of the Yuan opera “A Record from a Lady’s Private Chamber” [*Youguiji*], the protagonist was asked by his friend:

You have to pass checkpoints; I am afraid somebody will interrogate you. You don’t have any official license or road permit [*luyin*]. Where on this journey can you settle down?<sup>21</sup>

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Grain Captain of the Ming Dynasty] (1956, rpt. Shanghai: Shanghai renmin chubanshe, 2001), 31–32.

18 MSL Xianzong, 247:7a–b, 4188–4189.

19 Zhao Erxun 趙爾巽 et al., eds., *Qingshigao* 清史稿 [A Manuscript of the History of the Qing Dynasty] (Beijing: Zhonghua shuju, 1976), 14465.

20 Zhao et al., eds., *Qingshigao*, 4188–4189.

21 Shi Hui 施惠, *Youguiji* 幽閨記, in Wang Jisi 王季思 et al., eds., *Zhongguo shida gudian xijuji* 中國十大古典喜劇集 [The Ten Great Chinese Comic Operas] (Shanghai: Shanghai wenyi chubanshe, 1982), 275.

In the late sixteenth century, according to the *Mingshi* [*History of the Ming Dynasty*], a person from Yunnan had to apply for a road permit before embarking on a journey in search of his long-lost father.<sup>22</sup> Song Maocheng (*juren* in 1612), the famous late Ming writer from Songjiang, also recalled that, in 1577, his father planned to go to Beijing to take the imperial examination, but was barred from doing so because he had lost his *yin*.<sup>23</sup>

Even in the seventeenth century the memory of the road permit lingered. In the story “Bai Yuniang endures hardship to help her husband” [Bai Yuniang renku chengfu] from the Ming story collection *Eternal Words that Enlighten the World* [*Xingshi hengyan*], edited by Feng Menglong, a Yuan military official gave his messenger a road permit.<sup>24</sup> When the messenger decided to defect to the Song dynasty, he used the road permit to escape to Song territory.<sup>25</sup> The story was set during the Song-Yuan transition, but the author was generally believed to be a late Ming person, if not Feng Menglong himself. His contemporary readers would not have been puzzled by the importance of the road permit.

The Qing writer Hong Sheng, in his 1680 opera *Hall of Eternity* [*Changsheng dian*] extended the power of the road permit to the supernatural world. The ghost of Yang Guifei, a famous concubine of the Tang emperor Xuanzong, was given a road permit.

(Earth Deity to Yang) I now issue you a road permit [*lu Yin*]. You may wander about wherever you like within a thousand *li*.<sup>26</sup>

In short, road permits were part of daily life in the Yuan and the Ming, and the salt certificate was one variety of them. The two were not identical, as the terminology showed: a road permit was a *lu Yin*, and a salt certificate a *yanyin*. The *yanyin* entitled the bearer to pass a checkpoint with his salt. But the salt certificate was also a license for long-distance trade. Throughout the grain-salt exchange, the permit to travel accompanied the merchant, as a road permit when he was delivering grain, as a granary receipt when he journeyed

22 Zhang Tingyu 張廷玉 et al., eds., *Mingshi* 明史 [History of the Ming Dynasty] (Beijing: Zhonghua shuju, 1974), 7616–7617.

23 Song Maocheng 宋懋澄, *Jiuyueji* 九籀集 [The Collection of Nine Yue] (Beijing: Zhongguo shehui kexue chubanshe, 1984), 138.

24 Feng Menglong 馮夢龍, *Xingshi hengyan* 醒世恒言 [The Permanent Words that Awake the World] (1627 edition, rpt. Beijing: Renmin wenxue chubanshe, 1956), 388.

25 Feng, *Xingshi hengyan*, 389.

26 Hong Sheng 洪陞, *Changsheng dian* 長生殿 [The Palace of Eternal Life] (1688 edition; rpt. Beijing: Renmin wenxue chubanshe, 1980), 137.

to the salt distribution office and applied for his salt certificate, and as a salt certificate when he drew, shipped, or sold salt.

The Ming government had 11 salt consumption areas, each supplied by salt from particular salt production areas (see Map 1.1 and Table 1.1). Tao-chang Chiang's study is particularly useful for a succinct understanding of the geographical context of the Ming salt administration.<sup>27</sup> A salt certificate from a particular production area authorized the merchant to sell salt in a designated consumption area. Since the 11 salt consumption areas varied in prosperity and accessibility, the value of a salt certificate depended upon the area it supplied. Salt certificates for areas that were easy to reach, populous, and economically developed were more desirable than salt certificates for poor, sparsely populated, and remote regions.

The consumption area for salt from the southern Huai [Huainan] of Lianghuai covered the three provinces along the middle and lower Yangzi River, whereas salt from Liangzhe went to Zhejiang Province. These two salt consumption areas were the richest and most populous from the Song to the Qing. A certificate for salt from Huainan of Lianghuai or from Liangzhe was a license to trade in these profitable areas, but a certificate for salt from Fujian only allowed travel within that mountainous and impoverished province. Consequently, merchants were willing to deliver more grain for salt from Lianghuai or Liangzhe than for Fujian or Guangdong, and salt certificates for Lianghuai or Liangzhe were much more valuable than those for Guangdong or Fujian.

From 1510 on, merchants also had to carry shipping permits to transport and sell their salt.<sup>28</sup> The name of the shipment permit varied in different times and in different areas. In Liangzhe it was known as the "restriction bill" [*xian-tie*], but the most commonly used name was the "shipment schedule" [*shu-icheng*]. The historical roots of these documents could be traced back to the Yuan dynasty.<sup>29</sup> However, the salt certificate itself also served the function of road permit, as was evident in the procedure of "cutting corners" [*jiejiao*].

27 Chiang Tao-Chang 姜道章, "The Salt Industry of Ming China", *Geographical Review*, vol. 65, no. 1 (Jan. 1975), 93–106.

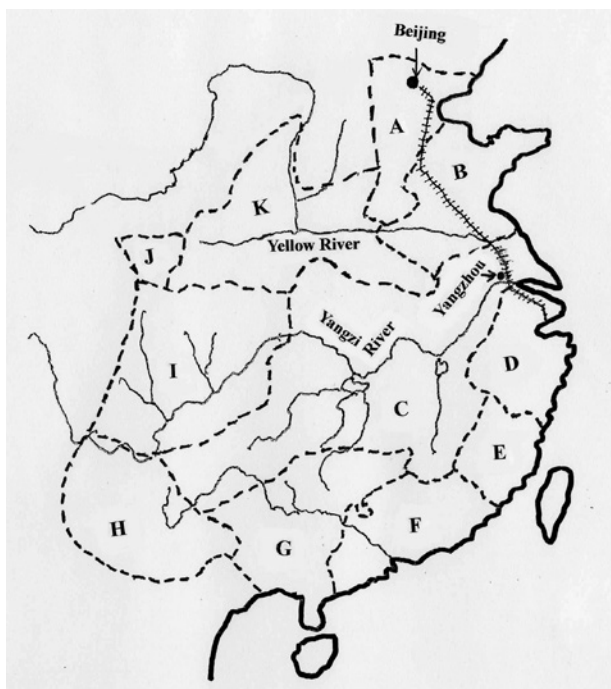
28 *DMHD*, 34:17b, p. 625.

29 The Yuan government stipulated that the shipment permit should be issued by the Salt Distribution Commission from which the merchant drew his salt. The permit contained the name of the merchant, the amount of salt he shipped, and the areas in which the salt would be sold. The merchant should carry the shipment permit and the salt certificate when shipping and selling his salt. Once he finished selling his salt, the merchant should return the permit and the salt certificate to the government before a given deadline. See Song Lian *et al.*, *Yuan shi* (Beijing: Zhonghua shuju, 1976), p. 2497. In 1318, a monk from

TABLE 1.1 *Salt production and consumption areas in the early Ming*

Salt production areas	Salt consumption areas	Contemporary location
Lianghuai SDC	(1) Southern Metropolitan Area: Yingtianfu, Ningguofu, Taipingfu, Yangzhoufu, Fengyangfu, Luzhoufu, Anqingfu, Chizhoufu, Huaianfu, Chuzhou, and Hezhou; (2) Jiangxi; (3) Huguang; (4) Henan: Henanfu, Runingfu, and Nanyangfu	Jiangsu, Anhui, Jiangxi, Hunan, Hubei, southern Henan
Liangzhe SDC	(1) Zhejiang; (2) Southern Metropolitan Area: Songjiangfu, Suzhoufu, Changzhoufu, Zhenjiangfu, Huizhoufu, and Guangdezhou; (3) Jiangxi: Guangxinfu	Zhejiang, southern Jiangsu, northeastern Jiangxi
Changlu SDC	(1) Northern Metropolitan Area; (2) Henan: Zhangdefu and Weihufu.	Hebei, northern Henan
Shandong SDC	(1) Shandong; (2) Southern Metropolitan Area: Xuzhou, Pizhou, and Suzhou; (3) Henan: Kaifengfu	Shandong; Northern Jiangsu, central Henan
Fujian SDC	Fujian	Fujian
Hedong SDC	(1) Shaanxi: Xi'anfu, Hanzhongfu, Yan'anfu, and Fengxiangfu; (2) Henan: Guidefu, Huaiqingfu, Henanfu, Runingfu, Nanyangfu, and Ruzhou; (3) Shanxi: Pingyangfu, Lu'anfu, Zezhou, Qinzhou, and Liaozhou	Eastern Shaanxi; southwestern Henan; southern Shanxi
Lingzhou SDC	Shaanxi: Gongchangfu, Lintaofu and Hezhou	Western Shaanxi
Guangdong SDC	Guangdong: Guangzhoufu, Zhaoqingfu, Huizhoufu, Shaozhoufu, Nanxiongfu, and Chaozhoufu	Northeastern Guangdong
Haibei SDC	(1) Guangdong: Leizhoufu, Gaozhoufu, Lianzhoufu, and Qiongzhoufu; (2) Huguang: Guiyangzhou and Chenzhou; (3) Guangxi: Guilinfu, Liuzhoufu, Wuzhoufu, Xunzhoufu, Qingyuanfu, Nanningfu, Pingfufu, Taipingfu, Simingfu, Zhen'anfu, Tianzhou, Longzhou, Sichengzhou, Fengyizhou, and Lizhou	Southwestern Guangdong; Hainan; southern Hunan; Guangxi
Sichuan SDC	Sichuan: Chengdufu, Xuzhoufu, Shunqingfu, Baoningfu, and Kuizhoufu	Sichuan
Yunnan SDC	Yunnan	Yunnan

SDC = Salt Distribution Commission, SDS = Salt Distribution Supervisorate, 1 *yin* = 200 cattiesSource: *Mingshi*, pp. 1931–1934



MAP 1.1 Salt production and consumption areas

Legends

+++++ Grand Canal

A: Area consuming salt from Changlu; B: Area consuming salt from Shandong; C: Area consuming salt from Lianghuai; D: Area consuming salt from Liangzhe  
E: Area consuming salt from Fujian; F: Area consuming salt from Guangdong  
G: Area consuming salt from Haibei; H: Area consuming salt from Yunnan  
I: Area consuming salt from Sichuan; J: Area consuming salt from Shaanxi  
K: Area consuming salt from Hedong

Source: Adapted from Wada Sei et al., trans., *Minshi shokkashi yakuchū* (Tokyo: Tōyō Bunko, 1957), Map II.

According to the 1545 regulations, officials were to cut the four corners of a salt certificate at different stages during the shipment and sale of salt.<sup>30</sup> The first

the Lingyinsi monastery in Hangzhou was convicted of smuggling and given 70 strokes because he had not returned 46 used salt certificates and a shipment permit to the government on time. See *Yuan dianzhang*, 22:35b, 920. Also see Liu Juan, “Zhuanlun”, 253–254.

30 Shi Qizhe and Zhang Qu 史起鰲、張渠, *Lianghuai yanfazhi* 兩淮鹽法志 [The Lianghuai Salt Gazetteer] (1551 edition), 5:7a–7b, *SKCM shi*, vol. 274: 212. Also see Hsu Hong 徐泓, “Mingdai qianqi de shiyan yunxiao zhidu 明代前期的食鹽運銷制度 [The Transport

corner was cut at the salt distribution office when merchants drew their salt. The second corner was cut after inspection at the Salt Police Station [*xunji-ansi*]. The third corner was cut when the salt had been weighed. After selling their salt, merchants were to return the salt certificate to a local government office, where the last corner was cut. In theory, then, officials could easily tell what stage of the process the salt merchant had reached by his certificate. In 1507 smugglers were caught using salt certificates that had been issued between 1457 and 1487 to provide a cover for their contraband. These certificates “are not dated, *nor are their corners cut*, [and we] do not know how many times they have been re-used”, the official complained.<sup>31</sup>

The salt certificate, therefore, functioned as a travel permit and as the essential form of identification for the merchant on the road, as well as a record of his journey. A 1521 government order stated that:

[on a salt certificate], space should be left for [records of] the place of origin, address, age, purpose, and appearance of the salt merchant, his date of arrival at the Salt Distribution Commission, date of arrival at and departure from salterns, date of having his salt weighed, the places in which he stays and sells his salt, and the deadline for submission of the certificate, *like the format of the road permit of various prefectures and counties*, and [this information] should be filled in at various points, to prevent the problem of using submitted salt certificates fraudulently.<sup>32</sup> (Emphasis added.)

By this order, the Ming government intended to prevent ‘forgers’ from re-using returned salt certificates. It therefore ordered a change of the format of the salt certificate, so that space would be left for the information about the salt merchant’s shipment and sale of salt. The new format of the salt certificate was based on that of the road permit issued by local governments. In effect, therefore, the salt certificate functioned as a road permit for the salt merchant, because he had to present the salt certificate to various government departments and checkpoints and have it filled in by various government officials. An interesting comparison can be made between the Ming *luyin* and the Qing

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and Sale of Salt in Early Ming], *Guoli Taiwan daxue wenshizhe xuebao* 國立臺灣大學文史哲學報, vol. 23 (1974), 245–247. The regulation was not dated but Qi Zongdao was mentioned. Qi was the Salt Control Censor for Lianghuai in 1545; see *MSL* Shizong, 304:4b, 5760.

31 *MSL* Wuzong, 21:3a, 599.

32 *DMHD*, 34:11a, 622.



ones, thanks to Hans Ulrich Vogel's study of salt mining in Sichuan. He shows that certificates for land and water transport were part of the salt administration in 1686.<sup>33</sup>

The value of the salt certificate certainly did not end with being a road permit. As long as it was felt that the certificate bore a value that might increase in time, the holder would be more likely to hold it than to redeem it for salt. Moreover, the longer the certificate was held, the more likely that the initial holder might be prevented by old age or death from presenting the certificate in person for salt collection. Although the rights of drawing salt as indicated by the certificate were accrued by the person to whom it was issued, a case could be made that the rights should be inherited by his descendants. As the following paragraphs will show, this argument was indeed made and has been noted by Ming historians as a major development in the breakdown of the salt monopoly.

That, however, misses the point. Once the Ming government accepted that the rights of drawing salt might be inheritable, the salt certificate could be honored even when detached from the person to whom it was issued. Therefore the salt certificate became a transferable financial instrument, even though the terms by which it could be transferred limited its transferability. When it became possible to transfer the salt certificate from one holder to another, with no change to the inscription on the certificate, the door was opened for a price to be set on it. That was the beginning of a financial innovation with considerable consequences.

### *The Early Problems of kaizhongfa*

Introduced in 1371, the grain-salt exchange system met with a varied response from merchants. Generally speaking, salt certificates for more prosperous, populated, and accessible areas were more attractive than those for remote and poor areas. Thus salt certificates for Lianghuai and Liangzhe were most valued, followed by those for Changlu. However, to obtain salt certificates, merchants had to deliver grain to border areas, and so, if granaries to which grain had to be delivered were situated in very distant areas, transportation costs would be high enough to stop merchants from participating in the exchange. Through the first four decades of the Ming dynasty, the government took the merchants' operating costs into consideration and adjusted its requirements for merchants according to their responses to the grain-salt exchange system.

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33 Hans Ulrich Vogel, *Untersuchungen über die Salzgeschichte von Sichuan (311 v. Chr.-1911): Strukturen des Monopols und der Produktion* (Stuttgart: F. Steiner, 1990), 52.



In 1378, seven years after the inauguration of the grain-salt exchange system, the Hongwu emperor, Zhu Yuanzhang, noticed that “in recent years” merchant response had been lukewarm because “the exchange rate for salt was too expensive”. He therefore lowered the exchange rate for granaries in Shaanxi.<sup>34</sup> In 1380, a memorial from Huguang petitioned for a lower exchange rate so that merchants would want to deliver grain to two needy guard posts [*wei*], each manned by 5,600 soldiers.<sup>35</sup> In the first few decades of the Ming dynasty, the government accepted that the problem with the exchange system was that the exchange rate was too high to make grain delivery profitable, and the Hongwu emperor adjusted the rate for remote areas like Shaanxi, Yunnan, and Haibei (now Hainan).<sup>36</sup>

The impression from early Ming records is that, allowing for such periodic adjustments, the grain-salt exchange system worked fairly smoothly. The Lianghuai area was particularly successful: by 1429, Guo Dun, the Nanjing Minister of Revenue, reported that in recent years, “there was not enough salt for drawing.” This is the earliest reference in the record to a backlog of salt certificates, and Guo noticed the effect on grain delivery, as “fewer and fewer merchants came [to deliver grain to Beijing].”<sup>37</sup> A backlog in salt certificates implied that many salt certificates could not be redeemed quickly, indeed, not even within the lifetime of many of the salt merchants holding them. It became a point of contention, then, as to whether or not the right to use the certificate could be inherited by the initial certificate holder’s descendants.

While Ming historians have seen this development as a major cause for the breakdown of the salt monopoly, there is another point to consider. Once the government had accepted that the right to draw salt was inheritable, the salt certificate was detached from the person to whom it had been issued. At that point the salt certificate became a transferable financial instrument, even though the terms of its transfer were limited. As soon as it became possible to transfer the salt certificate from one holder to another, the door was opened for a price to be set on it. That was the beginning of a financial innovation with considerable consequences.

Various reports from the 1430s to the 1450s confirmed that salt certificates were being inherited. As the following 1440 memorial by the Lianghuai Salt Distribution Commissioner shows, from 1404 merchants’ descendants had inherited certificates.

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34 *MSL* Taizu, 117:3b, 1912.

35 *MSL* Taizu, 129:7b, 2056.

36 *MSL* Taizu, 197:3a, 2957; 246:3b, 3572.

37 *MSL* Xuanzong, 55:4a, 1313.

Of merchants from various places who delivered grain in return for salt, there are some who have waited from the mid-Yongle period (1404–1424), with grandfathers, fathers, sons, and grandsons succeeding one after the other, but still are unable get their due. Their hardship is beyond description.<sup>38</sup>

Accepting that the salt certificate could be inherited clarified its operation as a paper instrument. As long as the alienability of commercial papers remained unclear, the Ming government saw not the market but the family as the legitimate institution within which the salt certificate could be transferred. It only permitted relatives to inherit the certificate, even though it had no way to enforce such a ruling. The anomaly built into the law immediately created the problem of “false identity” [*xumao*].

As early as 1429, the Ming government realized that people were posing as relatives of long-deceased merchants in order to draw salt. A memorial from Guo Dun, the Minister of Revenue, noted,

Of salt merchants who delivered grain in return for salt from [Liang]huai and [Liang]zhe during the mid-Hongwu period (1368–1398), some died because of old age. Their sons, nephews, distant relatives, and *even people of different surnames*, frequently petition to draw salt on their behalf. Forgery is common.<sup>39</sup> (Emphasis mine.)

It is significant that Guo noted in this memorial that the certificates had been inherited by “people of different surnames”. The “false identity” in question refers, therefore, to false claims of family connections.

In 1452, the government decreed that salt administration officials return their supply of used salt certificates to the Ministry of Revenue every three months. The order warned against “transfer by sale of used salt certificates for contraband purposes”.<sup>40</sup> This is the earliest record I have found that explicitly used the term “transfer by sale” [*zhuanmai*] to describe how salt certificates changed hands. Moreover, the mention of contraband indicated that low-ranking officials and clerks in the salt administration could (and did) profit by selling used salt certificates, which could then be used to draw salt, or as road permits for illicit salt.

38 MSL, Yingzong Zhengtong, 63:9a, 1211.

39 MSL Xuanzong, 55:4a, 1313.

40 DMHD, 34:20b–21a, 626–627.

In 1453, the government made it a criminal offense, punishable by banishment, to draw salt with a false identity.<sup>41</sup> Yet a case in 1463 showed that the government was unwilling to be heavy-handed about enforcement. A man in Chaoyi county of Shaanxi Province had repeatedly petitioned to draw salt on behalf of his father who had died in the early Yongle years. The Ministry of Revenue wanted the man punished since he had produced no record whatsoever to prove his claim. But the emperor ruled that since payment for salt was contributing to the state purse, where the payment had been made long ago and no evidence could be produced, it was sufficient that the man receive no salt, but nor was he liable to further punishment.<sup>42</sup> It seems that as long as the government felt obliged to honor the certificates it had issued, using a false identity to draw salt involved little risk.

Not all the delays in drawing salt were due to government over-issuance of certificates. As long as a certificate holder felt that his certificate bore a value that would increase over time, he would be more likely to hold onto it than to redeem it. By 1468, it was clear that some people were hoarding salt certificates, and that salt merchants themselves were selling them. An edict ruled that:

Families of officials in the capital or beyond are forbidden to hoard salt certificates. For merchants who deliver grain for salt, the number of salt certificates [they bid for] must not be too large, nor should they transfer [the certificates] by sale to others, or allow others to act on their behalf.<sup>43</sup>

Such stricter regulations notwithstanding, by 1480, the government admitted that it could not tell true “relatives and acquaintances” [*qinshi*] of deceased salt merchants from false ones.<sup>44</sup>

In 1483 the Ming government made it illegal to pawn [*huozhi*, *maizhi*], to redeem by false identity [*maoding*], or to lend [*zhuanzi*] salt certificates.<sup>45</sup> The proliferation of terms reveals the many ways by which salt certificates had indeed changed hands, even when they could not legally be sold. It is likely

41 *DMHD*, 34:20b, 626.

42 *MSL* Yingzong Tianshun, 354:2b, 7080.

43 *DMHD*, 34:21b, 627. The regulation did not specify a ceiling for the number of salt certificates for which merchants could bid. Earlier, in 1445, the court did stipulate that a merchant could not bid for more than 3,000 salt certificates. See also *DMHD*, 34:6a, 619.

44 *MSL* Xianzong, 206:1b, 3592.

45 *DMHD*, 34:22a, 627.

that by this time a black market for salt certificates existed, and that they were used to cover contraband.

Soon after he was enthroned in 1488, the Hongzhi emperor attempted to crack down on the black market in salt certificates, but he abandoned the attempt that same year: in a case where a salt merchant had died without a son, the emperor ruled that the man's direct relatives (parents, wives, grandsons, and brothers) could petition the government to draw salt with the merchant's unredeemed certificates.<sup>46</sup> In 1503 restrictions were further relaxed for relatives of deceased merchants. Instead of needing local officials to confirm the death to the salt administration office, relatives could simply report the death to the appropriate Salt Control Censor.<sup>47</sup> This was likely to make it even easier for salt certificates to be alienated from their original holders and move into the black market.

### *Paper Currency and the Salt Certificate*

The Ming government may have wished that merchants would participate in the grain-salt exchange according to its regulations, without being tempted to find ways to inflate the value of the salt certificate. But the government was tempted as well; it devised a new policy that unknowingly opened the door for significant changes in the salt monopoly. This new policy was the exchange between salt certificates and paper currency.<sup>48</sup>

Since its inauguration in 1375, Ming paper currency had been subject to serious depreciation. By 1425 it was circulating at less than 2 percent of its face value.<sup>49</sup> Officials and soldiers who received their wages in paper currency bore the brunt of the devaluation, so, on three occasions between 1404 and 1424, the government ruled that paper currency could be used to buy salt

46 *DMHD*, 34:9b, 621; *MSL* Xiaozong, 10:7b, 216.

47 *MSL* Xiaozong, 203:8a–b, 3785–3786. Also see *DMHD*, 34:10a, 621.

48 Nakayama Hachirō, “Kaichūhō to yanwa 開中法と占窩 [The Grain-Salt Exchange and the Practice of “yanwa”],” in Katō Shigeshi 加藤繁, ed., *Ikeuchi hakushi kanreki kinen Tōyōshi ronsō* 池内博士還暦記念東洋史論説 (Tokyo: Zayūhō Kankōkai, 1940), 579–596; Fujii Hiroshi, “Kaichū no igi oyobi kigen 開中の意義及び起原 [The Significance and Origin of the Grain-Salt Exchange],” in Katō Hakushi Kanreki Kinen Ronbunshū Kankōkai, ed., *Katō hakushi kanreki kinen Tōyōshi shūsetsu* 加藤博士還暦記念東洋史集説 (Tokyo: Fuzanbō, 1941), 677–700.

49 The Ming government issued paper currency, *baochao*, in 1375, and stipulated that a one-*guan* note had an exchange value of 1,000 copper cash. But paper money depreciated almost immediately. In the Yangzi River Delta in 1390, the one-*guan* note had an exchange value of only 250 cash, and in 1394, only 160 cash. See von Glahn, *Fountain of Fortune*, 71–72, 74.

certificates (see Table 1.2). It is unclear if the initial purpose of this policy was to boost the credibility of paper currency, but that was the eventual result. The policy did not actually maintain the value of paper money, but it did increase the number of salt certificates issued.

The first attempt to rescue paper currency through the salt certificate occurred in 1404,<sup>50</sup> in the wake of reports that salt had been piling up for years in the salt yards of Fujian, Shandong, and Guangdong, poor and remote areas where merchants had shown no interest in drawing salt. The government valued a Fujian or Shandong salt certificate at the time at 50 *guan*, and a Guangdong certificate at 30 *guan*, which must have been substantially lower than the cost of delivering grain. Unfortunately, we do not know the result of this exchange scheme.

The second, smaller-scale attempt occurred in 1416, when Xia Yuanji, the Nanjing Minister of Revenue, suggested that officials and soldiers in Beijing be allowed to draw their monthly salt allowance from Changlu, at the rate of one *guan* of paper currency for one catty of salt, i.e., 200 *guan* for one *yin*. The policy was clearly advocated as a privilege for officials and soldiers in Beijing. In this way, Xia reckoned that the supply of salt in Beijing would be guaranteed and the circulation of paper currency facilitated.<sup>51</sup>

TABLE 1.2 *The three exchange schemes between paper currency and salt certificates*

Year	Salt certificate ( <i>yin</i> )	Paper currency ( <i>guan</i> )
1404	One Fujian <i>yin</i>	50
	One Shandong <i>yin</i>	50
	One Guangdong <i>yin</i>	30
1416	One Changlu <i>yin</i>	200
1424	One Changlu <i>yin</i>	300
	One Hedong <i>yin</i>	150
	One Shandong <i>yin</i>	150
	One Fujian <i>yin</i>	100
	One Guangdong <i>yin</i>	100

Source: *MSL* Taizong, 33:7b, p. 588; 178:5a, p. 1945; *MSL* Renzong, 2i:2a–b, pp. 39–40.

<sup>50</sup> *MSL* Taizong, 33:7b, 588.

<sup>51</sup> *MSL* Taizong, 178:5a, 1945.

By the third attempt, which occurred in 1424, again upon the suggestion of Xia Yuanji, the newly enthroned Hongxi emperor granted permission for the exchange of paper currency for salt certificates.<sup>52</sup> This time, the government admitted that it was attempting to boost the credibility of paper currency. A *yin* of Changlu salt was marked at 300 *guan*; that of Shandong, 150; that of Fujian and Guangdong, 100. Paper currency, whether newly printed or worn out, would be accepted for salt certificates. As a further incentive, salt certificates paid for with paper money would have priority, that is, the salt would be drawn before that of other certificate holders.

The third scheme was received with enthusiasm. Two months after its inception, Cui Kui, an assistant magistrate of Shanyang, petitioned the throne to expand it.<sup>53</sup> He suggested that the scheme be extended to local government offices from the county level up within the Metropolitan Area, and to provincial government offices as well, so that paper currency holders in distant areas could also benefit. Cui's memorial was interesting in two respects. Firstly, it showed that up to that point there was only one exchange office and it was located in Beijing. Secondly, as the Shanyang county assistant magistrate, Cui occupied a very junior position in the prefecture of Huaian, a city that would become famous for its wealthy salt merchants. This interesting memorial to the throne, from a junior official in a county where one of the most important salt distribution offices was located, suggests a merchant lobby agitating for its interests.

This time paper currency holders were so eager to participate in the scheme that the Ministry of Revenue had to request its cancellation, which the throne granted. Salt certificates were so much more easily obtained with paper money than with grain deliveries that the grain-salt exchange had been brought to a halt. Furthermore, some salterns had run out of salt as the number of people drawing salt suddenly increased.<sup>54</sup>

The government's exchange scheme catered to people with large amounts of paper currency. Not only were they allowed to turn paper currency into salt certificates, they were encouraged to take part in the grain-salt exchange, as evidenced in a 1430 appeal to "retired officials, soldiers, and people with grain" to participate in the grain-salt exchange.<sup>55</sup> As salt certificates continued to be used, it is not surprising that a century later officials were complaining that the salt trade had been cornered by powerful "profiteers".

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52 *MSL Renzong*, 2i:2a–b, 39–40.

53 *MSL Renzong*, 4ii:5a–b, 151–152.

54 *MSL Xuanzong*, 18:8a, 487.

55 *MSL Xuanzong*, 74:3b, 1724.

It must be noted that the most valuable salt certificates, those for Lianghuai and Liangzhe, were never included in the paper money exchange scheme. But the second attempt included Changlu, and the third attempt both Changlu and Hedong. The consumption area for salt from Hedong and Changlu included Beijing, as well as the middle and lower reaches of the Yellow River. Although not as economically developed and densely populated as Jiangnan, this was certainly a more promising market for salt than Guangdong, Fujian, or Shandong. It is no wonder that the third scheme was so enthusiastically received.

Thus by 1424 the number of salt certificates outstanding had increased dramatically, and salt certificates were being pawned and sold. We do not know by how much the number of outstanding salt certificates exceeded the total amount of government salt in any one year. At any rate, the government only had to provide enough salt for redemption to meet demand. Like depositors at a bank, there was no run unless everyone decided to withdraw their money at the same time, which they would not do unless the credit of the bank came under suspicion. The question, then, is not the effect of having more salt certificates than salt, but why merchants might rush to redeem them.

### Compulsory Redemption and the Salt Certificate Backlog

As long as merchants believed that the government would redeem their certificates for salt, the certificates had a value. When it became possible to sell or lend the certificates, a market in the certificates may be said to have come into being, and supply and demand affected their price. It is not immediately clear how the price of the salt certificates fluctuated, especially when we take into consideration the fact that the production of salt was controlled and its price fixed. However, the following factors likely promoted speculation. The creation of new categories of salt certificates meant that a longer time was needed for the redemption of old certificates, the price of which would thus have dropped. News or rumors of military campaigns led to more favorable terms of grain-salt exchange at certain frontier garrisons, and hence the price of new certificates would have risen. If their value seemed likely to increase, salt certificate holders might hold on to them rather than redeeming them.

In the government's eyes, certificate hoarders could precipitate a salt shortage. A lack of government salt for public consumption would not only result in the loss of the salt tax, but it could also trigger social and political unrest, and it would certainly encourage rampant smuggling. Moreover, if merchants did not redeem the certificates and draw their salt, they would no longer need to

TABLE 1.3 *The Ming government's three attempts to enhance the redemption of salt certificates in the fifteenth century*

Year	Measures
1429	Pre-1402 salt certificates were redeemed at a rate of 100 <i>guan</i> of paper currency for every certificate.
1480–1483	Pre-1450 salt certificates were redeemed at a rate of 150 <i>guan</i> of paper currency for every certificate.
1490	Any salt certificate issued more than 35 years ago (1454 or earlier) was invalidated, with no compensation whatsoever.

Source: *MSL* Xuanzong, 55:4a–b, pp. 1313–1314; *DMHD*, 34:6a, p. 619; 34:7b, p. 620; 34:10a, p. 621.

deliver grain to get more certificates, and grain deliveries to border garrisons would be disrupted. It was therefore in the government's interest to maintain a balance between the number of salt certificates issued and the amount of salt drawn.

To guarantee a smooth flow in salt certificate redemption, the government either had to increase the supply of salt (and the ease and speed with which it could be drawn), or reduce the number of outstanding salt certificates (since every salt certificate meant an additional demand for 200 catties of salt). In reality, the Ming government failed to maintain, let alone increase, salt production at government salterns, as will be discussed in the next section. To reduce the number of outstanding salt certificates, the Ming government ordered their compulsory redemption with paper currency, first in 1429, and then between 1480 and 1483. In 1490, the government went a fatal step further, and limited the validity period of the salt certificate to 35 years. It was these very attempts to ensure a smooth redemption process that ruined the credibility of salt certificates (Table 1.3).

#### *The First Blow: 1429*

In 1429, the Minister of Revenue, Guo Dun, complained that in recent years, fewer merchants had delivered grain to Beijing in return for salt, because there was not enough salt for them to draw. Guo also noticed the pervasive problem of false identity in the process of drawing salt. Consequently, the government announced that all salt certificates issued before 1402 would be compulsorily redeemed at a rate of 100 *guan* (20 *ding*, with one *ding* equivalent to five *guan*) of paper currency for one salt certificate. The 1429 order was a decisive step



that ruined the creditability of salt certificates and led to what became known as the backlog of salt certificates, that is, such a run on salt for the redemption of salt certificates that it “clogged” the mechanisms set up for their redemption. In order to illustrate this major change, it is worthwhile to translate the relevant entry from the Veritable Records of the Ming, the *Ming shilu*, at length:

The Nanjing Minister of Revenue Guo Dun memorialized the throne: “... In recent years there have been many exchange schemes between salt and various items. There is not enough salt for merchants to draw. Fewer and fewer merchants have delivered grain [to Beijing].” ... Please instruct various salt distribution commissions that all salt certificates issued to merchants before the 35th year of Hongwu (1402) be removed from circulation, and that [information about] the names and native places of these merchants be compiled into books and sent to the Ministry of Revenue; the Ministry should instruct the local government in these deceased merchants’ native places to give them 10 *ding* (50 *guan*) of paper currency for each *yin* of salt certificates they hold. Hopefully the problem of forgery that has lasted for years can be overcome.” The emperor decreed: “The state has relied on their efforts before. Although they have died, they are survived by their wives and sons. The amount of official currency given to them cannot compensate for their costs. Give them 20 *ding* (100 *guan*) for every *yin* they hold.”<sup>56</sup>

The government was effectively defaulting on its debt. The paper currency offered as compensation was but a face-saving device. By compulsorily terminating all salt certificates issued before 1402 with a paper currency only slightly more valuable than plain paper, the government shattered the belief that the salt certificate would remain valid, giving salt certificate holders a powerful incentive to draw salt as soon as possible, especially since, under the best of circumstances, the process took some time. In this way the government created a vicious cycle: it undermined the credibility of salt certificates, which triggered a run on salt, which led to a further loss in credibility when the government salterns could not produce enough salt to meet the sudden demand. In short, salt certificates were blocked.

To deal with the run on salt, the Ming government adopted two further measures, both of them voluntary. The first, adopted in 1440, was a repeat of the 1429 order, i.e., redeeming salt certificates at the rate of 150 *guan* paper

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56 MSL Xuanzong, 55:4a–b, 1313–1314.

currency per certificate.<sup>57</sup> The second measure was to invite certificate holders to draw salt from areas other than their certificate designation; by accepting this offer, they could draw more salt with the same number of certificates. By this second measure, known as *duizhi* [literally, exchange draw], the government intended to shorten the queues for salt in Lianghuai, Liangzhe, and Changlu. It did this in 1443.<sup>58</sup>

A more important variation of the attempt to shorten the queue was the establishment of new categories for salt drawing, also introduced in 1440. (This policy was only applied to the areas where salt certificates were most valuable; areas like Guangdong or Fujian do not seem to have had a backlog of salt certificates.) The policy, proposed by the Nanjing Ministry of Revenue, had serious long-term consequences for the salt monopoly. In brief, the government ruled that 80 percent of the salt annually produced in Lianghuai, Liangzhe, and Changlu, now known as the regular stock salt [*changgu*], would be drawn by salt merchants as usual. The other 20 percent, now known as the reserve stock salt [*cunji*],<sup>59</sup> would be held in reserve, to be bid upon at a higher rate in case of urgent need. Although bidders for the reserve stock salt had to deliver more grain, they had priority over bidders for the regular stock when drawing salt.

By creating two categories of salt certificates, and giving redemption priority to one at the expense of the other, the government secured new bidders for the prioritized salt certificates, and grain deliveries. This policy seems to have worked quite well for 40 years, until the redemption queue for reserve stock became just as long as that for regular stock. According to the *Mingshi*,

The rate was low for the regular stock and high for the reserve stock. But people did not want to suffer by waiting to draw salt, and strove to bid for the reserve stock. The certificates for the regular stock were therefore blocked. During the reign of Jingdi [1450–1456], there were many skirmishes on the borders, and [to encourage grain deliveries] the proportion of the reserve stock was increased to 60 percent.<sup>60</sup>

In other words, the government increased the reserve stock from 20 to 60 percent of overall production when it needed grain deliveries at the borders. But

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57 *DMHD*, 34:6a, 619.

58 *Ibid.*

59 *MSL* Yingzong Zhengtong, 66:8a, 1275. I have followed Ray Huang's translation of the two terms. See Huang, *Taxation and Governmental Finance*, 203.

60 *Mingshi*, 1937–1938.

this policy turned all certificates issued before 1440 into regular stock certificates. Since only 20 percent of the government salt in Lianghuai, Liangzhe, and Changlu had been set aside for reserve stock certificates, regular stock certificate holders suffered further redemption delays, with the result that regular stock certificates were blocked in the years between 1450 and 1456. But this policy further undermined the credibility of salt certificates.

### *The Second Blow: 1480–1483*

Alarmed by the “backlog” in the regular stock certificates, between 1480 and 1483, the Ming government decided to compulsorily redeem old certificates again. In 1480 the government adopted a series of measures in a bid to sort out the blocking of salt certificates. According to the *Collected Statutes of the Ming Dynasty*, the *Da Ming huidian*, the Ming government ruled that,

For merchants who bid for salt during the Yongle, Xuande, and Zhengtong periods (1403–1449), but who have not drawn any salt, [information about their names and native places] should be compiled into books and sent to the Ministry of Revenue. They should receive from their local government 30 *dīng* (150 *guan*) of paper currency for the cost of every *yīn* of salt for which they bid. For merchants who bid for salt after the first year of Jingtai (1450) but who have not drawn any salt, if they are willing to receive paper currency for their costs, they are allowed to do so. If they are willing to wait and draw salt from other areas, those bidding for salt from Lianghuai should draw from Fujian and Shandong instead, and those bidding for salt from Liangzhe should draw from Guangdong instead. For every *yīn* of salt certificates they have, they are allowed to draw half a *yīn* more of salt. If they are not willing [to accept the option], they are allowed to wait to draw salt as usual.<sup>61</sup>

The 1480 order divided certificate holders into pre- and post-1450. Pre-1450 certificate holders had no choice but to redeem their certificates for paper currency. Post-1450 certificate holders had three options: to redeem their certificates for paper currency, draw salt from other areas, or wait to draw salt as usual. It should be noted that it was in 1440 that the reserve stock certificates were created, so that all pre-1440 certificates became regular stock certificates. The number of pre-1440 certificates was certainly larger than that of certificates issued for the next ten years. Compulsory redemption of all

61 *DMHD*, 34:7b–8a, 620. The *MSL* provides a more detailed account; see *MSL* Xianzong 206:1b, 3592.

pre-1450 certificates therefore also affected the pre-1440 certificates more, another instance of the government favoring reserve stock certificates at the expense of regular stock certificates.

In 1483 the government made an abortive attempt to favor regular stock certificates by raising the proportion of regular stock salt from 40 to 70 percent. But the attempt was soon abandoned, leaving the proportion of reserve stock salt to remain at 60 percent.<sup>62</sup>

Moreover, in the same year, the Ming government reiterated the compulsory redemption of pre-1450 certificates:

For merchants who bid for salt before the 14th year of Zhengtong (1449) but who have not drawn any salt, 30 *ding* (150 *guan*) of paper currency should be given for every *yin* of Lianghuai salt; 25 *ding* (125 *guan*) for Liangzhe, Guangdong, Sichuan, and Yunnan salt; 20 *ding* (100 *guan*) for Hedong, Changlu, Fujian, and Shandong salt. For those [who bid for salt] after the first year of Jingtai (1450), if they are willing to receive paper currency to cover their cost, and for those who petition to draw salt on behalf of deceased merchants, they should also follow this regulation.<sup>63</sup>

The Ming government stipulated that those who drew salt on behalf of deceased salt merchants would receive paper currency instead of salt. Two explanations can be provided for this decision. Firstly, the problem of forgery in drawing salt that Guo Dun identified in 1429 must have lingered on, so that the Ming government decided to redeem salt certificates of deceased holders with paper currency only. Secondly, the blocking of salt certificates must have been very serious, so that the government felt the need to preserve salt for the redemption of certificates of certificate holders who were still alive.

In the late 1480s, blocked salt certificates became a serious problem once again. Redemption priority for reserve stock was no longer in effect. The *Mingshi* described the situation:

Interior merchants could not draw their salt quickly and frontier merchants did not sell their certificates cheaply. The grain-salt exchange was brought to a halt. The blocking of certificates for reserve stock was the same as that for regular stock. In the late years of Xianzong (1465–1487), eunuchs usurped the power and were granted countless certificates for salt from [Liang]huai and [Liang]zhe. [Salt yards in] Lianghuai owed in

62 *Mingshi*, 1938.

63 *DMHD*, 34:8b, 620. *MSL* Xianzong 243:4a–b, 4103–4104.

total five million *yin* of salt [to salt certificate holders]. Salt certificates were blocked.<sup>64</sup>

The problem of interior versus frontier merchants, and the role of eunuchs and other politically well-connected groups, have often been noted and shall be discussed in Chapter Three. For now I shall examine the consequences of a backlog of five million salt certificates, equivalent to five years' redemption, in Lianghuai alone, and why the government adopted an even harsher policy to try and speed up redemption in 1490.

### *The Third Blow: 1490*

The figure of five million unredeemed salt certificates in Lianghuai came from a report by Li Si in 1489. One year later, the government announced that

merchants who have not drawn their salt, no matter whether they are alive or dead, or have reported to the government or not, if their certificates were issued more than thirty-five years ago, are banned from drawing salt. The circulation chart and certificate documents for these certificates should be all cancelled and submitted [to the Ministry of Revenue].<sup>65</sup>

The Veritable Records of Ming provides a more detailed account:

The Ministry of Revenue memorialized: "Of the salt bid by merchants, there is some which has not been drawn for many years, [with the result that] there may be illicitness and fraud which is difficult to discover. Pray instruct that those who petition to draw salt on behalf [of deceased merchants] after the fifth year of Jingtai (1454) will be given salt or paper currency upon verification; but those before 1454 will be stopped [from receiving salt or paper currency]. From now on, any salt certificates that were issued more than 35 years ago, whether the merchant is alive or dead, should not be redeemed."<sup>66</sup>

In other words, all salt certificates issued before 1454 were worthless, and certificates issued after 1454 were valid for only 35 years, after which they too became worthless.

64 *Mingshi*, 1938.

65 *DMHD*, 34:10a, 621.

66 *MSL* Xiaozong, 37:2b–3a, 792–793.

Instead of earmarking older certificates for compulsory redemption with paper money, the order honored *none* of the pre-1454 salt certificates, and, by invalidating post-1454 salt certificates thirty-five years after issue, subjected all other certificates to annual depreciation. Whether the certificates might continue to have value would depend on whether the government salterns produced enough salt to redeem them within a 35-year term. This is the subject of Chapter Three.

### Institutional Weakness?

In the sixteenth century, officials attempting to reform the salt administration were frustrated by the chronic recurrence of a problem that they referred to as “blocking” [*yongzhi*] the salt certificate.<sup>67</sup> What caused the backlog has never been clearly understood. Historians, as well as Ming officials themselves, usually assumed that salt certificates were blocked because of inefficiency at the salt fields, so that as the salt from saltern households accumulated, certificate-holding merchants were unable to collect their due.<sup>68</sup> In 1568, Pang Shangpeng, one of the most important reformers of the salt administration, described the situation in Lianghuai thus:

I found that the salt accumulated but not weighed amounts to the worth of over five million more salt certificates. Moreover, the number of salt certificates having been issued but not yet redeemed, or having been bid for but not yet issued, also totaled more than a million.<sup>69</sup>

Pang wrote the above after a visit to the salt yard warehouses, where mountains of salt waiting to be weighed would have been obvious. Pang saw the certificate backlog as a result of administrative problems due to institutional weaknesses, and his suggestions for overcoming them formed the substance of his memorials. He also described petitions that the certificate-holding

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67 In *Mingshi*, there are two examples of the use of the term *yongzhi* in the salt administration. See *Mingshi*, 1938, 1945. Apart from *yongzhi*, Ming officials also use the phrases “*jiyong*” or “*yong*” to describe blocking the salt certificate. See *MSL* Shenzhong, 536:7a, 10164.

68 Ray Huang, *Taxation and Governmental Finance*, 205.

69 Pang Shangpeng 龐尚鵬, *Baiketing zhaigao* 百可亭摘稿 [Selected Papers from the Pavilion of Hundred “Yes”] (1599 edition), juan shang, 10b–11a, in *SKCM* ji, vol. 129: 258.

merchants sent him. Pang's descriptions were as near to an eye-witness account of the "blocking" problem as we can find among Ming sources.

Yet "institutional weakness" is a hazy description at best. To attribute blocking of the salt certificate to institutional weakness, we would have to assume either that the Ming government recognized the problem and did little about it, or attempted to solve the problem but was ineffectual. Neither of these assumptions rings true: throughout the sixteenth century senior officials such as Pang were appointed to oversee the salt administration, investigate its problems, make and carry out their proposals. It was possible that Ming officials were not "weak" in putting forward solutions, but that they failed to recognize the problems for what they were. In this chapter, by tracing the social and economic background of the early Ming, I have shown that salt certificates were blocked long before the sixteenth century, and to understand the issues it is necessary to consider the speculation in salt certificates—and the specialized capital market this created—and the Ming government's suppression of speculation in the fifteenth century. Only by understanding all the causes of blocking can we hope to understand the consequent development of the salt monopoly.

## Grain, Salt, and Silver

The Ming grain-salt exchange was a kind of barter in principle and in practice, and remained so at least until the second half of the fifteenth century. While silver was never completely ruled out of the grain-salt exchange, the early Ming government had inherited an economy that was short of silver.<sup>1</sup> Occasional permission to use silver when there was so little of it in circulation had a negligible impact. Government finance relied mainly on taxes in kind and corvée labor, or on barter, and silver could hardly have played any role in it. But beginning in 1436, when 4.05 million *shi* of tax grain were converted into a tax in silver,<sup>2</sup> the Ming began to move towards monetized taxation. Soon silver became important in the grain-salt exchange. Paying silver began as an insignificant alternative to delivering grain, but became an indispensable element in the salt monopoly.

The introduction of silver into the salt administration was an unintended consequence of global history, a part of the long process that accompanied the influx of foreign silver and ultimately materialized into the “single-whip system” [*yitiaobian fa*], i.e., the monetization of taxes in kind and labor services. As mentioned above, the first decisive step towards monetized taxation occurred as early as 1436, when a substantial portion of tax grain was converted into a tax in silver. In spite of its *de facto* acceptance of silver, the Ming government and the elite in general clung to their time-honored hostility towards silver, and towards money in general. Ming anecdotes disapprovingly attributed the use of silver in the salt monopoly to a policy initiated in 1492 by Ye Qi, the Minister of Revenue, who was said to have permitted merchants to buy salt certificates with silver instead of delivering grain to the frontier.

- 1 Peng Xinwei 彭信威, *Zhongguo huobi shi* 中國貨幣史 [A Monetary History of China] (Shanghai: Shanghai renmin chubanshe, 1988), 706. It is believed that the westward movement of silver during the twelfth and thirteenth centuries deprived the Yuan dynasty of silver. Richard von Glahn cautions that there is little archival evidence to prove this claim, but finds the circumstantial evidence compelling: little silver remained in the Yuan treasuries by the end of Khubilai's reign. See von Glahn, *Fountain of Fortune: Money and Monetary Policy in China 1000–1700* (Taipei: SMC Publishing, 1997), 60.
- 2 The six provinces were Huguang, Zhejiang, Jiangxi, Fujian, Guangdong, and Guangxi. Ray Huang regards the “Gold Floral Silver” reform as “another major concession to the landowners in the district concerned.” See Ray Huang, *Taxation and Governmental Finance in Sixteenth-century Ming China* (Cambridge: Cambridge University Press, 1974), 52.



Although the Ministry of Revenue thus amassed more than a million taels of silver, the 1492 policy was said to have led to a sharp drop in the grain supply on the frontier, and Ye Qi's short-sighted "greed" was said to have cost the Ming its frontier security.<sup>3</sup> A Ming anecdote even alleged that Ye Qi had succumbed to the lobbying of salt merchants who happened to be his relatives and fellow townsmen.<sup>4</sup>

Both Fujii Hiroshi and Lee Long-wah, however, identified more than a dozen cases before 1492 in which the Ming government permitted merchants to pay silver for salt or salt certificates.<sup>5</sup> Noticing the absence of Ye Qi's decision in 1492 in the Veritable Records and the Grand Compendium (*Daming huidian*), Fujii even went so far as to argue that Ye Qi's 1492 reform never occurred.<sup>6</sup> Whether it did or not, the Chenghua era (1465–1487) was still a new epoch in the use of silver. During its two decades, silver was used 27 times in the grain-salt exchange, while the previous era of almost 100 years only had 13 such cases (see Appendix "The use of currency in the grain-salt exchange, 1374–1487").

As silver came to be used more often, the way it was used also changed. Early in the Chenghua reign the government still required merchants to deliver either grain or silver to frontier granaries in return for salt certificates. By the late Chenghua, there were more instances of silver being used to buy salt certificates or even salt at salt administration offices. From the merchants' standpoint, this was an advantage, and much more convenient than delivering grain or silver to the frontier. In these instances silver was allowed to take the place of grain in the salt monopoly.

Nevertheless, silver was not yet formally incorporated into the system, but was only a supplementary tool, to be used on a case-by-case, temporary basis,

3 At least two points might be argued against such a view. Firstly, the Ming government fed its frontier force mainly through grain delivery by commoners as part of their tax obligation. The grain-salt exchange was but a supplementary and temporary mechanism. The collapse of the grain-salt exchange would not have dealt a significant blow to grain supply along the frontier. Secondly, as long as a frontier garrison was maintained, there would be a constant and substantial demand for grain. Were merchants required to pay silver to the salt administration instead of delivering grain to the frontier in return for salt certificates, the silver thus amassed by the government would still be appropriated to frontier forces for purchasing grain. Consequently, were it profitable for merchants to deliver grain to the frontier before the 1492 decision, it would still have been profitable in its aftermath.

4 Xue Yingqi 薛應旂, *Xianzhanglu* 憲章錄 [A Record of the Political System] (1574 edition), 41:12b, in *XXSK*, vol. 352: 420.

5 Fujii Hiroshi 藤井宏, "Mindai enshō no ichi kōsatsu 明代鹽商の一考察 [A Study of the Salt Merchants of the Ming Dynasty]", *Shigaku zasshi* 史學雜誌, vol. 54, no. 5 (1943), 535–544.

6 Fujii, "Mindai enshō no ichi kōsatsu (I)", pp. 534, 550.

at officials' discretion. However important silver was *de facto*, it was not recognized *de jure* in the grain-salt exchange. Not until 1527 was the ambiguous status of silver brought to an end, when the government levied a surcharge tax on salt known as the "surplus-salt silver" [*yuyanyin*]. The silver thus collected was sent to the Ministry of Revenue, and from there to frontier garrisons. Ming officials in general regarded the monetization process with disapproval. They clung to the myth of the good old days when frontier armies were said to have sustained themselves by farming the frontier land and by the grain-salt exchange.<sup>7</sup> In actuality, the army had been known to confiscate grain from civilian communities on the border, in 'exchange' for the granary receipts these farmers could use for salt certificates. It took almost another decade for the government to settle the dispute on silver.

The following passages recount the four-decade-long policy battle about how to deal with silver in the salt administration in order that we may understand the tension and dynamics within the government: practical considerations versus procedural stubbornness, local initiative versus central control, and the emperor's absolutism versus the bureaucracy's resourcefulness. A comprehensive grasp of the "battle for silver" as detailed below will prepare us to comprehend the establishment of the syndicate system, the main theme of Chapter Three.

### Surplus-salt Silver [*yuyanyin*]

"Surplus salt" [*yuyan*], was the salt produced over and above the saltern's quota. Under the Ming household registration system, an adult male registered in a saltern household was supposed to produce a certain amount of salt per year for the government, in return for grain or money. In 1390, a saltern adult male, or *ding*, in Lianghuai or Liangzhe was required to produce 16 *yin* (3,200 catties) of salt annually, for which the government paid him 0.50 *shi* of rice or 2.5 *guan* of paper currency per *yin* (200 catties).<sup>8</sup> By 1533, the annual quota for a *ding* in Lianghuai had increased to 20 *yin*, while the government paid him 0.05 taels of silver per *yin*.<sup>9</sup> Salt produced over and above this quota was known as

7 For a critique of the myth of self-sustaining frontier armies, see Ray Huang, *Taxation and Governmental Finance*, 63–68.

8 *DMHD*, 34:1a–b, 617.

9 Zhou Xiang's memorial in 1533; see Shi Qizhe and Zhang Qu 史起鰲、張渠, *Lianghuai yanfazhi* 兩淮鹽法志 [The Lianghuai Salt Gazetteer] (1551 edition), 6:27a–27b, in *SKCM* shi, vol. 274:243.

surplus salt, and the government had promised to pay more for it than for the regular quota.

In principle the government encouraged the saltern households to produce surplus salt, but in practice offered little incentive. In 1437, for example, the government offered to purchase surplus salt in both Lianghuai and Liangzhe for 0.20 *shi* of grain per *yin*.<sup>10</sup> This was no incentive at all, as this price was even lower than that for quota salt (0.50 *shi* of grain per *yin*). In 1448 the government offered double the price of quota salt for surplus salt, at one *shi* of rice per *yin*, and even ordered granaries built in every saltern in Lianghuai and Liangzhe to store the grain that would pay for it. The grain was to come from the Huaian granary as well as from Yangzhou, Suzhou, and Jiaking, three nearby prefectures.<sup>11</sup> But for unknown reasons the grain never arrived, so this effort was fruitless. The government could barely motivate saltern households to fulfill their quota, let alone convince them to produce surplus salt for the government.

After the 1449 Tumubao Incident, in which the emperor was captured and Beijing besieged by Mongols, the government was driven to the verge of bankruptcy by military expenditures.<sup>12</sup> To compensate, the government cut costs in 1450 by lowering its 1448 purchase price of one *shi* for surplus salt: in Lianghuai, Liangzhe, and Changlu, one *yin* of surplus salt was now purchased at 0.80, 0.60, and 0.40 *shi* of grain, respectively.<sup>13</sup> Cutting the purchase price did nothing to motivate saltern households to produce surplus salt for the government. According to Huo Tao, the grain to pay for it was not even on hand.<sup>14</sup> During the critical years of the Tumubao Incident, rice must have been in short supply all over north China, since the military needed it. There would have been little to spare for the granaries in the Lianghuai salterns.

Even before this time, the government had had so little grain to pay the *dīng* that it had failed to maintain its salt production quota, never mind securing

10 *DMHD*, 34:34b–35a, 632–633.

11 The Huaian granary was the southernmost of the five major granaries along the Grand Canal, and therefore nearest to Yangzhou. See Zhang Tingyu 張廷玉 et al., eds., *Mingshi* 明史 [The History of the Ming Dynasty] (Beijing: Zhonghua shuju, 1974), p. 1924. Also see *DMHD*, 32:5a–b, 591.

12 For a detailed study of the battle, see Frederick Mote, “The T’u-mu Incident of 1449”, in Frank A. Kierman, Jr. and John K. Fairbank eds., *Chinese Ways in Warfare* (Cambridge, MA: Harvard University Press, 1974), 243–272.

13 *MSL*, Yingzong, 207:1b–2a, 4440–4441. However, while *MSL* dates the decision to 1451, the *DMHD* dates it to 1450; see *DMHD*, 34:3a, 618.

14 Huo Tao 霍韜, “Huaiyan libi yi 淮鹽利弊議 [A Discussion of Lianghuai Salt Administration]”, in Zhu Tingli 朱廷立, *Yanzhengzhi* 鹽政志 [The Gazetteer of Salt Administration] (1522–1566 edition), 7:50b–51a, in *SKCM shi*, vol. 273:604.

surplus salt. In 1435, for instance, salt tax arrears in Lianghuai totaled more than 700,000 *yin* of salt, about the same amount as their annual tax production quota.<sup>15</sup> In 1441, the emperor himself admitted that the actual government salt reserve in Lianghuai only contained 20 to 30 percent of its official quota.<sup>16</sup>

By 1530, Li Shiao the Lianghuai Salt-control Censor reported a one-third loss of saltern adult males, from 36,000 *ding* before 1508 to only 23,100 *ding*.<sup>17</sup> If there were fewer salt producers in the household registration system and the salt tax quota remained largely unfulfilled, how could there possibly be 'surplus' salt? The answer can only be that salt producers ignored or evaded the household registration system, which was unable to support them. That is, they defaulted on the government salt production quota while still producing salt. Behind this development were the merchants, who were perfectly willing and able to pay for salt. Where the government lost its grip, merchants took hold. In 1483, a censor complained about the "evil merchants" in Lianghuai who had managed (through bribery) to re-use their salt certificates to draw salt, and who might 'sojourn' in the salterns for up to seven years.<sup>18</sup> Once there, they began to loan money to salt producers in return for salt, contribute to religious festivals, and even build houses: in short, they became part of the community. Under such circumstances, it was hardly surprising that government salt went missing, and contraband flourished. Merchants also moved into the Shanxi salterns.<sup>19</sup> Merchant influence in the salterns will be elaborated upon in Chapter Four.

While the saltern household registration system was collapsing and the production quota went unfulfilled, merchants continued to buy 'surplus salt' from salterns. In other words, the salt that was meant to fulfill the production quota itself became the surplus salt. A legal ban on surplus salt was out of the question. The government had neither the administrative resources to enforce the ban nor the financial resources to feed the saltern households. Moreover, a ban would risk triggering a massive trade in contraband. If, however, the government levied a surcharge on, and thus legalized, the sale of surplus salt, then its salt revenue would increase substantially, and at the expense of contraband.

15 MSL Yingzong Zhengtong, 21:7a, 415.

16 MSL Yingzong Zhengtong, 90:9b, 1822.

17 Li Shiao 李士翱, "Yanfa shu 鹽法疏 [Memorial on Salt Administration]", in Zhu Tingli, *Yanzhengzhi*, 7:69b–70a, 613–614.

18 Zhu Tingli, *Yanzhengzhi*, 7:5a, 581. Note that a 1489 regulation permitted salt merchants to stay in salterns for ten or fifteen years; see *DMHD*, 34:23b, 628.

19 MSL, Xiaozong, 221:8b–9a, 4170–4171.

The first sign of policy change in favor of silver occurred in 1510, when the government lifted the ban against trading surplus salt among saltern households:<sup>20</sup>

It is ordered that saltern households in upper and middle salterns should fulfill the production quota. Should there be surplus salt, it could be traded among saltern households in salterns that are short of salt.

“Upper” and “middle” referred to a government classification of Lianghuai salt-erns from 1442.<sup>21</sup> An “upper” saltern had higher productivity, easier access to transportation, and so on. In permitting salt producers from different tiers to buy salt from each other to fill their quota, the government was merely coming to terms with the reality.

In 1522 and 1524 the government became more active in selling surplus salt, with two regulations for all Salt Distribution Commissions (Lianghuai, Liangzhe, Changlu, and Shandong).<sup>22</sup> In 1522 the regulation stated that:

From now on, in all Salt Distribution Commissions, should there be surplus salt, the Commissions should summon merchants to [buy and] pay the price and [silver] should be delivered [via the salt administration] to the Ministry [of Revenue].

The 1524 regulation stated that:

From now on, all saltern household adult males, apart from fulfilling the production quota, are allowed to sell their surplus salt to merchants who hold salt certificates. As usual [the merchants] should deliver the silver [via the salt administration] to the Ministry [of Revenue], and draw their salt at various Salt Control Stations.

The new policies differed from previous ones in two respects. Firstly, the pretense of “payment in kind” to saltern households for surplus salt had been abandoned. Silver had entered into the grain-salt exchange as a direct and genuine currency. Secondly, the government had stepped into the market and was selling surplus salt itself, so that merchants paid silver directly to the

<sup>20</sup> *DMHD*, 34:3a, 618.

<sup>21</sup> In 1512, the government further classified these salterns into “upper”, “middle”, and “lower” tiers. *DMHD*, 32:5a, 591. *Lianghuai yanfazhi* (1551 edition) 5:2a, in *SKCM shi*, vol. 274:209.

<sup>22</sup> *DMHD*, 34:3a–b, 618.

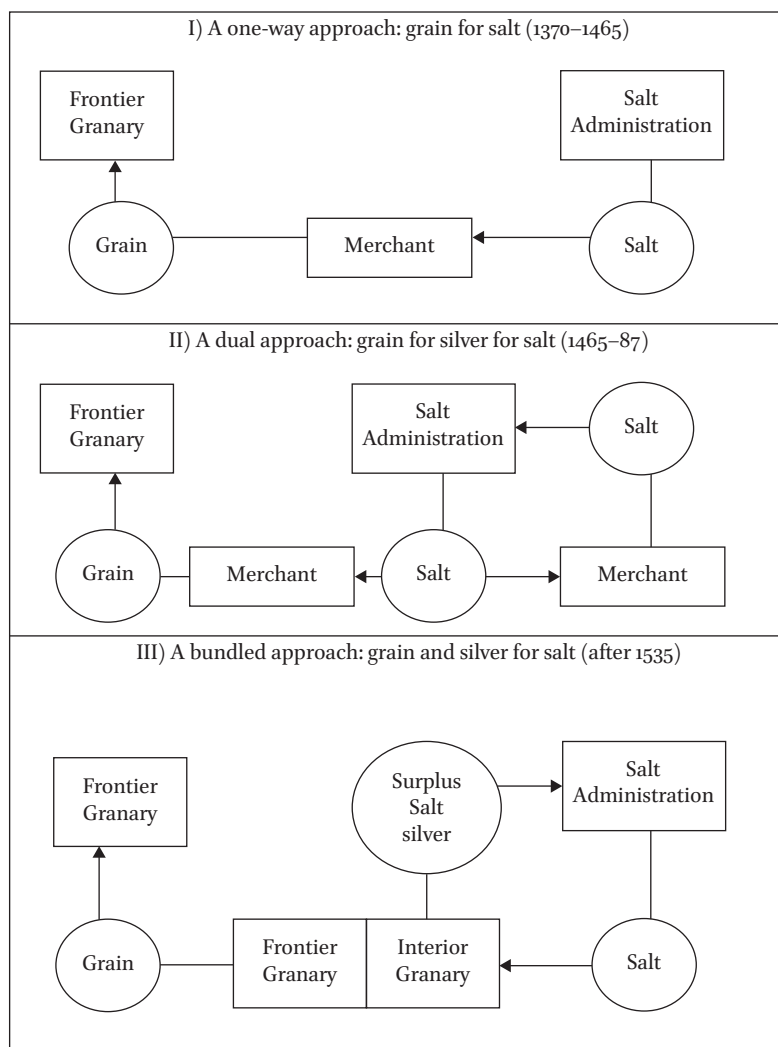


DIAGRAM 2.1 *Silver and the grain-salt exchange*

salt administration, instead of buying it from saltern households as contraband. The new policies also laid down a principle that the government was to uphold till its last days: surplus salt was only to be sold to salt certificate holders, i.e., to those who had supposedly delivered grain to the frontier. By requiring merchants to pay silver after delivering grain, the government had linked grain and silver. This link implied that the purchase of surplus salt consisted of two market exchanges: first, grain for salt, by way of the salt certificate, which gave holders the right to purchase surplus salt; and second, silver for surplus salt,

in a legal transaction. To review the transformation of the grain-salt exchange from the early Ming to 1535, see Diagram 2.1.

In 1527, the government devised the first formal plan for levying a tax in silver on surplus salt in Lianghuai. The twists and turns in salt administration policy in the following years were the result of the conflict between words and deeds: in their rhetoric, Ming officials opposed the use of silver in the grain-salt exchange; in reality, they could not do without it. Strong opposition sometimes came from within the salt administration while vital support sometimes came from without. Yet the Ministry of Revenue remained an ardent supporter of surplus-salt silver. It jealously defended the surcharge, sometimes even against emperor Shizong, who was known for his unpredictable temper.

In 1527 Dai Jin, Regional Inspector for the Metropolitan Area, initiated the first formal plan for levying the tax in Lianghuai. Mentions of Dai Jin's plan in the Veritable Records and the Grand Compendium are too brief to be useful; the omitted details can be found in a 1529 memorial by Zhu Tingli.<sup>23</sup> According to this memorial, Dai Jin's plan worked as follows: in return for the grain delivered to the frontier, a salt merchant received 285 catties of salt, known as the "principal salt" [*zhengyan*], per Huainan or Huaibei salt certificate [*yin*]. Furthermore, he was to pay in silver for 265 more catties of surplus salt. These 265 catties of surplus salt cost 1.06 taels per Huainan certificate and 0.795 taels per Huaibei certificate. A Huainan or Huaibei salt certificate, or one *yin*, would then weigh 550 catties (285 plus 265, two *yin* in effect) of salt which would be packed into a single sack for weighing and inspection.

It should be pointed out that one *yin* normally weighed 200 catties, but since loss was inevitable during the packing and shipping process, the government gave more salt per *yin* as compensation, hence 285 catties per *yin* of principal salt and 265 catties per *yin* of surplus salt. Yet Ming officials were so used to thinking in terms of one *yin* being worth 200 catties that they frequently quoted prices for surplus salt in terms of 200 catties. Both the Grand Compendium and the Veritable Records described Dai Jin's plan as levying 0.80 taels for 200 catties of surplus salt per Huainan certificate, and 0.60 for 200 per Huaibei certificate, which, if taken literally, is misleading; merchants were in fact to pay 1.06 and 0.795 taels for 265 catties of surplus salt per Huainan and

23 The same memorial of Zhu Tingli had a slightly different version in both *MSL* and *Yanzhengzhi*, the latter being compiled by Zhu Tingli himself. See *MSL* Shizong, 101:2a–b, 2385–2386; *Yanzhengzhi*, 7:56a–60a, 607–609. I have chosen paragraphs from each, selecting whichever I think more appropriate.

Huaibei certificate, respectively.<sup>24</sup> As will be shown, Ming officials themselves were sometimes confused.

Of the 705,180 salt certificates annually redeemed in Lianghuai, 415,130 were from Huainan and 290,050 Huaibei.<sup>25</sup> Dai Jin's plan would have generated 670,627 taels annually for the Ministry of Revenue. To the Ministry, the more surplus salt sold, the better, but other officials argued that the surcharge would cost salt merchants heavily, and damage the operation of the grain-salt exchange. A debate broke out at court with the Ministry of Revenue defending the tax in silver on practical grounds, but the emperor hesitated, and ordered further deliberation.<sup>26</sup>

Meanwhile the Ministry was already in action. In 1528, only a year after Dai Jin's plan was launched, the Ministry approved a more radical surcharge plan, initiated by Li Ji, the Lianghuai Salt-control Censor that year.<sup>27</sup> Li Ji's plan differed from Dai Jin's in three respects. Firstly, whereas Dai Jin required merchants to buy one *yin* of surplus salt for every salt certificate they redeemed, Li Ji required them to buy two. Secondly, whereas Dai Jin promised 265 catties per *yin* of surplus salt, Li Ji only promised 250, and later only 232.5 catties per *yin*, rendering 465 catties for two *yin* of surplus salt. With less surplus salt per *yin*, Li Ji in effect levied a heavier surcharge. He charged 0.95 and 0.75 taels per *yin* of Huainan and Huaibei surplus salt, respectively. Consequently, for every Huainan salt certificate redeemed, a salt merchant was to buy 465 catties of surplus-salt costing 1.90 taels [ $0.95 \times 2$ ]; for every Huaibei salt certificate redeemed, a salt merchant had to buy 465 catties of surplus salt costing 1.50 taels [ $0.75 \times 2$ ]. However, if Dai Jin's plan of 0.80 and 0.60 taels per 200 catties of Huainan and Huaibei surplus salt was strictly followed, 465 catties of surplus salt would have cost 1.86 and 1.395 taels per Huainan and Huaibei salt certificate, respectively. As his critic pointed out, Li Ji raised the surplus-salt silver tax per Huainan and Huaibei salt certificate by 0.04 and

24 See *MSL* Shizong, 73:5a–6a, 1651–1653; and *DMHD*, 32:8a, 592. The record in *MSL*, for example, states: “As there has been no fixed price for surplus salt in the past, it should be ruled that starting from the sixth year of Jiajing (1527), every salt certificate [should be attached with] 200 catties, those of Huainan should cost 0.80 taels, and those of Huaibei, 0.60, and they should be sold at the official price.”

25 *Lianghuai yanfazhi* (1551 edition), 7:9b, 10b, 11b, in *SKCM* shi, vol. 274:266–267. But note that the number of certificates annually redeemed in Lianghuai was soon to increase, from 705,180 to 784,000 to 900,000 in 1567. See Pang Shangpen 龐尚鵬, *Baiketing zhaigao* 百可亭摘稿 [Selected Papers from the Pavilion of Hundred “Yes”] (1599 edition), in *SKCM* ji, vol. 129:155.

26 *MSL* Shizong, 83:1a–3a, 1851–1855.

27 Salt-control Censor was an annually rotated post.



0.105 taels, respectively. Thirdly, realizing the confusion that could result when one salt certificate in Lianghuai was worth three *yin* (one *yin* of principal salt and two *yin* of surplus salt), Li Ji suggested that for every salt certificate redeemed, two extra salt certificates be issued to cover the two *yin* of surplus salt. He also suggested that merchants themselves pay the printing fee for these salt certificates [*yinzhijia*, literally, *yin* paper cost], which would come to 0.006 taels per *yin* of surplus salt. Altogether, 2,115,540 salt certificates would have been redeemed annually, of which 1,410,360 were printed and paid for in silver, while 705,180 had been previously issued for grain deliveries.<sup>28</sup> For different surcharge plans in Lianghuai from the 1520s to the 1570s, see Tables 2.1 and 2.2.

If Dai Jin's plan doubled the number of Lianghuai salt certificates annually redeemed to 1.41 million *yin* (one *yin* of surplus salt for each of the 705,180 *yin* of principal salt), Li Ji's would have tripled it, to 2.11 million *yin* (two *yin* of surplus salt for each of the 705,180 *yin* of principal salt), and increased the Lianghuai salt revenue from 670,627 to almost 1.23 million taels (see Table 2.2). Redeeming 2.11 million *yin* should have been well within salt production capacity in Lianghuai, which Huo Tao estimated at 3.70 million *yin*.<sup>29</sup> By tripling the output of Lianghuai salt through official channels, the government would collect more surplus-salt silver while dealing a serious blow to contraband. Nothing could have been more desirable, at least in theory.

In reality, Li Ji's plan lasted for only one year. In 1529, in the wake of objections from Cai Jing, Zhu Tingli, and other officials, the government shelved it. According to Cai Jing, Li Ji's plan was unfeasible because the government simply did not have enough salt on hand to redeem 2.11 million Lianghuai

28 Li Ji 李佺, "Tianshua yinmu shu 添刷引目疏 [Memorial of Increasing the Issuance of Salt Certificates]", in Zhu Tingli, *Yanzhengzhi* 7:49b, in *SKCM shi*, vol. 273:603; Zhu Tingli, "Yanfa shu 鹽法疏", in *Yanzhengzhi* 7:56a–57a, in *SKCM shi*, vol. 273:607; also see *MSL* Shizong, 101:2a–2b, 2385–2386. Note that there is a chronological mistake in *MSL* about Li Ji's memorial. The memorial was dated the *renshen* day of the second month of the 16th year of Jiajing (1537) and he was identified as the Salt-control Censor in *MSL* Shizong (197:3b–4a, 4160–4161). In fact, he held the post of the Salt-control Censor for Lianghuai in 1528, the year when his ambitious plan was launched. His own memorial was recorded at length and dated 1528 in *Yanzhengzhi*. However, the anachronistic entry in *MSL* did state clearly that the printing fee was 0.006 taels per *yin*, a point left unclear in other sources.

29 Huo Tao, "Huaiyan libi yi", in Zhu Tingli, *Yanzhengzhi*, 7:50b–51a, in *SKCM shi*, vol. 273:604.

TABLE 2.1 *Different plans of levying surplus-salt silver per salt certificate in Lianghuai (1527–1570)*

Plan	Surplus salt (catty)	Surplus-salt silver (tael)	
		per Huainan certificate	per Huaibei certificate
1527 (Dai Jin)	265	1.06 (0.0040/catty)	0.795 (0.0030/catty)
1528 (Li Ji)	$232.5 \times 2 = 465$	$0.95 \times 2 = 1.90$ (0.0041/catty)	$0.75 \times 2 = 1.50$ (0.0032/catty)
1529 (Zhu Tingli)	265	1.06 (0.0040/catty)	0.795 (0.0030/catty)
1531–1535	265	0.86 (0.0032/catty)	0.66 (0.0025/catty)
1535 (Xu Zan)	265	0.65 (0.0025/catty)	0.50 (0.0019/catty)
1536 (Xu Jiugao)	265	0.80 (0.0030/catty)	0.60 (0.0023/catty)
1541	265	0.73 (0.0028/catty)	0.53 (0.0020/catty)
1549	265	0.70 (0.0026/catty)	0.50 <sup>12</sup> (0.0019/catty)
1551 (Gao Yong)	200	0.55 (0.0028/catty)	0.40 (0.0020/catty)
1553 (Wang Shen and Huang Guoyong)	265	0.70 (0.0026/catty)	0.50 (0.0019/catty)
1558 (Zhang Jiugong)	265 per <i>yin</i> of principal salt	0.70 (0.0026/catty)	0.50 (0.0019/catty)
	265 per <i>yin</i> of cost-paid salt	0.50 (0.0019/catty)	0.35 <sup>135</sup> (0.0013/catty)
1565 (Zhu Bingru)	265	1.14 (0.0043/catty)	0.38 (0.0014/catty)
1568 (Pang Shangpeng)	200	0.525 (0.0026/catty)	0.375 (0.0019/catty)
1570 (Li Xueshi)	265	0.70 (0.0026/catty)	0.50 <sup>12</sup> (0.0019/catty)

TABLE 2.2 *Estimated annual revenue for the Ministry of Revenue under different plans of levying surplus-salt silver (taels)*

Plan	Huainan certificate	Huaibei certificate	Total
1527	$415,130 \times 1.06$	$290,050 \times 0.795$	670,627.00
1528	$415,130 \times (0.95 \times 2)$	$290,050 \times (0.75 \times 2)$	1,232,284.16 <sup>a</sup>
1529	$415,130 \times 1.06$	$290,050 \times 0.795$	670,627.00
1531–1535	$415,130 \times 0.86$	$290,050 \times 0.66$	548,444.80
1535	$415,130 \times 0.65$	$290,050 \times 0.50$	414,860.00
1536	$415,130 \times 0.80$	$290,050 \times 0.60$	506,134.00
1541	$415,130 \times 0.73$	$290,050 \times 0.53$	456,771.40 <sup>b</sup>
1549	$415,130 \times 0.70$	$290,050 \times 0.5012$	435,964.06
1551	$415,130 \times 0.55$	$290,050 \times 0.40$	344,731.72
1553	$(415,130 + 206,500) \times 0.70$	$(290,050 + 143,500) \times 0.50$	651,916.00 <sup>c</sup>
1558	$415,130 \times 0.70$ $+ 206,500 \times 0.50$	$290,050 \times 0.50$ $+ 143,500 \times 0.35135$	589,285.00
1565	$415,130 \times 1.14$	$290,050 \times 0.38$	609,880.00 <sup>d</sup>
1568	$832,000 \times 0.525$	$280,000 \times 0.375$	541,800.00 <sup>e</sup>
1570	$415,130 \times 0.70$	$290,050 \times 0.5012$	435,964.06

<sup>a</sup> Including printing fee of 0.006 taels per *yin* of surplus salt. As salt merchants were to buy two *yin* of surplus salt per salt certificate redeemed, the total revenue through levying a printing fee would be:

$$705,180 \times 2 \times 0.006 = 8,462.16 \text{ (taels)}$$

<sup>b</sup> The plan was not actually carried out as the emperor had the surcharge banned immediately afterward.

<sup>c</sup> The figures 206,500 and 143,500, which totaled 350,000, were cost-paid salt certificates for Huainan and Huaibei. The figures were derived from the assumption that the cost-paid salt certificates were distributed to Huainan and Huaibei in the same proportion as that of principal salt, i.e., 59:41.

<sup>d</sup> The sum would have been 582,000 taels only, but when adding up with 27,880 taels in fines, the total salt revenue to the Ministry would become 609,880 taels. See Xiao Tengfeng, *Lianghuai yigao*, book 1, pp. 41a–b.

<sup>e</sup> Since Pang Shangpeng reduced the unit weight of a salt sack from 550 to 485 catties, in which 285 were principal salt and 200 surplus salt, more salt certificates could be redeemed with the same stock of salt. Consequently, each of the eight allotments in Huainan could now process 104,000 *yin*, and each of the four allotments in Huaibei 70,000 *yin*, hence the figures 832,000 and 280,000.

Sources for Table 2.1 and Table 2.2: *MSL* Shizong, 73:5a–6a, 1651–1653; 175:2a–4a, 3791–3795; 255:3b–4a, 5124–5125; 393:15a–b, 6921–6922; 457:10b, 7738; 502:2a–3a, 8299–8301; 550:8b–9a, 8868–8869; *MSL* Muzong, 24:13a–16b, 667–674; 49:7a–b, 1225–1226; Shi Qizhe and Zhang Qu, *Lianghuai yanfazhi*, 7:9b, 10b, 11b, in *SKCM* shi, vol. 274:266–267; Zhu Tingli, *Yanzhengzhi*, 7:56a–57a, in *SKCM* shi, vol. 273:607; *DMHD*, 32:8a–12a, 592–594; Xiao Tengfeng, *Lianghuai yigao*, 1:41a–b.

certificates.<sup>30</sup> This statement flew in the face of Huo Tao's earlier estimates. Zhu Tingli's memorial, however, shows that the problem lay elsewhere:<sup>31</sup>

In the past, surplus salt was [drawn and] weighed and [not until then was the surplus-salt] silver paid. Now, according to the new regulations, the [surplus-salt] silver is to be paid before the salt certificate is issued. Only big merchants can afford delivering [grain] to the frontier and paying [surplus-salt silver] to Salt Distribution Commissions; middle-ranking and small merchants cannot. . . . In the past, when merchants drew their salt, one *yin*, according to Censor Dai Jin's proposal, weighed 550 catties, of which 285 catties were principal-salt, and 265 surplus-salt costing 1.06 and 0.795 taels in Huainan and Huaibei, respectively. Now that [the surplus-salt] is increased to two *yin*, merchants are given 750 catties [per salt certificate], which, apart from 285 catties of principal-salt, the two *yin* of surplus-salt, with wastage allowance included, amount to only 465 catties, costing 1.90 and 1.50 taels per Huainan and Huaibei certificate, respectively; being 0.04 and 0.105 taels more expensive than [Dai Jin's] old prices, respectively. In addition, 0.006 taels of *yin* paper cost [*yinzhi-jia*] has to be paid.

Zhu Tingli enumerated the extra charges (of more *yin*, fewer catties per *yin*, and even printing costs) to merchants, showing that Li Ji's plan set a much higher threshold for capital. The increase in surplus-salt silver might seem trivial, but since merchants were required to buy two *yin* of surplus salt instead of one, they had to pay more money up front. Moreover, the surplus-salt silver had to be paid before any salt certificate was issued and any salt drawn. The plan must have strained many merchants' capital to the limit, and they simply could not advance such a sum. Worse still, a sudden increase in the supply of salt from legal channels would lead to a fall in price, further reducing the merchants' profit margin.

Had the government had effective control over the salterns, merchants would have had to comply, however inconvenient they found the rules. Fortunately for the merchants, they controlled the salterns, and were in a position to challenge the government. Cai Jing observed that, under Li Ji's new plan,

30 Cai Jing 蔡經, "Lun Yanfa shu 論鹽法疏 [Memorial on Salt Administration]", in Zhu Tingli, *Yanzhengzhi*, 7:62a–62b, in *SKCM* shi, vol. 273:610; *MSL* Shizong, 105:8b–9b, 2486–2488.

31 See *MSL* Shizong, 101:2a–2b, 2385–2386; Zhu Tingli, "Yanfa shu", in Zhu Tingli, *Yanzhengzhi* 7:56a–57a, in *SKCM* shi, vol. 273:607.

merchants “looked at each other and dared not apply for salt certificates with granary notes.”<sup>32</sup> The image of merchants shivering in misery outside the gate of the Salt Distribution Commission office might suit the mind of an official. But was it not in fact a boycott of Li Ji’s new plan? If merchants kept refusing to exchange their granary notes for salt certificates, then no salt certificates could be issued, no surplus-salt silver collected, and the grain-salt exchange would collapse. Li Ji’s ambitious plan was abandoned, and in 1530 Dai Jin’s plan was resumed.<sup>33</sup>

Although its effort to maximize the surplus-salt silver had failed, the Ministry of Revenue was able to maintain its fallback position. In 1531, despite Censor Zhou Xiang’s strong opposition to any surcharge at all, and his attempt to do away with it, Xu Zan, the Minister of Revenue, supported the policy on practical grounds, and this time won over the emperor. Dai Jin’s surcharge scheme remained in place.<sup>34</sup>

But feelings against the surcharge continued to run high. Four years later, in 1535, as if to calm the opposition, Xu Zan proposed a new surcharge scheme for surplus salt for not only Lianghuai, but also Liangzhe, Changlu, and Shandong, that would cut the surcharge in Lianghuai by nearly 40 percent: 0.65 and 0.50 for 265 catties of surplus salt per Huainan and Huaibei certificate, instead of 0.80 and 0.60 for 200 (i.e., 1.06 and 0.795 for 265). The emperor had granted permission for Xu Zan’s plan when Xu Jiugao, the Lianghuai Salt-control Censor, claimed that Xu Zan had made a mistake. As mentioned above, Ming officials were used to quoting the surcharge in terms of 200 catties, the unit weight per *yin* of salt, although Lianghuai surplus salt weighed 265 catties to compensate for losses. By this formula, Dai Jin’s surcharge of 1.06 and 0.795 taels for 265 catties of surplus salt per Huainan and Huaibei certificate, respectively, could be and frequently was written as 0.80 and 0.60 for 200. As the Veritable Records do not give the details, we can only infer Xu Jiugao’s argument. It seemed that some time between 1531 and 1535, Dai Jin’s surcharge scheme was reduced to 0.86 and 0.66 taels for 265 catties of surplus salt per Huainan and Huaibei certificate, i.e., 0.65 and 0.50 for 200. In presenting his new surcharge plan in 1535,

32 Cai Jing, “Lun yanfa shu”, in Zhu Tingli, ed., *Yanzhengzhi* 7:62b, in *SKCM* shi, vol. 273:610.

33 Merchants were to buy one *yin* of surplus salt (265 catties) per *yin* of principal salt (285 catties) redeemed; the 265 catties of surplus salt were to cost 1.06 and 0.795 taels per Huainan and Huaibei salt certificate, respectively, therefore conforming to the old scheme of 0.8 and 0.6 taels for 200 catties of surplus salt per Huainan and Huaibei salt certificate, respectively; and one *yin* of principal salt and one *yin* of surplus salt were to be packed into one sack for weighing. *DMHD*, 32:9a, 593.

34 *MSL* Shizong, 133:1a–b, 3145–3146.

Xu Zan might have been confused and proposed to levy 0.65 and 0.50 for 265. Whether the discrepancy was a genuine mistake made by Xu Zan or a pretext exploited by Xu Jiugao, we do not know, but the government was convinced and set a new surcharge scheme in 1536: 0.80 and 0.60 taels for 265 catties of surplus salt per Huainan and Huaibei certificate, respectively, which was much more lucrative than Xu Zan's 0.65 and 0.50 for 265. The Ministry of Revenue thus managed to minimize its loss in salt revenue.<sup>35</sup>

By 1536, the Ministry of Revenue had succeeded in levying the surplus-salt silver for almost a decade. Although as a surcharge, the surplus-salt silver had since been cut by nearly 25 percent, and although many officials were vocal in their opposition to it, the Ministry had succeeded in defending this handsome source of silver revenue. Not until late in 1541 was the surcharge policy brought to its most severe trial. The crisis began when the emperor ordered a deliberation on the surcharge, and set the keynote by blaming it for disrupting the grain-salt exchange. To minimize the political damage caused by the emperor's rage, the Ministry offered a compromise. Firstly, the Ministry further reduced the surcharge to 0.55 and 0.40 taels for 200 catties of surplus salt per Huainan and Huaibei certificate, respectively (i.e., 0.73 and 0.53 taels for 265 catties of surplus salt per Huainan and Huaibei certificate). Secondly, the Ministry gave up the "bundled" approach, in which merchants had to buy surplus salt along with principal salt, in effect giving up the compulsory nature of the surplus-salt silver. The emperor was unmoved at this sacrifice. With a blunt order, he ended the legalized sale of surplus salt and its surcharge, the surplus-salt silver.<sup>36</sup>

The dramatic suspension of the surcharge was matched by its dramatic resumption nine months later. In 1542, reminding the emperor that his soldiers, being short of supplies and revenue, had failed to check nomadic invasions along the northern frontier, Xu Zan, the Minister of Personnel (and

35 Not even the *DMHD* could rid itself of the confusion, such that Xu Zan's scheme in 1535 was recorded in 34:12a–b, 622, whereas the corrected one in 1536 was recorded in 32:9a–b, 593. Under Xu Zan's scheme of 0.65 and 0.50 taels for 265 catties per Huainan and Huaibei certificate, respectively, the annual total of surplus-salt silver from Lianghuai would have been:

$$415,130 \times 0.65 + 290,050 \times 0.50 = 414,859.50 \text{ (taels)}$$

The exact figure of loss of the annual surplus-salt silver would have been:

$$548,444.80 - 414,859.50 = 133,585.30 \text{ (taels)}$$

The loss was slightly less than Xu Jiugao's estimate of "more than 140,000 taels". See *HWJSWB*, 137:5a–7a, 1363–1364; *MSL Shizong* 175:2a–4a, 3791–3795. The two entries are mostly identical except that the latter does not specify it was Xu Zan who put forward the proposal. Also see *DMHD*, 32:9a–9b, 593; and Table 2.2.

36 *MSL Shizong*, 255:3b–4a, 5124–5125.

former Minister of Revenue), suggested that the legalized sale of surplus salt be resumed to generate revenue to feed the army. Xu argued that selling the surplus salt and levying the surcharge would not only bring in a handsome revenue (700,000 to 800,000 taels according to his estimate), but would also deal a blow to contraband, which was flourishing in the wake of the surplus salt repeal. The current Ministry of Revenue added its heartfelt agreement to this traditional argument, and the emperor seemed convinced—or at least he vacillated in the opposite direction. At any rate, he gave permission to resume the sale of surplus salt and the surcharge.<sup>37</sup>

For the next few years, despite frequent criticism, the surcharge policy remained in place. In 1545 Dai Jin survived an impeachment by his colleagues, and his surcharge policy survived as well.<sup>38</sup> In 1549, to forestall criticism, the Ministry further cut the surcharge by 0.028 taels, so that one *yin* of surplus salt (265 catties) was to cost 0.70 and 0.5012 taels per Huainan and Huaibei certificate, respectively.<sup>39</sup>

But the officials who opposed the surcharge were not so easily mollified. In late 1550, Yang Xuan, the Lianghuai Salt-control Censor, quoting Huo Tao's estimated annual salt production capacity of 3.7 million *yin*, pointed out that only 38 percent, or 1.4 million *yin* (one *yin* of surplus salt for each of the 708,150 *yin* of principal salt), was absorbed through official channels, leaving the way open for significant contraband trading. Yang Xuan criticized the surcharge policy for failing to suppress contraband, and proposed to stop levying it; instead, the surplus salt should become part of the grain exchange. Yang understood that merchants would rather pay silver to the salt administration than deliver grain to the frontier, but he reckoned that, without that choice, merchants would comply. Yang understood that saltern households could no longer be coerced into producing more salt, and proposed to purchase the surplus salt with 8,000 taels, which would come from various and sundry fines. At the rate of one tael per 1,000 catties or five *yin*, Yang Xuan claimed the 8,000 taels would purchase 80 to 90 percent of the three million *yin* of surplus salt. He was certainly wrong. At one tael per five *yin*, 8,000 taels could only purchase 40,000 *yin*, less than 1.5 percent of three million. Strangely enough, no one noticed this obvious mistake in arithmetic. The Shizong emperor immediately approved Yang's proposal,

37 *MSL Shizong*, 265:4a–b, 5253–5234.

38 *MSL Shizong*, 294:3a–b, 5629–5630.

39 Both the *DMHD* and the *Lianghuai yanfazhi* (1551 edition) recorded the same figure, but the entry in *MSL* made a mistake by further reducing the new surcharge with the discount. See *DMHD*, 32:9b, 593; *Lianghuai yanfazhi* (1551 edition), 5:11b, in *SKCM shi*, vol. 274:214; *MSL Shizong*, 352:2a–b, 6359–6360.



overriding the Ministry's desire for further deliberation. Consequently all surplus salt and principal salt, or 1.4 million *yin* in total, were to be exchanged for grain delivered to the frontier, and no more surcharge in silver was to be levied. The grain-salt exchange was to return to its most authentic form.<sup>40</sup>

The victory against the surcharge of surplus silver was short-lived. The Ministry of Revenue retaliated in early 1551, proposing that merchants be required to buy 150 additional catties of salt for every sack of salt, which now contained one *yin* of surplus salt and one *yin* of principal salt. In other words, the Ministry aimed at levying a surcharge on the 705,180 *yin* of salt annually redeemed, which was in fact a revival of the surplus-salt silver policy in everything but name. Gao Yong, the Salt-control Censor after Yang Xuan, took this one step further by proposing that merchants be required to buy 200 instead of 150 catties of additional salt, i.e., one full *yin*, per sack of salt, for ease in accounting.<sup>41</sup> The emperor, ever unpredictable, approved Gao's proposal, and the Ministry quietly resumed the surcharge, amounting to 340,000 taels annually, though not in the name of "surplus-salt silver".<sup>42</sup> One cannot but wonder if the emperor had a shorter-than-normal memory of his own preference and inclination as far as the issue of the surplus-salt silver was concerned.

40 *MSL* Shizong, 368:1a–b, 6575–6576; Zhu Tingli, *Lianghuai yanfazhi* (1551 edition), 6:39a, 40a, in *SKCM* shi, vol. 274: 249–250. If Yang Xuan's memorial in *Lianghuai yanfazhi* (1551 edition) was not distorted by printing mistakes, then he must have been very poor in basic arithmetic. Apart from this obvious mistake, Yang stated that the output of salt through legal channels (1.4 million *yin*, or one *yin* of surplus salt per each of 705,180 *yin* of principal salt) was 20 percent of the annual salt production capacity (3.7 million *yin*); it should rather be 38 percent. The mistake must have been caused by his dividing the figure of principal salt, instead of the sum of principal and surplus salt, by the figure of the annual salt production capacity.

41 As a result, for every 200 catties of principal salt drawn, a salt merchant had to pay surplus silver to buy 200 catties of surplus salt, as well as a further sum for the additional 200 catties of salt. According to Gao's proposal, the unit weight of a sack of salt would be pushed to 600 catties, or 300 kg! Since this was too bulky and heavy to manage, it was divided into three sacks, each weighing 200 catties.

42 Although neither *MSL* nor *DMHD* recorded the price scheme proposed by Gao Yong, it is clear that Gao's scheme was based on that of 1541 (see Table 2.2): 0.73 and 0.53 taels for 265 catties of surplus salt per Huainan and Huaibei certificate, respectively. Under the 1541 price scheme, 200 catties would cost 0.55 and 0.40 taels per Huainan and Huaibei certificate, respectively, and the silver the Ministry of Revenue expected annually would be:

$$415,130 \times 0.55 \text{ (Huainan)} + 290,050 \times 0.40 \text{ (Huaibei)} = 344,731.72$$

This conforms to *MSL*'s record that "340,000 taels could be had". See *MSL* Shizong, 372:7b–8a, 6654–6655; *DMHD*, 32:9a–9b, 593.



### Cost-paid Salt (1553–1565)

In 1553, after years of defeat and retreat, the Ministry of Revenue went on the offensive, lobbying for a proposal by Zhu Bochen, a Supervising Secretary. Like Li Ji's 1528 proposal, Zhu's required that merchants buy two *yin* of surplus salt for every *yin* of principal salt, but the surcharge was much lower: each of the two *yin* of surplus salt was to weigh 285 catties instead of 232.5, and would cost 0.55 and 0.50 taels per Huainan and Huaibei certificate respectively, instead of 0.95 and 0.75. Zhu also proposed that principal and surplus salt be packed separately, so that for one salt certificate, three sacks of salt, each weighing 285 catties, would be packed, weighed, and counted. Zhu's plan would have generated 746,693 taels of surplus-salt silver for the Ministry annually.<sup>43</sup>

The emperor ordered Wang Shen, the Censor-in-chief for reforming the salt administration, and Huang Guoyong, the Lianghuai Salt-control Censor, to deliberate on Zhu's proposal. Wang and Huang criticized Zhu for increasing the cost of packaging and shipment, and argued that packing three sacks of salt instead of one would be "inconvenient". They proposed to continue the old practice of one certificate for one sack weighing 550 catties, in which 285 were principal salt and 265 surplus salt, to minimize handling costs. Moreover, in addition to the 705,180 principal salt certificates, they proposed to issue 350,000 more certificates, under the name of "cost-paid salt" [*gongbenyan*]. With the new certificates, the number redeemed annually would amount to 1,055,180.<sup>44</sup>

Since increasing the number of salt certificates increased the amount of surplus-salt silver, the Ministry of Revenue was delighted with the proposal. Wang and Huang, like Yang Xuan before them, accepted that saltern households could not be coerced into producing more government salt, so they proposed to buy the extra, cost-paid salt for 0.25 and 0.20 taels per *yin* of Huainan and Huaibei salt. It was not clear what the proportion between Huainan and Huaibei cost-paid salt was, but if it were the same as for principal salt, at 59:41, the administration would have to come up with 80,337 taels in order to have 350,000 *yin* of cost-paid salt on hand for redemption. Wang and Huang claimed that this amount of silver could be accumulated through fines.

The Ministry welcomed these suggestions and proposed to raise the surcharge to 0.70 and 0.50 taels for only 265 catties of surplus salt per Huainan and Huaibei certificate. By increasing the number of salt certificates from 705,180 to

43 MSL Shizong, 393:15a–b, 6921–6922; DMHD, 32:10a–10b, 593. Under Zhu's plan, the total annual surplus-salt silver would have been:

$415,130 \times 0.55 \times 2$  (Huainan) +  $290,050 \times 0.50 \times 2$  (Huaibei) = 746,693 (taels)

44 Ray Huang's translation. See Ray Huang, *Taxation and Governmental Finance*, 209.

1,055,180, the Ministry could collect 651,916 taels of surplus-salt silver annually, at least in theory.<sup>45</sup> This was less potential revenue than under Zhu Bochen's plan, but an improvement over previous plans (see Table 2.1 and 2.2), and good enough for the Ministry.

Compared with Yang Xuan's plan three years earlier, Wang and Huang's plan for cost-paid salt was at least free from glaring mistakes in arithmetic, yet whether it was feasible or not was another matter. At 0.25 and 0.20 taels per 285 catties of Huainan and Huaibei salt, the payment for cost-paid salt would be extremely attractive to saltern households, who were only paid 0.05 taels per *yin* for their annual salt quota under household registration. To purchase cost-paid salt at 0.25 and 0.20 taels per 285 catties, and then to levy surplus-salt silver of 0.70 and 0.50 taels per Huainan and Huaibei cost-paid salt certificate, the theoretical profit for the salt administration would have been 180 and 150 percent on each Huainan and Huaibei cost-paid salt certificate. The price incentive was adequate and the theoretical profit margin lucrative; all the Lianghuai Salt Administration needed to do was find 80,337 taels to buy 350,000 *yin* of cost-paid salt. But the Lianghuai Salt Administration failed to do so, dooming the plan to failure.

Wang Shen and Huang Guoyong had proposed that the silver come from various fines. In reality, this amount of silver was simply unavailable, though it is not clear why. In late 1556, Cui Dong, the Lianghuai Salt-control Censor, reported to the Ministry of Revenue that the administration was unable to purchase cost-paid salt since the silver had all been appropriated for the frontier. Therefore, the government was unable to redeem cost-paid salt certificates, and cost-paid salt certificate holders waited in despair. In response, the Ministry scraped together 40,000 taels as an emergency fund, so the Lianghuai Salt Administration could purchase enough salt to redeem the cost-paid salt certificates due the last two quarters of 1554. This occurred only 18 months after the cost-paid salt certificate was launched; in so short a time the cost-paid salt certificate was blocked.<sup>46</sup>

Admittedly, a delay of two years was nothing compared to the legendary situation described in Chapter One, where merchants waited for generations

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45 Assuming that the 350,000 *yin* of cost-paid salt were divided between Huainan and Huaibei in the same proportion as that for principal salt, i.e., 59:41, the surplus-salt silver in Huainan would be:

$(415,130 \text{ [principal salt]} + 350,000 \times 0.59 \text{ [cost salt]}) \times 0.70 = 435,141$

while that in Huaibei would be:

$(290,050 \text{ [principal salt]} + 350,000 \times 0.41 \text{ [cost salt]}) \times 0.50 = 216,775$

and the annual total would be 651,916 taels.

46 *MSL* Shizong, 440:1b–2a, 7542–7543.

to draw salt. But this time the government responded more quickly. In 1558, upon the suggestion of Zhang Jiugong, the Lianghuai Salt-control Censor, the government gave up trying to purchase cost-paid salt with its own funds, and stipulated that merchants should pay for the cost-paid salt: 0.25 and 0.20 taels per *yin* of Huainan and Huaibei cost-paid salt, respectively. To minimize the merchants' expenses, the government cut the surcharge per Huainan and Huaibei cost-paid salt certificate from 0.70 and 0.50 taels to 0.50 and 0.35. With a surcharge reduction by 0.20 and 0.15 taels, and the levying of a purchase price of 0.25 and 0.20 taels, certificate holders would pay an additional 0.05 taels per *yin* of cost-paid salt. Meanwhile the surplus-salt silver for principal salt was to remain unchanged. To facilitate redemption, the salt sacks would be weighed and cleared at Yizhen (for Huainan salt) and Huaian (for Huaibei salt) Salt Control Stations as soon as possible. Traditionally this had been done through an allotment [*dan*] system, in which weighing and clearing procedures did not even begin until the station had amassed a certain number of sacks. To redeem more salt certificates, the salt administration not only increased the number of sacks weighed and cleared in every allotment, but reserved a quota for cost-paid salt certificates in every allotment. All in all, Zhang Jiugong's plan was expected to generate 589,285 taels annually.<sup>47</sup>

47 *MSL* Shizong, 457:10b, 7738; *DMHD*, 32:10b–11a, 593–594. Usually *DMHD* is more accurate than *MSL*, but in this case the opposite is true. The entry in *DMHD* mistakenly stated that the number of annual allotments in Lianghuai was four for Huainan and two for Huaibei, when it should be eight for Huainan and four for Huaibei. Both entries in *MSL* and *DMHD* are misleading as they give the impression that the cost-paid salt's price, previously at 0.70 and 0.50 taels per *yin* in Huainan and Huaibei, respectively, was now reduced to 0.50 and 0.35. In fact, the price, 0.70 and 0.50 taels, was the surplus-salt silver stipulated in 1553; see *MSL* Shizong, 393:15a–b, 6921–6922. Since the government had failed to purchase cost-salt for the redemption of cost-paid salt certificates, and required merchants to pay an extra 0.25 and 0.20 taels per *yin* of Huainan and Huaibei cost-paid salt instead, it offered to reduce the surplus-salt silver per Huainan and Huaibei cost-paid salt certificate by 0.20 and 0.15 taels, respectively. Consequently, cost-paid salt certificate holders were to pay an extra 0.05 taels per *yin* of cost-salt. Note that while the surplus-salt silver for cost-paid salt was reduced, it remained unchanged for principal salt. The annual salt revenue to the Ministry would then be:

415,130 (Huainan principal salt certificate) × 0.70	290,591
290,050 (Huaibei principal salt certificate) × 0.50	145,025
206,500 (Huainan cost-paid salt certificate) × 0.50	103,250
143,500 (Huaibei cost-paid salt certificate) × 0.35	50,175
Total (taels)	589,285

Also see Table 2.1 and 2.2.

The new plan did not save the cost-paid salt for long. In 1565, Zhu Bingru, the Lianghuai Salt-control Censor, blamed cost-paid salt for blocking the principal salt certificates and suggested that cost-paid certificates be cancelled. The emperor was convinced, and stipulated that from 1566 onward, no more cost-paid salt certificates would be issued, and the number of salt certificates annually redeemed in Lianghuai would fall back to 705,180 *yin*. The Ministry of Revenue, however, managed to win the emperor's approval to maintain the annual surplus-salt silver from Lianghuai at 600,000 taels.<sup>48</sup> It should be noted that under Zhang Jiugong's plan 705,180 principal salt and 350,000 cost-paid salt certificates were redeemed annually, generating surplus-salt silver of 589,285 taels. From 1566 onwards only 705,180 principal salt certificates would be redeemed, but the surplus-salt silver was to remain at 600,000 taels, certainly not a bad deal from the standpoint of the Ministry. Unfortunately, no details about the new surcharge scheme were available, so we can only speculate with reference to other sources. In the 1590s, Xiao Tengfeng, the Lianghuai Salt Distribution Commissioner, reported that, to achieve the annual quota of 600,000 taels, it had been a long-established practice to collect 59,000 taels from each of the eight allotments in Huainan and 27,500 from each of the four allotments in Huaibei. If it is assumed that 350,000 cost-paid salt certificates had been abolished, and that the principal salt certificates annually redeemed in Huainan and Huaibei remained at 415,130 and 290,050, respectively, and also assuming that this "long-established practice" could be dated back to the 1560s, then Zhu Bingru's surcharge scheme in 1565 would be 1.14 and 0.38 taels for 265 catties per Huainan and Huaibei certificate, respectively.<sup>49</sup>

48 MSL Shizong, 550:8b–9a, pp. 8868–8869; DMHD, 32:11b, p. 594.

49 Xiao Tengfeng 蕭騰鳳, *Lianghuai yigao* 兩淮議稿 [Policy Papers for Lianghuai Salt Administration] (1628–1644 edition), 1:41a–41b. According to Xiao, the annual quota of 600,000 taels to the Ministry of Revenue was achieved by the following formula:

	Surplus-salt silver	Fines	Allotment	Sub-total
Huainan	59,000	2,800	8	494,400
Huaibei	27,500	1,370	4	115,480
				Total: 609,880

Assuming that the numbers of principal-salt certificates redeemed in Huainan and Huaibei remained 415,130 and 290,050, respectively, which totaled 705,180, then the surplus-salt silver for 265 catties per Huainan and Huaibei certificate would have been:

Huainan:  $59,000 \times 8 \div 415,130 = 1.14$  taels

Huaibei:  $27,500 \times 4 \div 290,050 = 0.38$  taels

In 1561, it was laid down as a regulation “to be followed forever” that the annual surplus-salt silver should remain at 600,000 taels. The 1565 decision, while ridding Lianghuai of cost-paid salt certificates, retained the 1561 quota.<sup>50</sup> In 1561 not only was the levying of surplus-salt silver thus made permanent, but a new category of salt certificate was issued: river salt [*heyán*].

### River Salt (1561–1578)

In 1560, Yan Maoqing was appointed as the special envoy for reforming the salt administration in Lianghuai, Liangzhe, Changlu, Shandong, and Hedong. Because of his connection with Yan Song, the infamous Grand Secretary, Yan Maoqing has been portrayed as a corrupt and greedy minister, and has made an ideal scapegoat. But as Ray Huang pointed out, most of the accusations against Yan Maoqing’s salt policy were ungrounded or incorrect.<sup>51</sup> As the special envoy in charge of five salt administrations, Yan Maoqing was under tremendous pressure to generate as much revenue as possible, as soon as possible, and therefore he was desperate. Out of this desperation the plan for “river salt” was born.

It is easy to understand Yan Maoqing’s intention, but less so his strategy. In 1561, he reported that 1,513,221 *yin* of salt had accumulated in the Yizhen and Huaian Salt-control Stations, where it waited to be weighed and cleared. He reckoned that this huge stockpile of salt, equivalent to 18 allotments in Huainan and six in Huaibei, would yield 1,011,136 taels of surplus-salt silver. If this salt were processed as usual, it would have taken 2.25 years in Yizhen and 1.5 years in Huaian to clear all 24 allotments. Since Lianghuai had been submitting 600,000 taels of surplus-salt silver to the Ministry of Revenue annually, Yan Maoqing would have gotten no credit for generating one million taels in about two years, so the one million taels he promised must have been in addition to the usual 600,000 taels a year. There were only three possible ways to achieve his goal: to increase the number of allotments processed; to increase the number of sacks weighed and cleared in each allotment, which was what Pang Shangpeng would try in 1568; and to simplify the weighing and clearing procedure, which was what Yan Maoqing attempted.<sup>52</sup>

50 *MSL* Shizong, 502:2a–3a, 8299–8301; 515:5a–7a, 8464–8467; *DMHD*, 34:13b, 623.

51 Ray Huang, *Taxation and Governmental Finance*, 208–209.

52 Assuming that Yan Maoqing followed the surcharge scheme of 1553, i.e., 0.70 and 0.50 taels for 265 catties of surplus salt per Huainan and Huaibei certificate, respectively, then about 70,701 *yin* were to be cleared in each of the 18 allotments in Huainan and 40,098 in

Hitherto, salt had been collected from saltern households, packed into sacks, and shipped to the field office, where it was unloaded into a storage yard and given an allotment number by the Salt Police. From the storage yard, the salt was shipped to the Salt-control Station, a checkpoint where the salt would be weighed and packed according to its allotment number. Only when the salt had been cleared could merchants ship it to designated markets.<sup>53</sup> Even under the most ideal circumstances, the process of shipping salt out of the saltern, unloading it into storage yards, shipping it again to the Salt-control Station, and then weighing and clearing it, took considerable time. If the government printed too many salt certificates and “blocked the *yin*”, the cumbersome process of weighing and clearing the salt worsened the problem. Yan Maoqing in 1561 and Pang Shangpeng in 1568 observed that it took four to five years for salt merchants to have their salt weighed and cleared through the checking stations, but as early as 1517 a memorial mentioned “the rich and powerful, and evil merchants” who jumped the queue.

By this time the salt administration had accepted that there were two groups of salt merchants: the frontier merchants [*bianshang*] and the interior merchants [*neishang*]. The ideal of the grain-salt exchange was that the same merchant would conduct both parts of the exchange, but given the distances, time frame, and costs involved, this was impractical. Ray Huang estimated that it took two years for a merchant to complete a transaction “even under the most ideal conditions”;<sup>54</sup> as mentioned above, weighing and clearing alone were more likely to take four or five years. In reality, it took two different groups of merchants to conduct the grain-salt exchange. Frontier merchants specialized in delivering grain to the frontier; interior merchants specialized in redeeming certificates and drawing salt. The frontier merchants, having delivered grain to border garrisons, sold their granary receipts and group certificates to the interior merchants, who used them to apply for salt certificates. Sometimes frontier merchants would apply for their salt certificates and then sell them to interior merchants to recoup their investment. Exchanges of these

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each of the six in Huaibei, in order to achieve his goal of clearing 1,513,221 *yin* and collecting 1,011,136.10 taels of surplus-salt silver, and it would have taken 2.25 and 1.5 years for the Yizhen and Huaian Salt-control Stations to process the 18 and 6 allotments, respectively.

53 For Huainan salt, the storage yard was east of the Yangzhou Customs House, and the Salt Police Office on the Baita River. For Huaibei salt, the storage yard was north of the Zhijia River, and the Police Office was at Andong. See Lianghuai Salt-control Censor Lan Zhang's memorial dated 1517 in Chen Renxi 陳仁錫, *Huang Ming shifalu* 皇明世法錄 [A Record of the Political System of the Imperial Ming], 29:12a–12b.

54 Ray Huang, *Taxation and Governmental Finance*, 195.

paper instruments took place both in the north, in locales like Taiyuan, the hometown of many frontier merchants, as well as in salt administration cities like Yangzhou. It is not clear when this division of labor began but it had caught the government's attention by the late fifteenth century.<sup>55</sup> The government seemed to accept the situation, ignoring its own earlier regulations against alienation of the paper instruments and their holders.

Surviving archives have little to say about early interactions between frontier and interior merchants, but it is clear that by the 1560s the two groups had become bitter enemies. Frontier merchants accused interior merchants of buying their granary receipts and salt certificates at rock-bottom prices, cutting their profit margins to the bone. Interior merchants cried foul and saw themselves as victims too, since they were the ones who had to pay the surcharge in advance and then endure the interminable delays for weighing and clearing. While increasing delays in the redemption process no doubt exacerbated the hostility between them, the frontier merchants fared worse in the transaction. Since they had already spent money and time delivering grain, they needed to sell their certificates to stay in business, and the interior merchants were the only buyers. The frontier merchants had to accept whatever prices the interior merchants offered. The only way out of their bind was to use the salt certificates themselves instead of selling them. Yan Maoqing, who was looking for a group of merchants eager to draw salt and pay the surcharge, devised a strategy that would pit the two groups of merchants against each other.<sup>56</sup>

The river-salt certificates were for frontier merchants only. Yan Maoqing ordered that river salt be shipped directly from the salterns to the Salt-control Stations for weighing and clearing, bypassing the storage yards. Since this salt

55 Ray Huang, *Taxation and Governmental Finance*, pp. 206–207.

56 Both the summary of Yan Maoqing's memorial in the *MSL* and its corresponding entry in the *DMHD* give the impression that Yan Maoqing had the 1.5 million salt sacks immediately weighed and cleared, and in neither was there a word about river salt. See *MSL* Shizong, 501:2b–3a, 8276–8277; *DMHD*, 32:11a, 594. From these sources we do not know if Yan Maoqing was simply demanding unprecedented efficiency from the Salt-control Stations, or if he was devising a new procedure, or what river salt was. Fortunately, a letter by Pang Shangpeng to a colleague in 1568, and two later entries in the *MSL*, dated 1567 and 1580, gave a clearer picture of what Yan Maoqing had done in 1561. See Pang Shangpeng, “Da Wang Zongzhi lun tunyan shu 答王總制論屯鹽書 [A Letter in Reply to Governor-General Wang on Military Farming and Salt Administration]”, in *Baiketing zhaigao* (1599 edition), juan shang, 10b–11b, in *SKCM* ji, vol. 129:258. Also See *MSL* Muzong, 6:13b–14b, 184–186; Shenzong, 78:8a, 1687. The latter was a memorial of Lianghuai Salt-control Censor Dong Guangyu. A complete version is available in Chen Renxi, *Huang Ming shifalu*, 29:44a–46b.



was shipped along the river straight to the Salt-control Station, it was known as the river salt. Once the frontier merchants' river-salt reached the Stations, it jumped the allotment queue to be weighed and cleared, and its surplus-salt silver collected.

Meanwhile, interior merchants had to follow the old procedure, and must have been outraged to see frontier merchants jumping the queue at their expense. In launching the river-salt certificate, Yan Maoqing probably hoped that the surplus-salt silver for river salt could be collected along with that for principal salt; in this way he could reach his goal of generating one million taels in addition to the usual 600,000. Officials criticized Yan Maoqing for flooding the market with river salt and sending the price of salt plummeting. But even if he was aware of the problem, it is doubtful he had other options.

Yan Maoqing's river-salt plan lasted longer than the cost-paid salt plan. Not until 1578 was river salt abolished, outlasting Yan's single year in office, as well as the terms of several of his successors.

### Pang Shangpeng's Reform in 1568

The downfall of Yan Song and the clique to which Yan Maoqing belonged, was followed soon after by the death of the Jiajing emperor.<sup>57</sup> With the enthronement of the Longqing emperor, Pang Shangpeng was appointed as yet another special envoy to the salt administration, for another short term of office. Pang Shangpeng's reform, which would be the last serious reform attempt before 1617, had even less impact than that of Yan Maoqing. However, his memorials provide us with valuable information about the interaction between the frontier and the interior merchants, and the actual operation of the Lianghuai Salt Administration in the 1560s.

The situation in Lianghuai had not changed much in the intervening seven years. Millions of salt sacks were stockpiled in the storage yard and it took four to five years for a merchant to draw salt.<sup>58</sup> Like Yan Maoqing, Pang was under pressure to clear the backlog and generate salt revenue quickly.<sup>59</sup> As special

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57 Yan Song was dismissed from the post of Grand Secretary in 1562, his son Yan Shifan was executed in 1565, and the Jiajing emperor died in 1566. Yan Maoqing was exiled in 1567; see *MSL* Muzong, 3:9b, 80.

58 Pang Shangpeng, "Da Wang Zongzhi lun tunyan shu", in his *Baiketing zhaigao*, juan shang, 10b–11b, in *SKCM* ji, vol. 129:258.

59 Yan Maoqing was in charge of reform in five Salt Distribution Commissions; Pang Shangpeng, three. Pang's appointment started in the second month of the second year



envoys from the capital, both men had been granted the authority to make reforms, but lacked the expertise and manpower to enact them. While Pang Shangpeng's sympathies were with the frontier merchants, he did not give them priority in drawing salt. Instead, he had the river-salt certificates abolished and in their place established what he thought was a fair framework for exchange between the two merchant groups.

Pang Shangpeng's reform addressed two interrelated problems: the backlog of salt certificates and the hostility between interior and frontier merchants, both of which had worsened since the river-salt certificates. In a letter to a colleague, Pang Shangpeng wrote that when the river-salt certificate was first initiated, half of the allotments in weighing and clearing had been reserved for them. In Yizhen Salt-control Station, four of the eight annual allotments were reserved for Huainan river salt. Later, under pressure from interior merchants, these allotments were reduced from four to three.<sup>60</sup> But the damage had been done. Because of the river-salt certificate, an interior merchant had to wait for eight years to get his salt shipped out of the Yangzhou warehouse to be weighed and cleared in Yizhen Salt-control Station, double the time previously needed. Partly as a gesture of protest and partly out of real hardship, interior merchants had refused to buy salt certificates from frontier merchants. This left frontier merchants with no choice but to draw salt through the three allotments annually reserved for river-salt certificates, leading to a queue for river salt as long as that for interior merchants' principal salt. Worse still, lacking the capital to pay the surplus-salt silver, as well as connections in and familiarity with the Yangzhou milieu, they became easy targets for usury and fraud. The feud between frontier and interior merchants had reached a point where violent assaults erupted on the street and even during official hearings.<sup>61</sup> It was in this charged atmosphere that Pang Shangpeng launched his reform.

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of Longqing (1568). He arrived at Yangzhou in the fifth month, and by the tenth month he had already left Yangzhou for an investigative tour to nine northern frontier garrisons for the purpose of reforming grain-salt exchange. See *MSL* Muzong, 17:14b–15a, 486–487; 46:6b–7a, 1154–1155; Pang Shangpeng, *Baiketing zhaigao* 2:1a, 14a, in *SKCM* ji, vol. 129:137, 143.

60 Pang Shangpeng did not mention the reduction of allotments for Huaibei river-salt. See his “Da Wang Zongzhi lun tunyan shu”, in his *Baiketing zhaigao*, juan shang, 10b–11b, in *SKCM* ji, vol. 129:258.

61 Pang Shangpeng, “Da Wang Zongzhi lun tunyan shu”, in his *Baiketing zhaigao*, juan shang, 10b–11b, in *SKCM* ji, vol. 129:258.

TABLE 2.3 *Pang Shangpeng's two-step plan for clearing the backlog of salt certificates in 1568*

	Old plan	New Plan I	New Plan II
Huainan	73,000 × 8	85,000 × 8	104,000 × 8
Huaibei	50,000 × 4	55,000 × 4	70,000 × 4
Total <i>yin</i> redeemed	784,000	900,000	1,112,000
Catty/ <i>yin</i>	550	550	485
Total salt needed (catty)	431,200,000	495,000,000 (+14.80%)	539,320,000 (+8.95%)

Source: Pang Shangpeng, *Baiketing zhaigao*, 2:40a–b.

To clear the backlog of salt certificates, Pang Shangpeng first increased the number of salt sacks weighed and cleared in each allotment, and reduced the surplus salt per certificate by 65 catties, from 265 to 200. A sack of salt, now known as small salt [*xiaoyan*] because it weighed less, would weigh 485 catties, in which 285 were principal salt and 200 surplus salt. The surplus-salt silver was proportionally reduced by 0.175 taels, to 0.525 and 0.375 per Huainan and Huaibei certificate, respectively.<sup>62</sup> Since each sack contained less salt, more sacks could be weighed and cleared with the same stock of salt. Consequently Pang Shangpeng further increased the number of salt sacks weighed and cleared in each allotment. In this way Pang Shangpeng claimed that the salt certificates redeemed annually in Lianghuai could be increased from 784,000 to 1.1 million. Although less surplus-salt silver would be collected per sack, the loss would be more than compensated for by the benefits of clearing the backlog and collecting more of the surcharge in total.

Pang Shangpeng's plan had two weaknesses. First, even with less salt per sack, he needed more salt than he had in stock to meet his goal, and it would have had to come from saltern households (see Table 2.3). The demand was

62 See Pang Shangpeng's "Qingli yanfa shu", in his collected works, *Baiketing zhaigao*, 2:37a–b, in *SKCM* ji, vol. 129:155. Note that *MSL*, *HMJSWB*, and *Baiketing zhaigao* recorded the new surplus-salt silver per Huaibei certificate as 0.373 taels. However, in both Wang Shen and Huang Guoyong's plan in 1553 and Zhang Jiugong's plan in 1558, the surplus-salt silver per Huaibei certificate was 0.50 taels. Since Pang Shangpeng reduced it by 0.175, the new surcharge should be 0.375, not 0.373. Ma Wenwei's memorial in 1570 is correct in quoting the Huaibei surcharge as 0.375 taels; see Chen Renxi, *Huang Ming shifalu*, 29:43a.

probably not met, for nowhere in his memorial did Pang explain how more salt could be dunned from saltern households except by enforcing household registration more strictly (making sure every *ding* was registered, for instance) and suppressing contraband. If these solutions had been feasible, they would already have been enacted. Second, since merchants had to buy less surplus salt per *yin*, there would be less surplus-salt silver for saltern households. A cut in this major source of income would drive saltern households into contraband. Pang Shangpeng did not address either of these problems.

To ease tension between interior and frontier merchants, Pang Shangpeng decided to abolish the river-salt certificate. Below is the price scheme he set up in its place (see Table 2.4).

In using the term “*yin* price” [*yinjia*], Pang was actually referring to three types of bills sold by the frontier merchants to the interior merchants: the salt certificate; the bill to apply for salt certificates, or granary receipt [*cangchao*]; and the group certificate [*daosi kanhe*]. The difference in their prices was based on their relative priority in drawing salt. Since salt certificates could be used directly to draw salt, they were the most valuable, at 0.90 and 0.80 taels per Huainan and Huaibei certificate, respectively. The granary receipt was priced at 0.80 and 0.70 taels for Huainan and Huaibei, respectively. The group certificate, which was used to apply for the granary receipt, was the least valuable, at 0.70 and 0.60 taels for Huainan and Huaibei.<sup>63</sup>

TABLE 2.4 *Pang Shangpeng's new price scheme for exchange between frontier and interior merchants in 1568 (tael/yin)*

	Huainan	Huaibei
Salt certificate [ <i>yin</i> ]	0.90	0.80
Bill for application of salt certificate [ <i>qizhi guanyin</i> ]	0.80	0.70
Group certificate [ <i>daosi kanhe</i> ]	0.70	0.60

Source: Pang Shangpeng, *Baiketing zhaigao*, 2:53b–54a.

63 Pang Shangpeng, “Qingli yanfa shu”, *Baiketing zhaigao*, 2:48b–50a, in *SKCM ji*, vol. 129:160–161.

To implement his new price plan, Pang Shangpeng proposed to set up a budget of 200,000 taels. If frontier merchants had trouble selling their salt certificates to interior merchants, the administration would buy them for the prices announced; if interior merchants wanted to buy certificates from the administration, they would also pay that price. Once again, the silver to finance the plan was expected to come from various fines. As well, Pang Shangpeng ordered that all interior merchants be registered. Only those who were properly registered and holding new salt certificates could draw salt and queue up for weighing and clearing.<sup>64</sup>

Despite his good reputation, Pang Shangpeng brought little change to the Lianghuai salt trade. When Li Xueshi, the Salt-control Censor in 1570, reported that in two years of the small-salt certificate, the number of certificates redeemed had been 300,000 less than under the old plan, Pang Shangpeng's plan was abandoned. The 1549 plan was resumed: a sack of salt was to weigh 550 catties, of which 285 were principal salt and 265 surplus salt, costing 0.70 and 0.5012 taels per Huainan and Huaibei certificate, respectively.<sup>65</sup> Meanwhile, the river salt, although abolished by Pang Shangpeng, remained in existence; river salt had to be abolished again in 1578.<sup>66</sup> The backlog of salt certificates and the enmity between frontier and interior merchants continued unabated until 1617, when the grain-salt exchange was brought to an end.

### All Because of Silver

In the sixteenth or "silver" century, corvée labor declined and payment in silver took its place in taxation. For over four decades in the sixteenth century, the Ministry of Revenue did its best to secure, if not increase, its silver revenue from Lianghuai, in the name of the "surplus-salt silver". With hindsight, the reason is only too obvious: salt revenue was simply too important for the Ministry. According to Ray Huang, starting from the second half of the sixteenth century, annual revenue to the Ministry of Revenue was maintained at the level of about four million taels, and between one to two million of which was contributed by salt administrations throughout the empire.<sup>67</sup> The six

64 Pang Shangpeng, "Qingli yanfa shu", *Baiketing zhaigao*, 2:50a–b, in *SKCM* ji, vol. 129:161.

65 *MSL* Muzong, 49:7a–b, 1225–1226; also see Ma Wenwei's memorial of 1570, in Chen Renxi, *Huang Ming shifalu*, 29:43a–44a.

66 *MSL* Shenjong, 87:8a, 1687; Chen Renxi, *Huang Ming shifalu*, 29:44a–46b.

67 Ray Huang, *Taxation and Governmental Finance*, 214–215, 268.

hundred thousand taels of “surplus-salt silver” submitted annually from Lianghuai was therefore too lucrative to let go.

The government’s reforms of the Lianghuai Salt Administration were aimed at securing salt revenue in silver. The government also had to balance the amount of salt it could push into the market with the speed at which it processed the weighing, checking, and packing of salt. Its attempts to maintain this balance by creating more categories of certificates had the unintended consequence of fuelling speculation. As long as the government tried to maintain a monopoly, it had to find ways to coexist with the market, and such measures had to be constantly updated.

Salt merchants were by now divided into two hostile groups: frontier merchants who delivered grain and interior merchants who purchased salt certificates and drew salt. From these latter would come the wealthiest merchants in seventeenth-century China, and the driving force behind the salt trade. They would bring the government to the negotiation table in 1617 and completely change the salt trade, as the next chapter will show.

The question remains as to whether the use of silver in the salt administration had a demonstrable impact on the expansion of credit markets. Since the salt certificate resembled a national debt, it follows that monetizing its exchange would facilitate the circulation of money and credit. Unfortunately, surviving archives are mostly silent on this issue. The fifteenth century ban on pawning salt certificates did show that the salt certificate was used as a paper instrument in a private credit market. By the late sixteenth century, long delays in the redemption process set an even higher threshold of capital for any merchant who dared to try his luck in the salt trade, a threshold that would have enhanced or necessitated the development of a credit market. In spite of the absence of detailed records, the next chapter will estimate the capital scale and trade volume of the speculation in salt certificates.

#### **Appendix: The Use of Currency in the Grain-salt Exchange, 1374–1487**

According to the Ming Veritable Records, from 1374 to 1465, or almost a century, there were only 13 cases in which currency (gold, silver, copper cash, or paper currency) was used in the grain-salt exchange, about one case every seven years. True to its name, the grain-salt exchange remained a form of barter between grain and salt.

- (1) In 1374, four years after the grain-salt exchange system was formally launched in Shaanxi and Henan, merchants were found delivering silver

or copper cash, instead of grain, to Pingyang for the exchange.<sup>68</sup> No details about the exchange rate of silver or copper cash are available, but there is no doubt that the government permitted it.

- (2) In 1375, the government invited merchants to deliver grain and silver to Guangxi in return for salt in Guangdong. It ruled that one large *yin* (400 catties) of Haibei salt would be paid for every 4.50 taels of silver and 3.30 *shi* of rice delivered to Guilin Prefecture of Guangxi; and one large *yin* of salt from salterns in Guangzhou Prefecture would be paid for every 5.50 taels of silver and 4.50 *shi* of rice delivered to Guilin Prefecture.<sup>69</sup>
- (3) In 1404, the government permitted merchants to deliver paper currency in return for Fujian, Shandong, and Guangdong salt. It ruled that one *yin* of Fujian or Shandong or Guangdong salt would be paid for every 50 *guan* of paper currency delivered.<sup>70</sup>
- (4) In 1415, the government ruled that 30 *yin* of Jiaozhi (present-day Vietnam, then a newly conquered territory) salt would be paid for one tael of gold, and three *yin* for one tael of silver or 2,500 copper cash delivered.<sup>71</sup>
- (5) In 1416, to maintain an adequate supply of salt for military and government personnel in Beijing, the newly established capital, the government purchased salt from Changlu, the nearest saltern area, at the price of one *guan* of paper currency for one catty of salt.<sup>72</sup>
- (6) In 1424, during the last days of the Yongle reign, the government launched a large-scale exchange between salt and paper currency: one

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68 *MSL* Taizu, 95:2a–b, 1643–1644.

69 Combining currency and grain was a distinctive feature of the grain-salt exchange between Guangxi and Guangdong. The practice was continued for at least two decades. *MSL* Taizu, 96:2b, 1652. In 1396, the government offered a discount in the grain-salt exchange between Guangxi and Guangdong, the new rate being one *shi* of rice and five *guan* of paper currency, instead of two *shi* of rice and three *guan* of paper currency. See *MSL* Taizu, 246:3b, 3572. I do not count this as an independent case of using currency in grain-salt exchange because it differs from the case in 1374 only in the exchange rate.

70 The archives did not specify as to where the paper currency should be delivered, to the border granaries or the salt administration. However, since it was noticed that Guangdong merchants took advantage of the low exchange rate, it is very likely that merchants paid paper currency to the three salt administration offices. Initially, the exchange rate for Guangdong salt was cheaper: one *yin* for 30 *guan*. Three months later, seeing that the exchange was popular, the government raised the exchange rate to 50 *guan*. See *MSL* Taizong, 33:7b, 588, 36:3a, 623.

71 *MSL* Taizong, 163:3a, 1847.

72 *MSL* Taizong, 178:5a, 1945.

*yin* of Changlu salt in return for 300 *guan* of paper currency; for Hedong salt, 150 *guan*; and for Fujian or Guangdong salt, 100 *guan*.<sup>73</sup>

- (7) In 1429, the government wrote off all salt certificates issued before 1402 with the compensation of 100 *guan* of paper currency per *yin*.<sup>74</sup>
- (8) In 1440, the government again offered to write off salt certificates issued during the Hongwu era for 150 *guan* per *yin*.<sup>75</sup>
- (9) In 1449, the government permitted soldiers and commoners in Yongping county of Yunnan to deliver silver to the Jinchi Guard granary in return for Wujing salt, at the rate of three taels per *yin*.<sup>76</sup>
- (10) In 1450, to increase grain storage in Guilin, the provincial city of Guangxi, the government invited merchants to pay silver in return for salt, the rate being 0.45 tael for one *yin* of Lianghuai salt, 0.35 for that of Liangzhe, and 0.50 for that of Xianquan in Sichuan.<sup>77</sup>
- (11) In 1451, to ease grain shortages in Guizhou, the government invited merchants to deliver silver to the Nanjing Ministry of Revenue, at the rate of 0.45 tael for one *yin* of salt of Lianghuai, or 0.35 for that of Liangzhe.<sup>78</sup>
- (12) In 1452, the government launched a sale of 100,000 *yin* of Lianghuai salt, for one tael per *yin*. The sale took place in Yizhen, the major port on the lower Yangzi River. From here salt from Southern Huai (Huainan) was shipped to designated markets along the middle and upper reaches of the Yangzi River.<sup>79</sup>
- (13) In 1457, the government invited merchants to deliver silver to Datong. For every tael of silver, merchants were promised ten *yin* of salt from Hedong, Guangdong, or Haibei; or eight *yin* of salt from Shandong; or twelve *yin* of salt from Fujian.<sup>80</sup>

However, during the 22 years of the Chenghua era, there were 28 cases of currency, mainly silver, being used in the grain-salt exchange. The use of silver in the grain-salt exchange was intensified during this period, at the rate of 1.27 case per annum, in sharp contrast to the pre-Chenghua era. For an analysis of the cases, see the table below.

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73 MSL Renzong, 2i:2a–b, 39–40.

74 MSL Xuanzong, 55:4a–b, 1313–1314.

75 MSL Yingzong, 63:9a–b, 1211–1212.

76 MSL Yingzong, 179:3a–b, 3455–3456.

77 MSL Yingzong, 194:11b, 4090.

78 MSL Yingzong, 205:5a, 4391.

79 MSL Yingzong, 306:4b–5a, 6450–6451.

80 MSL Yingzong, 283:1a–b, 6071–6072.

Nature	Case number	Number
Cases in which merchants were allowed to buy salt or salt certificates at the salt administration offices with silver, or in which the government wrote off salt certificates with paper currency	(2), (3), (5), (6), (7), (8), (9), (10), (11), (13), (14), (15), (17), (18), (20), (21), (22), (23), (24), (25), (26), (28)	22
Cases in which merchants were allowed to deliver silver to frontier granaries as an alternative to grain	(1), (4), (12), (16), (19)	5
Case in which it is unclear where merchants were supposed to pay silver	(27)	1

### Summary of the 28 cases:

- (1) In 1464, the Ming government reduced the exchange rate of grain for salt in order to attract more grain delivery. Merchants were also allowed to pay silver, the exchange rate being 0.5 taels per *yin* of Lianghuai salt.<sup>81</sup>
- (2) In 1466, to provide urgent relief for famine in Fengyang, the government sold 20,000 *yin* of salt in Lianghuai for silver. Unfortunately, details of the price are unavailable.<sup>82</sup>
- (3) In 1470, to ease a grain shortage in Huguang, the government sold 50,000 *yin* of Lianghuai salt at Yizhen for silver. Again, price details are unavailable.<sup>83</sup>
- (4) In 1471, to provide urgent relief for famine in the Northern Metropolitan Area and Shaanxi, the government launched a grain-salt exchange programme with 500,000 *yin* of Changlu salt at stake. Apart from delivering grain, merchants were also allowed to deliver silver at the rate of 0.30 taels per *yin*. By the end of the year the government cut the rate to 0.25 taels per *yin*.<sup>84</sup>
- (5) Again in 1471, to provide relief for famine in the Northern Metropolitan Area, the government appropriated 30,000 taels from the Lianghuai Salt Distribution Commission to Hejian Prefecture. No details of price are

81 *MSL Xianzong*, 11:11b, 250.

82 *MSL Xianzong*, 28:2b–3a, 554–555.

83 *MSL Xianzong*, 79:13b–14a, 1552–1553.

84 *MSL Xianzong*, 99:6b–7a, 1896–1897.



given, but the sum of silver belonged to a category literally known as “salt-selling silver”, indicating that the Lianghuai Salt Administration had been selling salt for silver.<sup>85</sup>

- (6) In 1473, as part of the effort to provide famine relief, the government decided to sell Shandong salt at the rate of 0.15 taels of silver per *yin*. Meanwhile, half of 2.16 million *yin* of Changlu salt was also put up for sale for silver; unfortunately, we again lack details about the price.<sup>86</sup>
- (7) In 1474, Wang Chen, the Salt Censor for Hedong, observed that one *yin* of Hedong salt could be sold at almost 0.20 taels of silver at the Hedong salt administration office whereas the price for Hedong salt in frontier region was 0.05 taels per *yin*. To earn higher profits, he proposed to sell Hedong salt directly at the salterns for silver.<sup>87</sup>
- (8) In 1475, the government ordered the two Salt Control Stations in Changlu to sell 1,600 *yin* of salt for silver. The stock of salt was formed by purchasing surplus salt from saltern households or confiscating illegal salt. The government also ordered that the sale be made a constant practice and the silver thus earned should be delivered biannually.<sup>88</sup>
- (9) In 1476, two years after a recent grain-salt exchange with 420,000 *yin* of salt at stake, the Ming government was frustrated by the fact that only the Lianghuai salt certificates were subscribed. The government then decided to sell the unsubscribed salt certificates at their Salt Distribution Commissions for silver. Unfortunately, no details of price are given except for the government's estimate that the silver thus earned would double that obtained through the previous grain-salt exchange.<sup>89</sup>
- (10) In 1478, frustrated by the cool response to its grain-salt exchange in Datong, the government decided to sell most of the Changlu and Hedong salt certificates for silver. No details about price are given.<sup>90</sup>
- (11) Again in 1478, in an urgent effort at famine relief, the Ming government decided to sell an extra amount of salt certificates at various Salt Distribution Commissions for silver. The target was to raise 200,000 taels through the sale but no details about the number and price of the salt certificates are given.<sup>91</sup>

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85 *MSL* Xianzong, 96:3b–4a, 1834–1835.

86 *MSL* Xianzong, 115:3b, 2228.

87 *MSL* Xianzong, 128:1b–2a, 2434–2435.

88 *MSL* Xianzong, 140:1a, 2609.

89 *MSL* Xianzong, 158:4a, 2891.

90 *MSL* Xianzong, 179:1b, 3216.

91 *MSL* Xianzong, 181:5b, 3260.

- (12) Again in 1478, the government invited merchants to deliver grain to Guangxi in return for Guangdong and Haibei salt; the salt certificates at stake amounted to 140,000 *yin*. Merchants were allowed to pay silver instead of delivering grain but no details about the exchange rate are given.<sup>92</sup>
- (13) In 1479, to provide relief for famine in Huguang, the government sold 110,000 *yin* of Lianghuai and Liangzhe salt for silver.<sup>93</sup>
- (14) In 1480, the Ministry of Revenue sold 100,000 *yin* of “regular stock” salt and 200,000 *yin* of “reserve stock” salt in Lianghuai at the rate of 1.30 taels per *yin*. This was part of the government’s effort to improve its finances.<sup>94</sup>
- (15) Again in 1480, the emperor ruled that Jiang Yu, a eunuch who had earlier been permitted to buy 20,000 *yin* of Lianghuai salt, should do so at the rate of 0.90 taels per *yin*. Xu Ying, another eunuch, was not so fortunate, as his request to buy 20,000 *yin* of Lianghuai salt was denied because of opposition from the Minister of Revenue.<sup>95</sup>
- (16) Again in 1480, the government invited merchants to deliver grain to Huguang in return for Lianghuai and Liangzhe salt. At stake were 300,000 *yin*. Merchants were allowed to deliver grain or silver. For “regular stock” salt, the rate was 0.25 taels for Lianghuai and 0.25 for Liangzhe; for “reserve stock” salt, the rate was 0.40 for Lianghuai and 0.30 for Liangzhe.<sup>96</sup>
- (17) Again in 1480, the government wrote off all salt certificates issued before 1464 with a compensation scheme of 150 *guan* of paper currency per *yin*. The scheme was not compulsory, though, as those who preferred to wait to draw salt were allowed to do so. Three years later, the government revised its compensation scheme: salt certificates of Lianghuai were to be written off at the compensation rate of 150 *guan* per certificate; those of Liangzhe, Guangdong, Sichuan and Yunnan, 125; and those of Hedong, Changlu, Fujian, and Shandong, 100.<sup>97</sup>
- (18) Again in 1480, the government appropriated 50,000 taels of silver from “salt-selling silver” to the Liaodong frontier garrison to ease a grain shortage. Like case (5), this shows that the government had been selling salt for silver.<sup>98</sup>

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92 MSL Xianzong, 182:8a, 3293.

93 MSL Xianzong, 189:1b–2a, 3362–3363.

94 MSL Xianzong, 199:5a–b, 3499–3500.

95 MSL Xianzong, 200:2a, 3507; 201:2b, 3526.

96 MSL Xianzong, 204:7b, 3574.

97 MSL Xianzong, 206:1b, 3592; 243:4a–b, 4103–4104.

98 MSL Xianzong, 208:6a–b, 3629–3630.

- (19) In 1481, the government promulgated a new silver-salt exchange scheme for Lianghuai salt in order to increase grain storage in granaries in Huaian, Fengyang, and Xuzhou. At stake were nearly 100,000 *yin*. The rate was 0.35 taels of silver per *yin* of “regular stock” salt, 0.90 per *yin* of surplus salt, and 0.50 per *yin* of “reserve stock” salt. Note that for salt of both “regular” and “reserve” stocks, merchants were also allowed to deliver grain. For surplus salt, however, only silver was allowed.<sup>99</sup>
- (20) In 1481, realizing that its sale of 1,400,000 Changlu salt certificates, at the rate of 0.30 taels of silver per *yin*, was being met with a lukewarm response, the government compromised by providing a discount: 0.22 taels per *yin* for certificates issued between 1440 and 1464; and 0.25 for those between 1465 and 1476.<sup>100</sup>
- (21) In 1482, an official blamed merchants for sabotaging the grain-salt exchange in Xuanfu and Datong with more than one million *yin* of Hedong and Lianghuai salt at stake. He suggested that the government should sell the salt certificates directly at the two salt administration offices for silver.<sup>101</sup>
- (22) Again in 1482, Shaanxi Governor Ruan Qin noted that in previous grain-salt exchanges at Shanxi frontier granaries, Lianghuai salt had been subscribed but Liangzhe salt received a lukewarm response. The reason, he believed, was that the rate for Liangzhe salt was too expensive. He suggested that the government should sell Liangzhe salt directly at the salt-erns for silver as prices for both “regular” and “reserve” stock salt certificates were 50 percent higher there than in Shaanxi. In this way the government could hopefully earn more.<sup>102</sup>
- (23) In 1484, to ease grain shortage in Liaodong, the government sold Guangdong and Fujian salt for silver. The sources tell us nothing about price.<sup>103</sup>
- (24) In 1484, adopting the proposal of Zhang Lun, a Director in the Ministry of Revenue, the government sold 740,000 *yin* of Liangzhe salt and 1,200,000 *yin* of Lianghuai salt at the two salt administration offices for silver.<sup>104</sup>
- (25) In 1485, to provide relief for famine in Shandong, the government sold 1,425 *yin* of surplus salt for silver at various Salt Control Stations under the Shandong salt administration.<sup>105</sup>

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99 MSL Xianzong, 212:1a–b, 3685–3686.

100 MSL Xianzong, 221:1a–b, 3813–3814.

101 MSL Xianzong, 223:3a–b, 3839–3840.

102 MSL Xianzong, 225:7b, 3870.

103 MSL Xianzong, 249:2a, 4213.

104 MSL Xianzong, 258:6n, 4364.

105 MSL Xianzong, 264:3b, 4476.

- (26) In 1485, to provide famine relief for Shanxi and Shaanxi, the government sold all unsubscribed salt certificates issued since 1465 at various Salt Distribution Commissions for silver. The silver was to be sent to the Ministry of Revenue.<sup>106</sup>
- (27) Again in 1485, the Shaanxi governor invited merchants to deliver horses or silver in return for salt in Shaanxi. To deliver silver, the rate was 0.18 taels per *yin*.<sup>107</sup>
- (28) In 1486, with 34,100 *yin* of Yunnan salt at stake, the government invited merchants to deliver silver at the rate of 0.45 taels per *yin*.<sup>108</sup>

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106 MSL Xianzong, 265:6b–7a, 4496–4497.

107 MSL Xianzong, 269:4b, 4548.

108 MSL Xianzong, 280:4a, 4721.

## The Lianghuai Salt Syndicate

On November 9, 1617, Yuan Shizhen, an official from the Ministry of Revenue, arrived in Yangzhou to clear the backlog of salt certificates. He was not the first senior official sent to reform the Lianghuai salt monopoly, nor was the problem new. But he would create the syndicate system [*gangfa*] and change the salt trade irrevocably. The syndicate system, with which his name was associated, would last until 1850, granting hereditary and exclusive rights to trade in salt to wealthy merchants. In exchange, these merchants agreed to pay the salt tax as their hereditary and exclusive obligation. In essence, the Ming government abolished what could have become a market for public credit and turned the Lianghuai salt monopoly into a field for tax farming.

### Redemption Delays

Out of an annual silver revenue of four million taels, the surplus-salt silver from the Lianghuai Salt Administration accounted for 600,000 taels.<sup>1</sup> Since 1522 the government had been surprisingly successful in sustaining this source of revenue, as seen in Chapter Two. Despite corruption and inefficiency, as long as frontier merchants sold their granary notes or salt certificates to interior merchants, who redeemed these certificates for salt, the Ming government could levy the surplus-salt silver tax on every certificate. The Achilles' heel of the salt monopoly was the lag-time between selling the certificates and redeeming them for salt. As long as the government recognized that the salt certificate represented a debt in grain to be paid in salt, it accepted its obligation to deliver the salt. But since it was easier to print salt certificates than to produce salt, the government began over-issuing certificates, which created a

1 Yuan Shizhen 袁世振, "Hubu tixing shi yi shu 戶部題行十議疏 [Memorial by the Ministry of Revenue on Carrying out Yuan Shizhen's Ten-point Proposal]", in his *Lianghuai yanzheng shuli chengbian* 兩淮鹽政疏理成編 [A Comprehensive Record of My Reform of the Lianghai Salt Administration], *HMJSWB*, 474:1a–1b, p. 5203. The *Lianghuai yanzheng shuli chengbian* was a selection of memorials and letters concerning the establishment of the syndicate system. The compiler was none other than Yuan Shizhen himself. It was in turn preserved in *HMJSWB*, vols. 474–477, pp. 5203–5258. Here Yuan mentioned that Lianghuai's contribution was 680,000 taels, but in most Ming officials' memorials, the figure was 600,000.

backlog and caused redemption delays. Prioritizing certificates to allow more recent issues preference was frustrating to earlier buyers, who already had been waiting, as happened with reserve stock salt, cost-paid salt, and river salt certificates. When certificate holders could no longer afford to wait to redeem their certificates for salt, they were forced to sell them to minimize their losses. Some certificate holders went bankrupt, some got rich, and many certificates changed hands, while the government's debt in grain remained, waiting to be honored with salt.

The government's redemption capacity was restricted by the amount of salt it had on hand, and saltern household registration was compromised by the lack of government financing and the influx of merchant capital. It was difficult for the government to maintain its salt production quota, never mind increasing it. By issuing salt certificates without the salt to back them, the Lianghuai Salt Administration created an ever-lengthening redemption queue.

This chapter deals primarily with government measures to clear the queue, and the fundamental changes that occurred as a result.

In hindsight the Ming government either should have refrained from issuing certificates, or increased salt production and improved its delivery system. Instead it chose to tax in advance [*jiezheng* or *yuzheng*],<sup>2</sup> i.e., to collect the surplus-salt silver for certificates not yet redeemed. The old practice was such that the storage yard salt was meant to be drawn by merchants in allotment, so that their certificates could be redeemed and the surplus-salt silver collected. But the government decided to collect the tax on these certificates in advance, before their allotments were due. When all of the storage yard salt had been taxed in advance, the government took to "taxing in advance on empty certificates" [*jiezheng kongyin*], i.e., collecting the surcharge on certificates for which the salt had yet to be loaded into the storage yard.<sup>3</sup>

Lu Bao, the salt tax eunuch in Lianghuai from 1599 until his death in 1612, issued 80,000 salt certificates beyond the annual redemption quota of 705,180.<sup>4</sup> For all his alleged misconduct, Lu Bao did not invent the practice of taxing

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2 Since it took years for merchants to deliver grain to the frontier and then journey to the Salt Administration to apply for certificates, "current" certificates were not those due in the current calendar year. Therefore, when the government taxed in advance, it did not tax certificates due in future years, but certificates that were not backed by any storage yard salt.

3 Zhao Shiqing 趙世卿, *Sinong zouyi* 司農奏議 [Memorials by the Minister of Revenue] (1634 edition), 2:73a–77a, in *XXSK*, vol. 480:168–170, 171–172. An abbreviated version of his first memorial is also available in *HMJSWB*, 411:2b–4b, 4456–4457.

4 Zhao Shiqing, *Sinong zouyi*, in *XXSK*, vol. 480:168.

in advance. In 1586, a decade before he was sent to Lianghuai, the Lianghuai Salt Administration admitted that, for the past three years, it had been taxing in advance to fulfill the annual quota of 600,000 taels of surplus-salt silver.<sup>5</sup> The delay in redeeming certificates was not new, but the practice of taxing in advance was. The 1586 report was the first entry in the Veritable Records of such a practice. By 1599, the same year Lu Bao went to Lianghuai, the Salt Administration had already collected 140,000 taels of surplus-salt silver in advance.<sup>6</sup> By 1602, the figure had risen to 1.4 million.<sup>7</sup>

It is easy to condemn Lu Bao's practice of taxing in advance as short-sighted. However, if the Chinese salt administration in the early twentieth century was still characterized by "simply inefficiency",<sup>8</sup> what would the chance of success have been for the Ming government of the sixteenth century to collect more surplus-salt silver, not by taxing in advance, but by rationalizing salt administration? To tax in advance might be despotic, but it was the least costly option given sixteenth-century institutional constraints, and therefore the most efficient in the short run. Perhaps Lu Bao should be credited for his fiscal shrewdness and not discredited by the simple fact that he was a palace eunuch.

Merchants were said to sustain great losses from being taxed in advance, but the salt monopoly did not immediately break down.<sup>9</sup> On the contrary, from 1586 to 1614, for almost three decades, the Lianghuai Salt Administration successfully taxed in advance. The ability to do so was limited by the size of the backlog in unredeemed salt certificates. Once the entire backlog had been taxed in advance, this source of revenue would be exhausted.

### Hoarders and Speculation

By 1614 the Lianghuai Salt Administration had taxed its entire backlog of unredeemed certificates and could no longer collect the surplus-salt silver in advance. According to Yuan Shizhen's memorial on December 5th, 1616, "[the] salt revenue from Lianghuai has been stopped for two and a half years, already

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5 MSL Shenzong, 175:7b, 3224.

6 MSL Shenzong, 344:5b–6a, pp.6389–6390.

7 MSL Shenzong, 375:3b–4a, pp.7046–7047.

8 Samuel A.M. Adshead, *The Modernization of the Chinese Salt Administration, 1900–1920* (Cambridge, MA: Harvard University Press, 1970), 21. On p. 29 Adshead also thinks that there was "a lack of 'rationalization' in Max Weber's sense."

9 MSL Shenzong, 344:5a–6b, 6389–6392.

leading to a shortage of more than 1.70 million taels.”<sup>10</sup> Yuan blamed the situation on salt certificate “hoarders” [*tunhu*]. Although salt certificate hoarding was implied in earlier memorials, only in Yuan’s 1616 memorial did it become a target of reform.

Taxing in advance was said to be a hardship for merchants, but in fact it reinforced their position vis-à-vis the government. In the fifteenth century, the government routinely issued large numbers of salt certificates. In 1616, having collected the surplus-salt silver tax due on certificates for three decades into the future, the government not only recognized in effect its obligation to provide that salt, but had collected payment in anticipation of meeting it. As the redemption queue grew longer, salt certificates were traded more often, ending up in the hands of those with enough capital to survive the interminable delay, and to redeem them when the price for salt was high. Yuan Shizhen called them “hoarders”, and added that “hoarders were the powerful among the interior merchants.”<sup>11</sup>

How did hoarders speculate on Lianghuai salt certificates? What was the capital scale and trade volume of the market for the salt certificate? No direct evidence, such as merchants’ ledgers, has been found, but Yuan Shizhen’s furious accusations provide important clues. According to Yuan, the official price for a Huainan certificate was 0.85 taels of silver, but hoarders, the wealthy interior merchants, were able to knock it down to between 0.17 and 0.18, the black market price, when buying from frontier merchants, and to sell it at the official price to other interior merchants.<sup>12</sup> For every Huainan certificate, therefore, the hoarders made a profit of nearly 0.70 taels. Yuan Shizhen did not provide data on the black market price of the Huaibei certificate, but he did give a general estimate:

The hoarders annually profiteer from Lianghuai. The 680,000 Huainan salt certificates cost 0.85 taels each; the 220,000 Huaibei certificates cost 1.30 taels each. Of the 900,000 certificates annually redeemed, [the hoarders have] cunningly earned 864,000 taels from the state coffers!<sup>13</sup>

10 Yuan Shizhen, “Hubu tixing shi yi shu”, in *HMJSWB*, vol. 474:1b–2a, 5203.

11 Yuan Shizhen, “Yanfa yi er 鹽法議二 [The Second Proposal on Reforming the Lianghuai Salt Administration]”, *HMJSWB*, vol. 474:17b, 5211.

12 Yuan Shizhen, “Yanfa yi liu 鹽法議六 [The Sixth Proposal on Reforming the Lianghuai Salt Administration]”, in *HMJSWB*, vol. 475:15a–b, 5226.

13 Yuan Shizhen, “Jiantun shanliquan jie 奸國擅利權揭 [Accusation on the Evil Hoarders who Monopolize Profit]”, in *HMJSWB*, vol. 476:21b–22a, 5243.



Compared with the annual total surplus-salt silver of about 600,000 taels, the figure of 864,000 taels sounds impressive, but however “cunning” the hoarders were, their speculation was not without cost. Firstly, to corner the salt certificate market, they had to have amassed a large sum of ready silver, both to purchase certificates from the frontier merchants and to endure the long redemption delay. Yuan Shizhen himself admitted that such a delay could last for ten years.<sup>14</sup> Secondly, Yuan’s figure of 864,000 taels referred to the gross profit margin between official and black market prices. But unlike the official price, which was fixed, the black market price fluctuated: a military campaign might require an urgent grain delivery and lead to issuance of new salt certificates, bringing down the price of old certificates; a policy to bring a new region into the Lianghuai salt consumption area would increase demand and raise certificate prices.

Fluctuating black market prices would certainly increase salt certificate speculation. Although Yuan Shizhen provided no data about the profit (and loss) on the speculation, he did mention a rather sophisticated mechanism known as “false allotment” [*xudan*], through which hoarders began speculating even before the certificates reached their hands:

As for the so-called “false allotment”, initially [the Salt Administration] assigned an allotment number for those merchants who registered. The merchants paid their surplus-salt silver first, and purchased their certificates later. At first the Administration reckoned that since it taxed the salt merchants in advance, it could not order them to purchase the certificates in advance as well. Therefore the Administration permits merchants to delay their purchase. But the merchants have seized this opportunity and wait to purchase the certificates for as long as possible. It is this “false allotment” that leads to the backlog of millions of salt certificates!<sup>15</sup>

By taxing salt certificates in advance, the administration had unwittingly fostered a new and quite sophisticated form of financial speculation. Since the allotment number permitted merchants to postpone their certificate purchase until the price of salt was high, they could use the allotment date as a deadline, and begin speculating even before the certificates were issued.<sup>16</sup> This practice

14 Yuan Shizhen, “Yanfa yi yi 鹽法議一 [The First Proposal on Reforming the Lianghuai Salt Administration]”, in *HMJSWB*, vol. 474:9a–9b, 5207.

15 Yuan Shizhen, “Yanfa yi yi”, *HMJSWB*, vol. 474:11b, 5208.

16 Ibid.

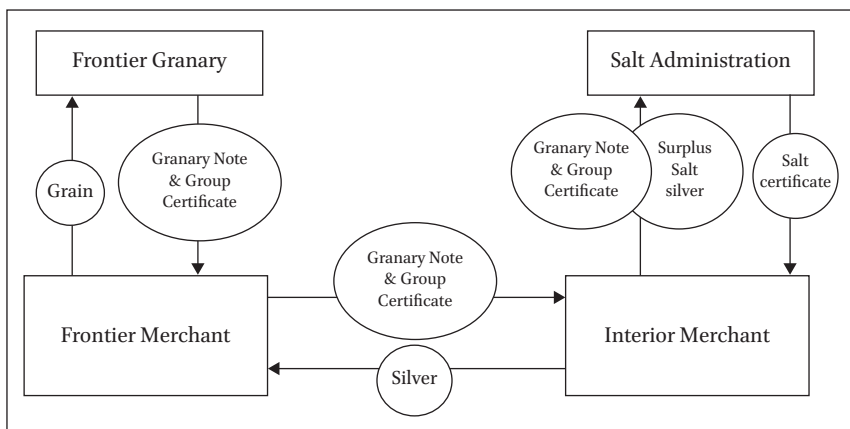


DIAGRAM 3.1 *Precarious partners: frontier and interior merchants in the grain-salt exchange*

was no different from short and long selling of options in the present day. It is also part of the reason why hoarders were able to buy certificates and granary notes from frontier merchants at a low price and sell them later to other interior merchants at full price.

By taxing in advance the administration not only created an ever-lengthening redemption queue, but recognized *de facto* its obligation to honor the salt certificates. The powerful interior merchants who amassed salt certificates and granary receipts were in a position to dictate the pace of the redemption. They could, for example, stop applying for new salt certificates and therefore stop paying surplus-salt silver, so that the administration had to redeem old certificates with whatever salt it had without collecting any more of the surcharge. This is precisely what happened in 1614. (See Diagrams 3.1 and 3.2.)

According to Yuan Shizhen, in 1616, the “current” certificates being redeemed were those that had been due in 1608, while the blocked certificates, which were those held by hoarders, had been due in 1604.<sup>17</sup> The granary notes due between 1611 and 1615, which were equivalent to about 400,000 salt certificates, were still in the hands of frontier merchants and had yet to be sold to hoarders.<sup>18</sup> In other words, a backlog of eight years’ worth of salt certificates had accumulated; thus it would have taken the government eight years to redeem all the old certificates without issuing a single new certificate or

17 Yuan Shizhen, “Yanfa yi er”, *HMJSWB*, vol. 474:13b–14a, 5209.

18 Yuan Shizhen, “Yanfa yi wu 鹽法議五 [The Fifth Proposal on Reforming the Lianghuai Salt Administration]”, *HMJSWB*, vol. 475:2a, 5219.

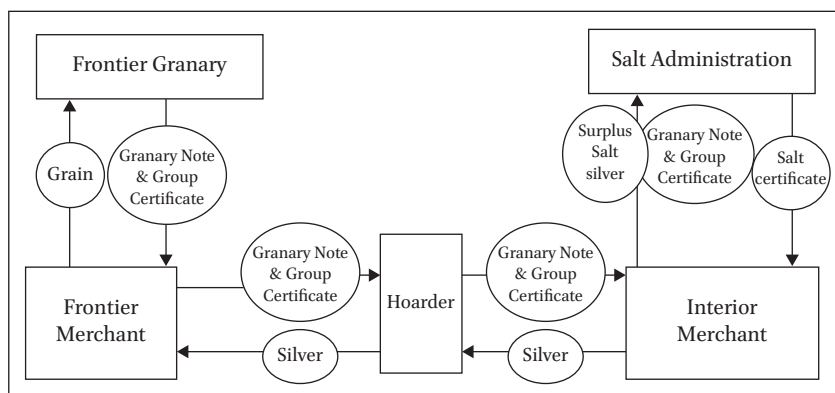


DIAGRAM 3.2 *Frontier and interior merchants at the mercy of "hoarders"*

collecting a single tael of the surplus-salt silver. Yuan Shizhen's primary goal was exactly that: to resume collecting the surplus-salt silver. He regarded hoarders as the major obstacle.

### Yuan Shizhen's Initial Proposal, 1616

Yuan Shizhen's initial memorial, submitted in 1616, contained no less than 50,000 characters and was as complicated as the salt monopoly itself. Less than a year later he would drastically revise these proposals to put forward the syndicate system. Probably for this reason, and because of its formidable length and complexity, Yuan's 1616 memorial has never been thoroughly studied, although it was the basis of the syndicate system. The initial memorial focused clearly on two contradictory targets: the government's obligation to the salt certificate holders, and its need for the surplus-salt silver. In this first memorial, Yuan Shizhen had to combine coercion with concession.

To guarantee the continuous collection of surplus-salt silver, Yuan Shizhen prioritized the redemption of newly issued certificates at the expense of older ones, as Pang Shangpeng had done in 1568 and Li Si in 1489. Yuan Shizhen proposed that "current certificates must be completely redeemed, and blocked certificates redeemed by attachment" [*zhengxing xianyin, fushu ji Yin*].<sup>19</sup> His

19 Yuan Shizhen, "Hubu tixing shi yi shu", *HMJSWB*, vol. 474:7b, 5206. In other words, a small portion of the salt stock was reserved for redeeming blocked certificates, so the government could clear its old debts in installments.

TABLE 3.1 *The grain-salt exchange system in Lianghuai from 1568–1616*

	Huainan	Huaibei	Total
Certificates per allotment	85,000	55,000	
Number of annual allotments	8	4	12
Certificates annually redeemed	680,000	220,000	900,000

Source: *HWJSWB*, vol. 475:6a–b, p. 5221.

rationale was simple: the surplus-salt silver for the older, blocked certificates had been collected already; only by redeeming current certificates could he generate more.

From 1568 on, 900,000 salt certificates per year had been redeemed; there were 12 annual allotments for salt weighing, with eight for Huainan and four for Huaibei (see Table 3.1). Without changing these preconditions, Yuan Shizhen proposed that 22 percent of the salt in each Huainan allotment, and 18 percent in each Huaibei allotment, be reserved for blocked certificates. Annually, 194,822 out of 900,000 certificates were blocked certificates, i.e., certificates from the backlog, and the administration was able to collect surplus-salt silver from 705,178 newly issued certificates. But since clearing the backlog at the rate of 194,822 per year was deemed too slow, Yuan Shizhen depreciated the value of the blocked certificates by counting two certificates as one in terms of how much salt it redeemed. In so doing, 388,644 blocked certificates would have been cleared in Lianghuai annually, although the figure on record still remained 194,822 (see Table 3.2).<sup>20</sup>

Under Yuan Shizhen's 1616 proposal, holders of blocked certificates would have suffered great losses, as the value of their certificates, in terms of salt, would be cut in half. To minimize this loss, Yuan increased the amount of salt due for each blocked certificate. Previously any certificate, blocked or new, was worth 570 catties of salt. This salt was in turn sold to wholesalers (shipping merchants [*shuishang*]) at 3.20 taels. Yuan would add 142 catties to each blocked certificate, making it worth 712 catties. Even so, since two blocked certificates were counted as one, a blocked certificate could only bring the holder 356 catties of salt and the wholesale price would proportionally

20 Yuan Shizhen, "Yanfa yi wu", *HMJSWB*, vol. 475:5b–7a, 5221–5222.

TABLE 3.2 *Yuan Shizhen's initial proposal*

	Huainan	Huaibei	Total
Certificates per allotment	85,000	55,000	
– Current certificates per allotment	66,128	44,039	
– Blocked certificates per allotment	18,872	10,961	
Number of annual allotments	8	4	12
Certificates annually redeemed	680,000	220,000	900,000
– Current certificates annually redeemed	529,024	176,156	705,178
– Blocked certificates annually redeemed	150,976	43,844	194,822 <sup>*</sup>

Source: *HWJSWWB*, vol. 475:6a–b, p. 5221.

\* Following Pang Shangpeng's policy in 1567, Yuan depreciated the value of old certificates, so that two old certificates were worth one old certificate. By halving the value of old certificates, the real number of old certificates annually redeemed would total 389,644, although the number remained 194,822 on the books. See also *HWJSWB*, vol. 474:12a, 16a–b, 20b–21a, pp. 5224, 5226, 5228–5229.

(178 catties per tael) amount to two taels.<sup>21</sup> In short, for every blocked certificate redeemed, the certificate holders would have sustained a loss of 37.5 per cent in terms of salt (see Table 3.3).

Yuan Shizhen also proposed that the Salt Administration purchase the granary notes directly from the frontier merchants who were holding them, and then issue the requisite number of salt certificates for sale directly to the interior merchants, in this way circumventing speculation. The surplus-salt silver would be charged on the certificate at the time of the sale to interior merchants. To make his proposal acceptable, Yuan Shizhen offered higher prices than hoarders were paying for granary notes and lower taxes on the corresponding salt certificates; the price for both Huaibei and Huainan notes would be set at 0.55 taels. Although the new price for Huainan notes was 35 percent lower than the previous official price of 0.85 taels, it was still three times the price dictated by hoarders of 0.178. Yuan Shizhen also cut the surcharge from 1.45 taels to 0.80.<sup>22</sup> The higher granary note price would have benefited frontier merchants, and the lower tax, interior merchants.

21 Yuan Shizhen, "Yanfa yi san 鹽法議三 [The Third Proposal on Reforming the Lianghuai Salt Administration]", *HMJSWB*, vol. 474:19b–20a, 5212; "Yanfa yi liu", *HMJSWB*, vol. 475:17b, 5227.

22 Yuan Shizhen, "Yanfa yi san", *HMJSWB*, vol. 474:22a, 5213.

TABLE 3.3 *Yuan Shizhen's pricing scheme*

	Established practice	Yuan's suggestion	
		new certificate	blocked certificate
Certificate price (taels)			
Huainan	0.85–0.92	0.55	0.55
Huaibei	1.30	0.55	0.55
Surplus-salt silver per certificate (taels)	1.40	0.80	0.80
Unit weight/bag (catties)			570+142/2
	570	570	=356
Wholesale price/bag (taels)	3.20	3.20	2.00
Salt per tael (catties)	178	178	178

Source: *HWJSWB*, vol. 474:19b–20b, 22b–23b; 476:21b, pp. 5212–5213, 5228–5230, 5244.

Under Yuan Shizhen's plan, salt certificates and granary notes due between 1611 and 1615 were considered current; those due from 1610 and before were considered blocked. The Lianghuai Salt Administration would pay frontier merchants holding granary notes due between 1611 and 1615 at 0.55 taels per note, so they could cover their costs for grain and transport, and return to the frontier immediately. The administration would then issue certificates due between 1611 and 1615 on these notes, and sell the certificates to interior merchants at 0.55 taels, plus 0.80 taels of surplus-salt silver, per certificate. Thus Yuan Shizhen proposed that the exchange of granary notes for salt certificates remain unchanged, even though he had dismantled the relationship between frontier and interior merchants by circumventing the hoarders.<sup>23</sup> Consequently, the granary note was no longer the prerequisite for obtaining a salt certificate; if submitted granary notes continued to serve any function in the salt administration, it was merely to provide a guideline as to how many salt certificates needed to be issued. This new feature would be inherited by the syndicate system a year later.

For blocked certificates Yuan Shizhen adopted a different strategy. He understood that hoarders had accumulated older certificates. In his own reading of the situation, they had been selling these blocked certificates to other, less wealthy interior merchants at extremely high price, thereby driving the

23 Yuan Shizhen, "Yanfa yi wu", *HMJSWB*, vol. 475:2a–3a, 5219–5220.

latter group to ruin. Yuan's proposal at this stage was targeted at the high price hoarders were charging: he proposed that this price be fixed at 0.40 taels per certificate.<sup>24</sup> In order to do this, the Lianghui Salt Administration would register all blocked certificates and the names of their current holders. Presumably, an interior merchant who was willing to pay 0.40 taels for a salt certificate would then be able to do so, provided the Administration could require hoarders to part with their registered certificates. Yet that was the weakness of the proposal: although Yuan described his policy as "recalling the salt certificates for storage at the Salt Administration" [*zhui yin chu si*], it was far from clear how Yuan could have distinguished "hoarders" from other interior merchants. References to banning impersonation and fictitious names indicated that he was well aware of the difficulties of implementing this policy. Indeed, if the government recognized all issued salt certificates, it would have been as impossible to distinguish the speculative holder from the end user of the salt certificate as it is to distinguish the speculator from any holder of modern-day banknotes.

The salt merchants had proposed that along with the reforms, the amount of salt the government put on the market be limited. Limited supply would drive up the price of salt and the extra profit would help make up for their loss. Yuan opposed these measures on the grounds that a higher price put a burden on ordinary people's livelihoods and made salt smuggling more viable. These counter-proposals appeared in Yuan's memorial more like straw men to be knocked down than as serious alternatives. His reform, implemented a year after the initial proposal in 1616, seemed built on his analysis of the situation, with one exception: the introduction of the syndicate system.

Notwithstanding his fury at hoarders, Yuan Shizhen's various 1616 proposals showed that the government was willing to honor its obligation to the salt certificate holders. Having over-issued certificates, the government was obliged to clear the backlog. Yet the existence of a speculative market put a high price on the certificate. Yuan Shizhen argued, in effect, that it was this high price which brought ordinary merchants to ruin; but accepting the legitimacy of the certificate and holding hoarders responsible for its price could never be a workable solution to speculation. The premium put on salt certificates indicated that the merchants knew what all historians of the Ming have missed: that far from collapsing, the salt trade was doing well and was worth investing in. Now that blocked certificates had accumulated in a cornered market, what was the

24 Yuan Shizhen, "Yanfa yi liu", *HMJSWB*, vol. 475:18b, 5227; "Yanfa yi jiu 鹽法議九 [The Ninth Proposal on Reforming the Lianghui Salt Administration]", *HMJSWB*, vol. 476:14b-15a, 5240-5241.

government to do to maintain a steady income from salt? In Yuan Shizhen's reform we can sense, not a government imposing its will on the market by fiat, but an undercurrent of negotiation between government and market.

### Yuan Shizhen's Syndicate System, 1617

How Yuan Shizhen came up with the idea of the syndicate system remains a mystery. His lengthy memorial in 1616 gave no hint of such a solution. One of his private letters reveals that he consulted many salt merchants en route from Beijing to Yangzhou. At Tianchang, on the last leg of his journey to Yangzhou, he stopped for three days, supposedly because his office in Yangzhou was under renovation. It was during these three days that Yuan Shizhen "accidentally" came up with the idea of the syndicate system.<sup>25</sup> Although no trace is left as to whom he met with during his journey, he must have talked with hoarders, who presented their views successfully. As will be demonstrated below, the syndicate system was the result of Yuan's compromise with them.

Any solution to the problems of the Lianghuai salt monopoly had to strike a balance between redeeming blocked certificates and taxing new certificates, and Yuan Shizhen's syndicate system tipped the balance towards the latter. Simply put, about one-third of the annual redemption quota in Lianghuai was reserved for blocked certificates, so that the remaining two-thirds could go to new certificates and generate new surplus-salt silver for the government.

Under the syndicate system, the surplus-salt silver would be 0.80 taels per certificate, the same as Yuan Shizhen had proposed previously. But if the Administration cut the tax per certificate, it also provided less salt per certificate. The details may be found in the memorials of Bi Ziyang, Minister of Revenue from 1628 to 1633. According to Bi Ziyang, while previously a certificate had been worth 570 catties of salt, under the syndicate system it was worth only 430, or 140 catties less (see Table 3.4). The government was not simply defaulting, however, since it recognized that it still owed merchants 140 catties of salt for every certificate redeemed. Since annually 900,000 Huainan certificates were redeemed, this meant that the government still owed merchants 126,000,000 catties of salt, or about 290,000 certificates (220,000 Huainan and 70,000 Huaibei certificates) of 430 catties each, in addition to what it had owed

25 Yuan Shizhen, "Shang Li Guiting situ 上李桂亭司徒 [Letter to Li Guiting (Li Ruhua) the Minister of Revenue]", *HMJSWB*, vol. 477:10a, 5250.



TABLE 3.4 *Weighing and pricing under the syndicate system*

	Established practice	Yuan's Suggestion
Certificate price (taels)	0.85–1.30	0.55
Salt tax per certificate (taels)	1.45	0.80
Wholesale price per bag (catties)	3.20	3.00
Unit weight per bag (catties)	570	430

Source: *HWJSWB*, vol. 477:8a–b, p. 5249; Bi Ziyān, “Huiyi bianxiang tiaochen liukuan shu”, *Duzhi zouyi*, *Tanggao*, 4:72b–73b, in *XXSK* 483, p. 159.

previously.<sup>26</sup> These additional 290,000 certificates that the government owed merchants became the “nest” [*wo*]<sup>27</sup>—a standard term for a group of salt certificates—on which it cleared its blocked certificates by installment. In other words, the government would clear its blocked Huainan certificates through an annual installment of 220,000 certificates (in Bi Ziyān’s memorial) or 200,000 (in Yuan Shizhen’s document). Likewise, the government would clear its blocked Huaibei certificates through an annual installment of 70,000. When all blocked certificates had been cleared, the government would resume the old unit weight of salt, i.e., 570 catties per certificate.

In Huainan, 680,000 certificates were to be redeemed annually, but the number of blocked certificates had accumulated to 2.6 million.<sup>27</sup> Yuan Shizhen

26 See Bi Ziyān 畢自嚴, “Huiyi bianxiang tiaochen liukuan shu 會議邊餉條陳六款疏 [Memorial on the Six Proposals on Expense of Frontier Garrisons]”, in his *Duzhi zouyi* 度支奏議 [Memorials on Revenue Matters] (1628–1644 edition), *Tanggao* 堂稿 [Drafts from the Office], 4:72b–73b, in *XXSK*, vol. 483:159. Bi Ziyān made a mistake in using the figure 705,180 as the basis of calculation. This was the old redemption quota for Lianghuai. By 1616 the figure had risen to 900,000 and in Huainan alone 680,000 certificates were redeemed. The figure should be calculated in this way:

$$680,000 \times 140 \div 430 = 221,395 \text{ (for Huainan)}$$

$$220,000 \times 140 \div 430 = 71,628 \text{ (for Huaibei)}$$

$$221,395 + 71,628 = 293,023 \text{ (for Lianghuai as a whole)}$$

Also see Bi Ziyān, “Fu Lianghuai yantai Zhang Yang genggang shu 覆兩淮鹽臺張養更綱疏 [A Reply to Zhang Yang the Lianghuai Salt Censor on Changing the Syndicate]”, *Duzhi zouyi*, *Shandongsi* 山東司 [Shandong Directorate], 3:9a–10b, in *XXSK*, vol. 487:636.

27 According to Bi Ziyān, the figure was 2.17 million instead of 2.60 million. See Bi Ziyān, “Huiyi bianxiang tiaochen liukuan shu”, *Duzhi zouyi*, *Tanggao*, 4:72b–73b, in *XXSK*, vol. 483:159.

wrote off 600,000 of them on the grounds that their holders were “people devoid of silver” [*xiaofa yin zhe*].<sup>28</sup> Although Yuan did not explain clearly what he meant by this, it can be inferred that the 600,000 certificates were written off because their holders could not pay the official certificate price when the allotment for these certificates came due. As mentioned above, by Yuan’s time speculation on salt certificates had taken the form of “false allotment”. Speculators paid the surplus-salt silver in advance, secured a claim in an allotment, and started speculating on the certificates long before they were issued. Speculation lasted until the allotment deadline, when certificate holders had to present their certificates for redemption. Whoever wanted to draw salt at this time would therefore have to pay the official price to hoarders in return for the certificates. For whatever reason, some certificate holders did not pay the certificate price, and Yuan Shizhen seized the opportunity to write off their certificates, a total of 600,000 *yin*.

Having written off 600,000 blocked certificates in this way, Yuan Shizhen set about dealing with the remaining two million. He divided them into ten parts of 200,000 each, with their holders correspondingly formed into ten groups, or syndicates, known as *gang*. Annually, the government would clear one syndicate of its blocked certificates, 200,000 in all, and issue 480,000 new certificates to the remaining nine syndicates. In this way, without changing the annual redemption quota, the government used nearly one-third of the quota to clear its debt and a little over two-thirds to generate surplus-salt silver.

In his extant writings Yuan Shizhen did not mention the syndicate system for Huaibei, but fortunately, the Minister of Revenue Bi Ziyang’s memorial in 1630 fills in the gap. Yuan Shizhen formed 14 syndicates. Annually, one of these syndicates would be able to clear its 70,000 blocked certificates while the remaining 13 would pay the surplus-salt silver for 153,000 new certificates.<sup>29</sup> Again, as in the case of the Huainan certificates, without changing the annual redemption quota, the government would use nearly one-third of the quota to clear blocked certificates and two-thirds to issue new certificates and to collect the surplus-salt silver.

Under Yuan Shizhen’s syndicate system, therefore, annually, the government would clear 270,000 blocked certificates (70,000 Northern and 200,000 Southern), while issuing 633,000 new certificates (153,000 Northern and

28 Yuan Shizhen, “Gangce fanli 綱冊凡例 [An Explanatory Note on the Syndicate List]”, *HMJSWB*, vol. 477:2b, 5246.

29 Bi Ziyang, “Fu Lianghuai yantai Zhang Yang genggang shu”, *Duzhi zouyi, Shandong si*, 3:9a–10b, in *XXSK*, vol. 487:636. The sum of the two figures should be 223,000 instead of 220,000. These additional 3,000 certificates must have been the result of miscellaneous surcharges.

480,000 Southern) and collecting the surplus-salt silver thereon. A balance was achieved between redeeming blocked certificates and taxing new certificates, with priority given to the latter.

Compared to Yuan's initial proposal, the syndicate system offered a significant compromise. Previously Yuan had proposed that the number of blocked certificates annually redeemed should reach 194,822 (see Table 3.2). Under the syndicate system the number was increased considerably, to 270,000. Previously Yuan had proposed that blocked certificates be depreciated by 37.5 percent, from 570 to 356 catties of salt for each certificate. Under the syndicate system the depreciation settled at 24.6 percent, from 570 to 430 catties. Merchants would suffer less in terms of the salt they drew and the time they spent redeeming their certificates. The possibility that merchants might prefer having a seemingly unreachable redemption deadline (and open-ended speculation) was probably beyond Yuan Shizhen's consideration.

Essentially, Yuan Shizhen abandoned his previous proposal that hoarders be required to sell blocked certificates at 0.40 taels each. The idea of registering all blocked certificates had evolved into a registrar of certificate holders, classed into ten syndicates, with one syndicate redeeming blocked certificates every year. Instead of dealing with impersonation and false names, Yuan had made it worth the merchants' while to register, for the government would sell all newly-issued salt certificates to them alone. In return, it would fall on them to pay the surplus-salt silver accruing to the new certificates. In Yuan's words, the current certificates "will be divided and redeemed by the other nine syndicates" only. Registration in the "Red-character Book" in the Salt Censor's office granted the syndicate merchants exclusive and hereditary rights to salt certificates, and hence the exclusive and hereditary obligation to pay the surplus-salt silver. By registering merchants and installing them permanently in the salt monopoly, the syndicate system was meant to provide the Ming government with a permanent base of salt revenue. The salt certificate had therefore ceased to function as a note of debt the government owed merchants; instead, it had become more like a tax bill on a franchise.

Surviving archives about Yuan Shizhen's life do not reveal about how he arrived at the idea of the syndicate system, but it was not as "accidental" as he would have had others believe. As he himself disclosed, he came to Yangzhou on November 9, 1617, and summoned the salt merchants before him to announce his syndicate system. "Before the words left my mouth," he said, "tens of thousands of merchants had already cheerfully agreed."<sup>30</sup> No doubt

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30 Yuan Shizhen, "Shang Li Guiting situ", *HMJSWB*, vol. 477:10b, 5250.

this description was self-aggrandizing, yet salt merchants certainly showed their support, putting their money where their mouths were. One month later, on December 1, 1617, the syndicate system formally went into effect, and “within days, 340,000 taels had been collected as the second payment of salt tax to the Ministry of Revenue for the year 1616, which had previously been delayed.”<sup>31</sup>

If the Lianghuai salt merchants truly had been on the verge of bankruptcy when Yuan Shizhen arrived at Yangzhou, it would have been impossible for them to pay the surcharge, simply upon hearing the words of a Beijing official. In a letter to Li Ruhua, his superintendent, Yuan Shizhen disclosed the secret:<sup>32</sup>

As for the so-called hoarders that I mentioned earlier, they are none other than the powerful interior merchants in each syndicate. They profiteered on the defects of salt administration to hoard salt certificates. How much state revenue has been engrossed by them! What excuse could they have if I put them on trial! However, without these several people in each syndicate, the syndicate would be left with only impoverished and poor merchants. Consequently, I have them all pacified and put to use. When I first arrived, they were very much alarmed. Then, when they saw that I had forgiven them, they also stopped being hostile. When the syndicate system was launched, it was they who paid most of the surplus-salt silver.

However contemptuous Yuan Shizhen's tone towards the hoarders, his words contained some truth: hoarders were the backbone of each syndicate. Yuan's co-opting of the hoarders made sense. Since hoarders had controlled the exchange between frontier and interior merchants and amassed the most salt certificates, the Salt Administration could no longer go around them; and the usual practice of accusing a merchant of wrongdoing, imprisoning him, searching his house, terrorizing his family, and fining him heavily, was not a viable solution. Co-opting them into the syndicate was Yuan Shizhen's only option.

31 Yuan Shizhen, “Shang Li Guiting situ”, *HMJSWB*, vol. 477:11a, 5251; “Shuli lueshuo 疏理略說 [A Brief Introduction to My Reform of the Lianghuai Salt Administration]”, *HMJSWB*, vol. 477:7a–7b, 5249.

32 Yuan Shizhen, “Yanfa yi er”, *HMJSWB*, vol. 474:17b, 5211; “Zai shang Li Guiting situ 再上李桂亭司徒 [A Second Letter to Li Guiting (Li Ruhua) the Minister of Revenue]”, *HMJSWB*, vol. 477:14a–14b, 5252.

## The Syndication and its Aftermath

Less than three decades after the establishment of the Lianghuai salt syndicate, the Ming dynasty collapsed. In its final years, as the Ming government became more and more desperate for funds, it levied numerous surcharges on the Lianghuai salt syndicate. The salt syndicate did not save the Ming from financial ruin and subsequent downfall, but it did prove a very effective revenue-generating mechanism, so much so that the Qing government adopted it without much change.

Soon after the establishment of the Lianghuai salt syndicate in 1617, Yuan Shizhen was dismissed for alleged corruption and spent the rest of his life as a retired official in his hometown, where he enjoyed a good reputation. (See appendix.) The pamphlet he published contained valuable information about the establishment of the syndicate, but none about its development. The missing parts of the picture were found in Bi Ziyang's memorials from the 1630s, of which this chapter has already made good use.

Starting in 1618, the ten Huainan salt syndicates cleared 220,000 blocked certificates by annual rotation, in anticipation of clearing 2,170,000 blocked certificates by 1627. At that point the government would have been obliged to cancel the "certificate basis" [*yinwo*] and to resume the unit weight of salt in redemption, i.e., 570 catties per certificate. In 1625, however, hard pressed by urgent expenditures in its military campaign against Manchu invasion, the Ming government ruled that the "certificate basis" of 220,000 should be extended from 1628 onwards. Essentially, what was extended was the syndicate system. In theory all blocked certificates would have been cleared by 1628, and the 220,000 certificates issued to each incumbent syndicate would be only new ones, which could be taxed. Probably based on this rationale, the government levied a tax of one tael (surplus-salt silver, fines, and Liaodong military surcharge altogether) per certificate, thus generating 220,000 taels on this portion of certificates alone. As if these charges were not enough, the government ordered that merchants should pay one-fifth, or 44,000 taels, in advance.<sup>33</sup> Given that in 1617 Yuan Shizhen set the surplus-salt silver at 0.80 per tael, the 1625 decision no doubt meant a tax increase.

In fact, the Lianghuai salt syndicates did not even clear all the blocked certificates. In 1630, Bi Ziyang reported that the blocked certificates still numbered 750,000 and 630,000, for Southern and Northern syndicates respectively. The Salt Administration therefore formed ten new syndicates each for Huainan

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33 Bi Ziyang, "Huiyi bianxiang tiaochen liukuan shu", *Duzhi zouyi, Tanggao*, 4:72b–73b, in *XXSK*, vol. 483:159.

and Huaibei certificates, and planned to clear all blocked certificates in three years' time. The Administration would clear the 750,000 blocked Huainan certificates through annual rotation of the first three Huainan syndicates. By the fourth year all ten syndicates would have to subscribe to new certificates and pay new surplus-salt silver. Similarly, the ten new Huaibei syndicates would take three years to clear the 630,000 blocked certificates, and starting in the fourth year all ten syndicates would have to subscribe to new certificates and pay new surplus-salt silver.<sup>34</sup>

It is perhaps unlikely that a government would show financial discipline in the last days before its demise; the Ming government certainly made use of the Lianghuai salt syndicate system. Bi Ziyang, in 1629 and 1630, provided a detailed account of the various surcharges levied on Lianghuai salt certificates.<sup>35</sup> According to him, the government levied at least five new surcharges: the Liaodong military surcharge [*Liaoxiang*];<sup>36</sup> appropriation of the Salt Distribution Commission Fund;<sup>37</sup> a tax on salt certificates for "Ministry

34 Bi Ziyang, "Fu Lianghuai yantai Zhang Yang genggang shu", *Duzhi zouyi, Shandongsi*, 3:9a–10b, in *xxsk*, vol. 487:636.

35 Bi Ziyang, "Tifu Lianghuai yanyuan Zhang Yang yiding yanke suie shu 題覆兩淮鹽院張養議定鹽課歲額疏 [Memorial in Reply to Zhang Yang the Lianghuai Salt Censor on Deciding the Annual Quota of Salt Revenue]", *Duzhi zouyi, Shandongsi*, 2:28a–33b, in *xxsk*, vol. 487:606–608; "Tifu Lianghuai yanyuan Zhang Yang yanke yi'e shu 題覆兩淮鹽院張養議定鹽課溢額疏 [Memorial in Reply to Zhang Yang the Lianghuai Salt Censor on Matters about the Salt Revenue Exceeding the Quota]", *Duzhi zouyi, Shandongsi*, 2:7a–13b, in *xxsk*, vol. 487:597–599.

36 The *Liaoxiang* was levied on top of all sources of revenue in 1618. In the land tax, for instance, the *Liaoxiang* surcharge amounted to 0.003 taels per *mu* of farmland. Three years later, in 1621, the *Liaoxiang* surcharge was levied on the salt tax. In Lianghuai, a *Liaoxiang* surcharge of 0.1 taels per salt certificate was levied. To offset the salt merchants' losses, the unit value of a salt certificate was also increased by 15 catties of salt. The government expected to generate 70,000 taels from the Lianghuai salt monopoly through the *Liaoxiang* surcharge.

37 The Salt Distribution Commission Fund [*kujia*, literally "the price from the coffer"] was created to protect frontier merchants and maintain what the Administration thought fair trade of the salt certificates. As the frontier merchants complained that their bills (granary notes and group certificates) could not be sold at a fair price, the government decided to buy the bills from the frontier merchants and then sell them to the interior merchants. The Fund was pooled by charging the interior merchants first, and then repaying them with salt certificates. The two surcharges should have brought 140,000 taels to the government. However, 18,364 taels were diverted to sponsor the military establishment in Huai and Xu (in effect retained by the Lianghuai Salt Distribution Commission), so that 121,636 taels were generated for the Ministry of Revenue's coffers. In 1628, the Lianghuai

merchants [*bushang*];<sup>38</sup> surcharges for the Guizhou military campaign [*qianxiang*];<sup>39</sup> and a contribution to the palace renovation project.<sup>40</sup> By 1628, thanks to the above miscellaneous surcharges, the Ministry of Revenue expected to squeeze 945,329 taels from the Lianghuai salt monopoly.<sup>41</sup>

### A Victory for All?

Previous historians have noted the momentous institutional changes that Yuan Shizhen's reform of the salt monopoly introduced. Ray Huang first pointed out that the syndicate system had cancelled a portion of the Ming government's debt, in return for recognizing the salt merchants' exclusive and hereditary rights to trade with the government for salt.<sup>42</sup> This chapter has fleshed out Huang's observations.

Prior to the syndicate system, the salt certificate had been traded without specific reference to the traders' identity, despite early Ming law. Under the syndicate system, registration by name became part of the exclusive agreement between particular merchants and the government, both for redeeming blocked certificates and buying new ones. Merchants abandoned the free trading of certificates in return for the status-related privilege of an exclusive and

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Salt Distribution Commission managed to reduce the *Liaoxiang* surcharge by 50%, from 0.1 tael per certificate to 0.05. Consequently, the two items generated 86,636 taels for the Ministry of Revenue.

- 38 In 1625, the Ministry of Revenue issued 220,000 salt certificates for Lianghuai, and levied a tax of one tael per certificate. Since this huge stock of certificates was issued on top of those annually redeemed through the Lianghuai *gang*, the Ministry invited merchants outside of the *gang* to redeem these certificates. For this reason, the 220,000 certificates were said to be reserved for "Ministry merchants". Later, the Ministry of Revenue agreed to reduce the tax quota to 170,000 taels.
- 39 In 1626, on the suggestion of the Governor of Panyuan, the Ministry of Revenue agreed that 50,000 Huainan salt certificates be issued for Guizhou so as to finance the military campaign against the ethnic rebellion in Bozhou. As a result 65,000 more taels were to be collected from the Lianghuai salt monopoly.
- 40 This unprecedented demand was raised in 1626. The Lianghuai Salt Administration was forced to contribute 79,000 taels as a result. The Ministry of Works suggested that this extra annual contribution be continued for two more years, but the Ministry of Revenue managed to reduce it to one.
- 41 Bi Ziyang, "Fu Lianghuai yantai Zhang Yang genggang shu", *Duzhi zouyi*, *Shandong* 3:10b–11b, in *XXSK*, vol. 487:637.
- 42 Ray Huang, *Taxation and Governmental Finance in Sixteenth Century Ming China* (Cambridge: Cambridge University Press, 1984), 220–221.



hereditary position in the salt monopoly. The government, on the other hand, established a permanent tax base in the registered salt merchant households.

The syndicate system rested on the principle of annual installments and enabled the government to continue taxing new certificates while redeeming blocked ones. From the standpoint of revenue generation, the syndicate system implied a return to the early Ming tax arrangement, conducted through household registration and status orientation. In this sense, the salt syndicate ended the trading of a commercial paper, i.e., the salt certificate. If, like Ray Huang, we understand the salt allotment in pre-syndicate days as with a debt owed by the government, then guaranteed payments from the syndicate merchants were a tax in return for (in Huang's words), a franchise.<sup>43</sup>

The irony here is that the hoarders were obviously the engineers behind the salt syndicate system. This was made clear by Yuan Shizhen himself. For decades before his arrival at Yangzhou, "hoarders" were the proud financiers of the Lianghuai salt certificate market. They were financially well equipped and politically well connected. They ruthlessly exploited both the frontier merchants and the lesser interior merchants and patiently endured the long delays in the redemption process. They used the loopholes in the Salt Administration and created ingenious methods of certificate speculation (the "false allotment") that much resembled modern speculation on futures and options. But by creating the syndicate system, they brought an end to this era, and potentially lost a great deal of money besides. Why did they do it?

Firstly, the hoarders were financiers operating in a specific context, not soldiers of a nascent capitalism. The salt certificate as a paper instrument of credit might be of great interest to historians, but to hoarders the salt certificate was a profit-generating tool. Their goal was profit, not continuing the speculation, which was becoming increasingly risky. In 1617, when Yuan Shizhen first submitted his lengthy memorial, he had targeted hoarders as scapegoats. His suggestion to confiscate and redeem all "hoarder" certificates at a meager rate of 0.40 taels each,<sup>44</sup> although impractical, was an indicator of the government's fury. Of the potential danger of imprisonment the hoarders were fully aware. They became the major participants in the syndicate system because it was their best option.

Despite the Ming government's voracity for revenue at this time, the syndicate system survived into the Qing dynasty. That the Lianghuai salt syndicate system lasted till 1850 is evidence of its stability. Hans Ulrich Vogel has used a

43 Ray Huang, *Taxation and Governmental Finance*, 220–221.

44 Yuan Shizhen, "Yanfa yi liu", *HMJSWB*, vol. 475:18b, 5227; "Yanfa yi jiu", *HMJSWB*, vol. 476:14b–15a, 5240–5241.



diagram to demonstrate the hierarchy and operation of the syndicate system.<sup>45</sup> The transformation of the salt monopoly, as it evolved through negotiation between the government and the wealthy interior merchants, has to be understood in relation to the merchants' power. The next chapter moves from the evolution of the salt monopoly to the evolution of the salt merchants as a class.

### Appendix: Yuan Shizhen and the Syndicate System

The following is a translation of the design of the syndicate system in Yuan Shizhen's own words:

Now, according to the "Red-character Book" [*hongzi bu*] of Huainan, the blocked certificates on which the salt tax was paid amounted to 31 allotments, or about 2.6 million. Of these 2.6 million blocked certificates, 600,000 have been canceled because the holders are people devoid of silver [for purchasing certificates due redemption], so the actual number is less than two million.

This Minister, with the utmost sincerity and profound thought, devised the syndicate system [*gangfa*] for the merchants. Following the order of the "Red-character Book" of the Salt Censor's Office, I have compiled a volume, and formed ten syndicates. Each syndicate is fixed at 200,000 blocked certificates of which the salt tax had been paid. The name of each syndicate will be assigned by each of the ten characters: *sheng, de, chao, qian, gu, huang, feng, shan, jiu, wei*.

Annually, [the members of] one syndicate shall redeem their blocked certificates, and the other nine syndicates, the current certificates. Those who redeem blocked certificates will be allowed to earn the capital and profit from their blocked certificates, and will not suffer from the burden of the current certificates. Those who redeem current certificates will be allowed to draw salt quickly, circumventing the procedure of weighing, and will not suffer from the attached redemption of the blocked certificates. Neither will have anything to do with the other, and both will benefit.

For example, this year, the year of *dingsi* [1617], is the year for the first syndicate, the Sheng syndicate, to redeem blocked certificates. The Sheng

45 Hans Ulrich Vogel, *Untersuchungen über die Salzgeschichte von Sichuan (311 v. Chr.-1911): Strukturen des Monopols und der Produktion* (Stuttgart: F. Steiner, 1990), Schema 1.3, 59–60.

syndicate will be ordered to redeem 200,000 blocked certificates, and not a single current certificate. As for the 486,596 current certificates that are assigned to Huainan, they will be divided and redeemed by the other nine syndicates.

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Now that the ten-character volumes have been compiled, it will be left to the merchants permanently for hundreds of years as the basis of their quota. Annually, they will be assigned current certificates according to the old numbers in their charts. For those whose names are not included in the charts, how can they make their way in and compete for profit?!<sup>46</sup>

These passages describe the operation of the syndicate system in relation to the “Red-character Book” in the Salt Censor’s office. This was the register Yuan referred to in his earlier suggestion on purchasing blocked certificates at 0.40 taels each. The book provides a clue which links the syndicate system to Yuan Shizhen’s 1616 proposals.

#### Yuan Shizhen’s biography

Yuan Shizhen was a native of Qizhou in Huangzhou Prefecture in Hubei. He acquired the *juren* degree in 1582, and the *jinshi* degree in 1598. He was appointed the magistrate for Linchuan in Fuzhou Prefecture of Jiangxi and later promoted to the director of the Shandong Bureau in the Ministry of Revenue. His first wife, whose surname was Zhang, passed away; his second wife’s surname was Zhu.<sup>47</sup> His son Yuan Suliang was said to be a poet. Yuan Shizhen himself was well-read, and at a young age had made the acquaintance of Ai Nanying, a famous literatus.<sup>48</sup> But in 1620, three years after the establishment of the *gangfa*, Yuan Shizhen was impeached on charges of corruption. Although the investigation that followed found against him, the *gangfa* he had established endured.

46 Yuan Shizhen, “Gangce fanli”, *HMJSWB*, vol. 477:2b–3b, 5246–5247.

47 Li Tengfang 李騰芳, “Zhici: Jiangxi Fuzhoufu Linchuanxian zhixian Yuan Shizhen 制詞·江西撫州府臨川縣知縣袁世振 [Appointment Letter for Yuan Shizhen the Magistrate of Linchuan County, Fuzhou Prefecture, Jiangxi]”, in his *Li gongbao Xiangzhou xiansheng ji* 李宮保湘州先生集 [Collected Works of Li Tengfang] (1644–1911 edition), 7:95a–97a, in *SKCM ji*, vol. 173:270–271.

48 Yingqi and Deng Chen 英啟、鄧琛, eds., *Guangxu Huangzhou fuzhi* 光緒黃州府志 [The Guangxu Huangzhou Prefecture Gazetteer] (1844 edition), 20:59b–60a, rpt. *Zhongguo difangzhi jicheng Hubei fuxianzhi ji* (Nanjing: Jiangsu guji chubanshe; Shanghai: Shanghai shudian; Chengdu: Bashu shushe, 2001), vol. 14:724.

The formal charge against Yuan Shizhen was raised by Wang Ji, a Vice Minister of Revenue in charge of the tribute grain transport. Earlier Yuan Shizhen and He Tingxiang, the Vice Salt Administration Commissioner of Lianghuai, had sued each other over responsibility for the loss of 50,000 taels from the coffers of the Lianghuai Salt Administration Commission. Yuan accused He of conspiring with functionaries, while He accused Yuan's son of accepting bribes from salt merchants. Wang Ji suggested that both Yuan and He be dismissed from their official posts and subjected to strict investigation.<sup>49</sup>

Two years later, in 1622, the Ming government began its regular review of officials. During this review Yuan was impeached for corruption and a special investigation was called for.<sup>50</sup> The investigation does not seem to have been carried out. Three years later, after a reminder from a censor named An Shen, the Tianqi emperor ordered the investigation and set a deadline for its final report.<sup>51</sup> Three months later, in 1625, the investigation of the Yuan-He controversy ended. The three officials in charge of the investigation ruled that Yuan was guilty, and He Tingxiang resumed his post. He Tingxiang's younger brother He Tingshu was a censor, which may be why Tingxiang was found innocent and reinstated. Following the investigation, Yuan Shizhen was ordered to return the money he had gained from profiteering. In 1626 an official memorialized to the throne that Yuan's "bribe silver" had been fully recovered.<sup>52</sup>

It is not clear if the accusation against Yuan was false. Yuan's rebuilding of a monastery in his hometown reveals that he was by no means poor.<sup>53</sup> We do not know the amount and the source of the money he spent on the rebuilding project. What we do know is that his performance in Lianghuai had made him a local celebrity.

Although his official career had ended in disgrace, Yuan's reputation among his fellow townsmen and contemporaries was good. According to the biography written by his fellow townsman Gu Jingxing, Yuan had been falsely accused by the eunuchs of wasting 20,000 taels in recruiting soldiers and building a temple called Zhunti'an during his term of service in Yangzhou. Yuan was put into jail accordingly. Fortunately, sympathetic merchants in Yangzhou paid his

49 *MSL Xizong*, vol. 4:7a, 179.

50 *MSL Xizong*, vol. 18:11b–12a, 918–919; *MSL Xizong*, vol. 18:14a, 923.

51 *MSL Xizong*, vol. 62:3a–3b, 2904–2905.

52 *MSL Xizong*, vol. 74:15b, 3608.

53 Gu Jingxing 顧景星, "Zongyuan chanyuan bei 宗遠禪院碑 [Stele of the Zongyuan Monastery]", in his *Baimaotang ji* 白茅堂集 [Collected Works of the Hall of White Grass] (1662–1722 edition), 37:7a–8a, in *SKCM* ji, vol. 206:314.

fine within a day and he was released, though he was dismissed from his official post.<sup>54</sup>

Who were these sympathetic merchants? According to the local gazetteer of Yangzhou, Zheng Zhiyan the salt merchant was one of them. A salt merchant from Shexian in Huizhou who resided in Yizhen, Zheng was said to have rescued Yuan because Yuan had contributed so much to the well-being of salt merchants in Lianghuai.<sup>55</sup>

The Ming government also seemed to have had a fairly good impression of Yuan Shizhen, despite his conviction. His *gangfa* was maintained and became the main reference point for salt officials. In 1630, another official recommended that Yuan be appointed to the salt administration. The Chongzhen emperor rejected the suggestion on the grounds that Yuan Shizhen had been convicted of corruption and dismissed.<sup>56</sup> Two years later the Ministry of Revenue recommended Yuan for a position, and this time the emperor agreed.<sup>57</sup> Yuan was appointed to the post of Vice Commissioner for Defense in Yangzhou and put in charge of salt administration. He did not survive to carry out the work; he died on his way to Yangzhou.<sup>58</sup>

Yuan Shizhen was not only a reformer of the salt administration but also a keen pamphleteer. Shortly after the syndicate's establishment and success in 1619, Yuan Shizhen published a 16-*juan* pamphlet, *Lianghuai yanzheng shuli chengbian*, which included his ten memorials to the throne and correspondence with senior officials. Zhong Xing and Li Tengfang, who enjoyed some status among the late Ming literati, and were, like Yuan, Hubei natives, both

54 Gu Jingxing, "Yuan Shizhen zhuan 袁世振傳 [A Biography of Yuan Shizhen]", *Baimaotang ji*, 38:9a–11b, in *SKCM ji*, vol. 206:334–335.

55 Hu Chonglun and Chen Bangzheng 胡崇倫、陳邦楨, *Yizhen xianzhi* 儀真縣志 (1668 edition), 8:78a–b, rpt. Zhongguo kexueyuan tushuguan 中國科學院圖書館, ed., *Xijian Zhongguo difangzhi huikan* 稀見中國地方志彙刊 [Rare Local Gazetteers of China Series] (Beijing: Zhongguo shudian, 1992), vol. 13:765.

56 Bi Ziyang, "Ti fu Lianghuai xin yanyuan Deng Qilong tiaochen sankuan shu 題覆兩淮新鹽院鄧啟隆條陳三款疏 [Memorial in Reply to Deng Qilong the New Lianghuai Salt Censor on Three Issues]", *Duzhi zouyi, Shandongsì*, 2:48a, in *XXSK*, vol. 487, p. 616.

57 Bi Ziyang, "Ti Song like tiaochen tunyan bing fu shulidao shu 題宋禮科條陳屯鹽并復疏理道疏 [Memorial in Reply to Song the Supervising Censor of the Ministry of Rite on Military Farming and Salt Administration and also to Salt Intendent]", *Duzhi zouyi, Shandongsì*, 5:82a–90b, in *XXSK*, vol. 488:42–46.

58 Gu Jingxing, "Yuan Shizhen zhuan", in *Baimaotang ji*, 38:9a–11b, in *SKCM ji*, vol. 206:334–335.

contributed a preface to the pamphlet.<sup>59</sup> Zhong Xing in particular was on good terms with Yuan. He wrote a flattering essay celebrating the 80th birthday of Yuan's mother while Yuan was reforming the salt administration in Yangzhou.<sup>60</sup> Later Zhong also wrote a letter to Yuan, politely complaining that Yuan's reform had led to a rise in the price of salt in Hubei.<sup>61</sup>

Yuan Shizhen was also connected with Chuandeng, a monk in the Tiantai sect of Buddhism. In 1617, when reforming the Lianghui Salt Administration, Yuan invited Chuandeng to Yangzhou for a short stay. With Yuan's support, Chuandeng was able to publish *Lengyanjing yuantong shu*, his annotation to a Buddhist classic, in 1620. In his preface to Chuandeng's annotation, Yuan Shizhen vented his bitterness on what he regarded as persecution by evil people, clearly referring to the corruption charge. He ended his preface with his full title of Envoy Reforming the Lianghui Salt Administration.<sup>62</sup>

In any case, Yuan Shizhen not only painstakingly carried out his reform in the Lianghui Salt Administration in Yangzhou, but also solicited support from its social elites. He succeeded in establishing the salt syndicate for Lianghui, as well as in cultivating a positive image for himself. His devotion to his official duty was equally matched by his conscious construction of his reputation.

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- 59 Zhong Xing 鍾惺, "Lianghui yanfa gangce xu 兩淮鹽法綱冊序 [Preface to the List of the Lianghui Salt Syndicate]", *Yinxiuxuan ji* 隱秀軒集 [Collected Works of the Hidden and Elegant Pavilion], rpt. *Zhongguo gudian wenxue congshu* 中國古典文學叢書 (Shanghai: Shanghai guji chubanshe, 1992), pp. 238–240. Li Tengfang's preface to Yuan Shizhen's *Lianghui yanfa gangce* is available in *Guangxu Huangzhou fuzhi*, 33:17b, 406.
- 60 Zhong Xing, "Yuan taimu bashi xu 袁太母八十序 [In Celebration of the Eightieth Birthday of Madame Yuan]", in *Yinxiuyuan ji*, pp. 302–303.
- 61 Zhong Xing, "Yu Yuan Cangru lun chuzhong yangui shu 與袁滄孺論楚中鹽貴書 [Letter to Yuan Cangru (Yuan Shizhen) on the High Price of Salt in Huguang]", in *Yinxiuyuan ji*, pp. 478–481.
- 62 Chuandeng 傳燈, *Lengyanjing yuantong shu* 楞嚴經圓通疏 [A Comprehensive Annotation on the *Shurangama Sutra and Mantra*], in *Cangjing shuyuan* 藏經書院, ed., *Wanxuzangjing* 卽續藏經 (Taipei: Xinwenfeng, 1993–1994) vol. 19:400–401.

## Salt Merchants in Yangzhou: Migration and Social Mobility

By the sixteenth century salt merchants dominated Yangzhou's social life, but their status in the community remained precarious. Despite their wealth, merchants were regarded as outsiders under the household registration system.

Household registration was the Ming government's major social control mechanism, a system devised to keep people in one place, both literally and metaphorically. Families were registered under occupational and territorial categories that were supposed to remain fixed from one generation to another. Since a household was registered where it first resided, the early Ming government assumed that salt merchants who came to Yangzhou to apply for salt certificates would return to their hometowns once they had drawn and shipped their salt.

But it made sense for salt merchants to relocate to Yangzhou, the seat of the Lianghuai Salt Distribution Commission.<sup>1</sup> As we shall see, they moved into the salterns and established themselves there. This would create problems later, when they and their descendants wanted to take the imperial examination.

### The Imperial Civil Examination and Household Registration

Passing the examinations and earning a degree was the ladder to success in China, a way to achieve status without being born to it. In theory the imperial examinations were open to everyone, and during the Ming dynasty 47.5 percent of the *jinshi*, the highest degree, went to candidates from families where no one, for the three preceding generations in the male line, had possessed even the most elementary degree. But for all its fairness and openness, the civil examination system could be extremely hostile to "outsiders". Those who had the misfortune to be perceived as outside the approved social hierarchy could

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1 For a detailed study of the history of Yangzhou, see Antonia Finnane, "Yangzhou: A Central Place in the Qing Empire", in Linda Cooke Johnson, ed., *Cities of Jiangnan in Late Imperial China*, SUNY Series in Chinese Local Studies (Albany: State University of New York Press, 1993), 117–150. For her recent work on Yangzhou, see Finnane, *Speaking of Yangzhou: A Chinese City, 1550–1850* (Cambridge, MA: Harvard University Press, 2004).

also be considered “alien” or “base”, and denied access to the civil examinations entirely.

Throughout the Ming and Qing dynasties, the imperial civil examinations operated in more or less the same way, with three tiers of examinations that ran parallel with the government’s administrative structure. The first step was for a boy to enroll in a local government school (girls were denied access both to the examinations and to formal schooling), and then to pass the Annual Examination [*suishi*] and the Qualification Examination [*keshi*] held there. This qualified a student to take the tri-annual Provincial Examination [*xiangshi*], which was held in various provincial cities. If he passed this examination, he received the *juren* degree and was allowed to sit for the tri-annual Metropolitan Examination [*huishi*] in Beijing, the capital. If he passed this final exam, he received the highest degree, the *jinshi*, and could become a government official.

An extremely lucky and capable young man then, could go from being a nobody to becoming a *jinshi* in four years, with a government appointment, and the attendant honor. But if he failed in either the Provincial or the Metropolitan Examination, he had a three-year wait, since these examinations were held only once every three years. It was quite common for a student to spend more than “ten years under a cold window”, as the Chinese saying goes, preparing for the imperial examination, and even then, very few students passed it.

The difficulty of the examinations was one matter, access to it was another.<sup>2</sup> While the imperial civil examinations were a series of extremely rigorous competitions, its entry point was the county or prefecture government school. It was here that those who were considered “outsiders” ran into trouble, since the examination system was closely tied to household registration. Under the household registration system, the occupational registration assigned taxes as well as the family’s work, but the territorial registration provided legitimate access to a local government school. A boy from a family registered in County A would have access to the County A government school. Access was still neither easy nor automatic, since he had to take a series of examinations before being enrolled. But for those who had settled in County A and were registered elsewhere, i.e., the “outsiders”, access to the County A government school was next to impossible. By incorporating the civil examination system with the household registration system, the government tied

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2 For the time being, I leave aside the problem of purchased degrees. *Jiansheng* and *gongsheng* were the two degrees that could be bought. Although common, they were considered inferior to degrees acquired through examination.



individuals with administrative and occupational bonds, granting or denying them access to education and social mobility.

Zhu Yuanzhang, founder of the Ming dynasty, mistrusted the market and was contemptuous of merchants, who had no status under the household registration system. But he did not completely ban their movement from place to place. According to a 1386 decree, traveling merchants had to possess valid transit passes and a certain amount of money to be allowed to travel:

In the 19th year (1386), it was ordered that people everywhere, once becoming adults, should be engaged in their occupations. When moving in or out of their neighborhoods, they should inform each other. As for wandering people or those who call themselves merchants, even though they have transit passes, if they possess less than 10,000 copper cash or less than ten *guan* in paper notes, they should be sent to the local administration and exiled from the realm.<sup>3</sup>

Travelling to Yangzhou on this basis turned the merchants who decided to live there into “sojourners”. The growth of the Yangzhou merchant community was an example of how sojourners became rightful residents, recognized by the government, so that by the time the syndicate system was imposed in 1617, they could negotiate with the government as a group.

### Sojourning and Claiming Registration

During the last days of the Yuan dynasty, Yangzhou was devastated by war and reduced to a fraction of its previous size. In 1357, when Ming forces occupied Yangzhou, only 18 households were included under the official household registration.<sup>4</sup> The majority of the Yangzhou population was made up of sojourners.<sup>5</sup> The 1604 Yangzhou gazetteer noted that the number of natives was only one-twentieth that of sojourners,<sup>6</sup> adding that:

3 *DMHD*, 19:19a–b, 350.

4 *MSL*, Taizu, 5:4b, 58. The 1542 Yangzhou gazetteer repeated this figure, and reported that, at some later, unspecified time, the figure increased to 40.

5 Zhu Huaigan and Sheng Yi 朱懷幹、盛儀, eds., *Jiajing Weiyang zhi* 嘉靖惟揚志 [The Jiajing Gazetteer of Yangzhou] (1522–1566 edition), 8:30b, in *Tianyige Mingdai fangzhi xuankan* 天一閣明代方志續刊, vol. 12 (Shanghai: Shanghai guji shudian, 1981).

6 Yu Ruoying's preface to Yang Xun and Lu Junbi 楊洵、陸君弼, eds., *Yangzhou fuzhi* 揚州府志 [Gazetteer of Yangzhou Prefecture] (1573–1620 edition), 3a–3b, in Beijing tushuguan 北京圖書館, ed., *Beijing tushuguan guji zhenben congkan* 北京圖書館古籍珍本叢刊 (Beijing: Shumu wenxian chubanshe, 1988), vol. 25:6.



There were households of soldiers, commoners, artisans, salt producers, guardsmen, commandants, horsemen, and boatmen. All were registered according to their occupations. The government updated and verified the record every ten years.<sup>7</sup>

A registration category for “merchant” was conspicuously absent from the list. By the mid-sixteenth century, the salt merchants living in Yangzhou were famous throughout China for their wealth, but they were still referred to as Huizhou merchants or Shanxi merchants, not as Yangzhou merchants.<sup>8</sup>

Although the Ming government discouraged unauthorized migration, salt merchants could settle legally in Yangzhou by a process of affiliation known as “claimed registration” [*zhanji*], “lodged registration” [*jiji*], or “attached registration” [*fuji*]. The household registration form for Jiangyin county, dated 1370, for example, had a space for “attached registration”.<sup>9</sup> In 1451, the Ming government decreed that

to allow sojourners to settle locally . . . they are to be granted lodged registration. They should report to the administration the number of family members and adult males, occupations, and property of their households. [They will then be] registered into local communities, pay grain tax, and perform corvee. They should still record on the household form their original registration, address, status (whether soldier, commoner, artisan, salt producer), and the reason for attached registration.<sup>10</sup>

And as late as 1501,

It is ordered that Grand Coordinators and Regional Inspectors should strictly supervise their subordinates to check on sojourners within their

7 Yang Xun and Lu Junbi, eds., *Yangzhou fuzhi* (1573–1620 edition), 3:2a, 58.

8 Thus, talking about the wealthiest people of the realm, Xie Zhaozhe remarked that the Shanxi merchants were wealthier than Huizhou ones. Xie Zhaozhe 謝肇淛, *Wuzazu* 五雜俎 [Miscellaneous Collections] (17th century edition), 4:25b, in *SKJH* zi, vol. 37:427. Yan Shifan, the son of Yan Song, the Grand Secretary, and himself a wealthy man, was quoted as saying that, of the 17 wealthiest families, three were from Shanxi and two from Huizhou. Wang Shizhen 王世貞, *Yanzhou shiliao houji* 弇州史料後集 [Historical Archives of Yanzhou (Supplement)] (1614), 36:1b–2b, in *SKJH* shi, vol. 50:2.

9 This line came last, after “name of household”, “prefecture”, “department”, “county”, “township”, “precinct”, and “ward”. See Li Xu 李翹, *Jiean laoren manbi* 戒庵老人漫筆 [Random Notes of the Old Man of the Chamber of Caution], 1573–1620 edition, rpt. Yuanming shiliao biji congkan (Beijing: Zhonghua shuju, 1982, 1997), 34.

10 *DMHD*, 20:5b, 859.

administration. For those who have stayed long, have married and do not wish to go back [to their place of origin], let their registration be attached locally, and they should be exempt from tax and corvée for three years.<sup>11</sup>

In a 1517 case, a widow in Zizai department of Liaodong Commandery asked that her son be granted local registration. Her husband had been a merchant who had come from afar to Liaodong for business, with a travel permit. Having accidentally burnt the travel permit, he was unable to return to his home, so he settled in Zizai department, married her, and fathered a son, who was now 20 years old. It is not clear whether her petition was granted, but her predicament was not unusual; there were at least seven more cases of requests for local registration by commoners in the department in just three months in 1517.<sup>12</sup>

Therefore, into the early sixteenth century, household registration (and the travel permit) remained a fixture of life, and the sojourner status of merchants was maintained. But once merchants had settled outside their registered hometowns to marry, bear children, and die, their graves became physical evidence of the legitimacy of their children's settlement. Registration of the living began with the burial of the dead.

### From Salt Merchants *in* Yangzhou to Salt Merchants *of* Yangzhou

In Yangzhou, in 1531, Zhu Tingli, the Lianghuai Salt-control Censor, issued a placard to "sojourning" salt merchants regarding their funerals, which Zhu saw as inappropriate. Funerals for the wealthy tended to be lavish, for everyone else they tended to be cursory, and both burial styles went against the Confucian notion of a proper rite:

Merchants [in Yangzhou] being mostly from other provinces, it is difficult [for them] to send home [their] deceased relatives. Some expose them to wind and the sun, or give them away to water and fire; others compete for victory over the expense of a single funeral. What is this all about! Now

11 DMHD, 19:26b–27a, p. 854.

12 There are eight documents dealing with requests for local registration, the first two being the case of the widow. See Liaoningsheng dang'anguan and Liaoning sheng shehui kexueyuan lishi yanjiusuo 遼寧省檔案館、遼寧省社會科學院歷史研究所, eds., *Mingdai Liaodong dang'an huibian* 明代遼東檔案彙編 [Archives of Liaodong of the Ming Dynasty] (Shenyang: Liaoshen shushe, 1985), 50–52.

the Administration will set a time limit: merchants should send home their deceased relatives within six months; those exceeding the time limit will be prosecuted for violating filial piety. For those who wish to have their deceased relatives buried in a simple way, they are allowed to do so. Still, they must be guided by the rites. The deceased should have nothing more than burial items and banners and clothes; the sacrifice should consist of nothing more than fruit, wine and meat. All the other Buddhist, unorthodox, and lavish practices should be severely banned.<sup>13</sup>

Zhu granted six months for deceased salt merchants to be sent back to their registered hometowns for burial; but he allowed them to be buried in Yangzhou as long as the funeral was conducted appropriately, without undue ostentation. Zhu Tingli's ambivalent order in 1531 marked the first step towards recognition of salt merchants' settlement in Yangzhou.

In 1567, when the emperor sent Pang Shangpeng to Yangzhou to reform the salt administration, Pang noticed that hundreds of "sojourning" salt merchant families had been settled in Yangzhou for generations:

As for merchants from various provinces who claim registration locally, their families number in the hundreds. Their ancestors' graves climb the hills. They have spent several generations here, raised children and grandchildren, and have become Yang[zhou] people.<sup>14</sup>

Although Pang Shangpeng still identified salt merchants as sojourners with "claimed registration", he admitted that they were "Yang[zhou] people" and even suggested that a school be established and a quota for the imperial examinations reserved for their descendants. Since the imperial exam was the key to success in late imperial China, this was a major acknowledgment. Unfortunately for the merchants, Pang Shangpeng's suggestion was not implemented. The Ming government would allow migrants to settle and be buried outside their registered hometowns, but denied their children access to schools in their "new" hometowns. (The imperial examinations will be discussed in detail below.)

As they gained a foothold in the community, salt merchants made their presence felt through donations to temples and monasteries. In 1493, Shanxi

13 Zhu Tingli 朱廷立, *Liangyaji* 兩厓集 [Collected Works of Two Cliffs] (1821 edition), 3:17a–17b.

14 Pang Shangpeng 龐尚鵬, *Baiketing zhaigao* [Selected Works from the Pavilion of Hundred 'Yes'] (1599 edition), 2:8a, in *SKCM* ji, vol. 129:140.

merchants sponsored the construction of the main hall in the Buddhist monastery Damingsi in Yangzhou. The monastery was a major theatre of, and gathering place for, Yangzhou's social life throughout the Ming-Qing era, and contemporaries recognized its Shanxi connection; it had originated as a shrine erected by a monk who, in the Tianshun era (1457–1464), visited the Buddhist pilgrimage centre of Mount Wutai in Shanxi.<sup>15</sup> The Tianbaoguan monastery in the eastern corner of Yangzhou near the Grand Canal was also built by Shanxi merchants, during the Wanli era (1573–1619).<sup>16</sup>

Sojourning merchants were also prominent in worshipping Guandi, a historical general who died in 219 and was later deified for his loyalty and righteousness. A protector of the righteous against underhanded dealings and betrayal, Guandi was the most popular deity in China.<sup>17</sup> In Yangzhou alone there were four major Guandi temples.<sup>18</sup>

Guandi also was called upon for help during wartime. According to Cui Tong (1517 *jinshi*), in 1553, Yangzhou was threatened by rebels. Encouraged by the Salt Administration, sojourning merchants vowed to construct a temple in Guandi's honor if he would help the city. Since the rebels were put down and Yangzhou came through the battle unscathed, these merchants sponsored the construction of a Guandi temple in 1554.<sup>19</sup> Yangzhou merchants whose place of origin was Puzhou of Shanxi<sup>20</sup> dominated Guandi worship in Yangzhou:

The Puzhou people who did business in Yangzhou set the thirteenth day of the fifth month as the birthday of the Lord (Guandi). On that day,

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- 15 Luo Qi 羅紀, "Chongxiu Damingsi ji 重修大明寺記", in Zhao Zhibi 趙之璧, *Pingshantang tuzhi* 平山堂圖志 [The Gazetteer of the Hall of Pingshan] (1883 edition) 8:11a–12b, rpt. *Zhongguo fangzhi congshu Huazhongdifang Jiangsusheng* (Taipei: Chengwen, 1983), no. 401, pp. 323–326.
  - 16 Wuge and Huang Xiang 五格、黃湘, eds., *Qianlong Jiangdu xianzhi* 乾隆江都縣志 [The Qianlong Gazetteer of Jiangdu] (1881 edition), 17:20a–20b, in *Zhongguo difangzhi jicheng Jiangsu fuxianzhi ji* (Nanjing: Jiangsu guji chubanshe; Shanghai: Shanghai shudian; Chengdu: Bashu shushe, 2001), vol. 66, p. 242. Since this monastery was not mentioned in the 1599 Jiangdu gazetteer, we assume that it was not built before 1599, but between 1599 and 1619.
  - 17 Xie Zhaozhe, *Wuzazu*, 15:15a, in *SKJH* zi vol. 37, p. 661.
  - 18 The oldest Guandi temple was built in the Yuan dynasty. In the Ming, the temple outside the eastern gate of the old city enjoyed the greatest reputation.
  - 19 Cui Tong 崔桐, "Jian yiyongwuanwangmiao ji 建義勇武安王廟記 [On the Establishment of the Guandi Temple]," in *Cuidongzhouji, xuji* 崔東洲集, 8:4b–5, *SKCM* ji, vol. 73:120.
  - 20 Zhang Siwei 張四維, *Tiaolutang ji* 條麓堂集 [Collected Works of the Hall of Tiaolu] (1595 edition), 23:40b–42a, in *XXSK*, vol. 135:653–654.

the statue of the Lord was carried out amid the beating of drums and music and paraded through neighborhood and markets. After the parade the Lord was carried back to the temple and presented with a sacrifice. Performers were ordered to sing and dance for the Lord, and various merchants sat in array and enjoyed the sacrificial food. Although they wanted to show their respect to the Lord, they did not know that sacrifice like this was disgraceful.<sup>21</sup>

Lavish processions, ostentatious sacrifice, loud music and vulgar dancing may have seemed disgraceful to the literati, but such a celebration must have been a spectacular annual event in Yangzhou, adding to Shanxi merchants' renown.

By the mid-sixteenth century, the Shanxi merchants were demonstrating civic involvement not only by building graves and temples, but by defending Yangzhou against the so-called "Japanese" pirates [*wakō*].<sup>22</sup> In the 1550s city after city along the coast of present-day Zhejiang and Jiangsu had its walls strengthened or built in anticipation of *wakō* attacks. From 1555 to 1559, the *wakō* launched at least four campaigns around Yangzhou;<sup>23</sup> by 1556, sojourning salt merchants had begun a city-wall-strengthening project in Yangzhou, and

21 Zhang Ning and Lu Junbi 張寧、陸君弼, eds., *Wanli Jiangdu xianzhi* 萬曆江都縣志 [The Wanli Gazetteer of Jiangdu] (1573–1620 edition), 11:8b–9b, rpt. Zhongguo kexueyuan tushuguan, ed., *Xijian Zhongguo difangzhi huikan* (Beijing: Zhongguo shudian, 1992), vol. 12:862–863.

22 Although a number of Japanese soldiers served as mercenaries among the *wakō*, the leaders and the majority of *wakō* were Chinese. See Wang Shixing 王士性, *Guangzhiyi* 廣志繹 (Beijing: Zhonghua shuju, 1981, 1997), 77.

23 The first attack, in 1555, was a fiasco for the Ming forces. The *wakō* routed the unprepared Ming soldiers right outside the eastern wall of Yangzhou. Two Battalion Commanders [*qianhu*] were killed in the first engagement, and one Regional Military Commander [*duzhihuishi*] and two more Battalion Commanders were killed later.

In 1556, the *wakō* sacked Guazhou and burnt many tribute grain boats. Their attack on Yangzhou was repelled by Censor Wu Baipeng's brilliant defense. Yizhen also came through unscathed due to Magistrate Shi Ru's defense.

In 1557, with the eastern suburb of Yangzhou newly walled, the *wakō* realised that Yangzhou was beyond their reach. Instead, they wound their way northward, and sacked Baoying and Gaoyou.

The year 1559 was a bad year for the *wakō*. Their assault in summer was checked, and they narrowly escaped encirclement by government forces. In autumn another group of *wakō* was annihilated, though the government force lost Qiu Sheng, a competent Assistant Regional Commander [*canjiang*]. Qiu Sheng was a native of Datong of Shanxi. After that Yangzhou seems to have enjoyed peace until 1645. See Yao Wentian and Akedang'a 姚文田、阿克當阿 et al., eds., *Yangzhou fuzhi* 揚州府志 [Gazetteer of Yangzhou] (1810

also in Yizhen.<sup>24</sup> Yizhen was vital to the salt trade of Yangzhou as the home of the salt warehouses and a center for shipment up the Yangzi River.

Yangzhou had been walled since the Southern Song dynasty in 1167. In 1357, to defend the largely devastated and depopulated city, the Ming government built a new wall for the southwestern corner of Yangzhou, which left much of the old city unwalled. The Grand Canal ran through the southeastern outskirts of Yangzhou; the area between Yangzhou city and the Grand Canal became home to sojourning salt merchants, who had built salt warehouses there since the Yuan dynasty.<sup>25</sup> Probably for this reason, the office of the Lianghuai Salt Distribution Commission was also on the eastern outskirts of Yangzhou, which became important for salt administration and salt trade, and attracted more and more sojourning merchants to settle there. As early as 1510 a group of 20 merchants, headed by Fan Zhao, donated 300 taels of silver to redecorate the Commission office.<sup>26</sup> In 1524, the Salt Distribution Commissioner Li Rui had watchtowers built at the northern, eastern, and southern sides of the Commission office;<sup>27</sup> the local gazetteer remarked that this was the beginning of a new city of Yangzhou.<sup>28</sup> By the 1550s, this unwalled extension of Yangzhou was prosperous, politically important, and vulnerable, an ideal target for *wakō* invasion. The need for a city wall was obvious.

He Cheng, a retired local official whose family came from Yulin in Shaanxi, and Yang Shoucheng, a Graduate, petitioned the Yangzhou prefectural admin-

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edition), 69:22a–27a, rpt. *Zhongguo fangzhi congshu Huazhong difang Jiangsusheng*, no. 145 (Taipei: Chengwen, 1974), 5433–5443.

24 The Yizhen city wall project was sponsored by sojourner salt merchants Wang Can and Wu Zonghao, among others. See Lu Shi 陸師, *Yizhenzhi* 儀真志 (1718 edition), 5:19b–20a.

25 In the late Yuan, salt merchants had to ship their salt to the eastern moat of Yangzhou for inspection. The inspection took a long time and their salt was frequently stolen. In 1340, a Lianghuai Salt Administration official suggested that merchants be allowed to build warehouses on the eastern outskirts of Yangzhou, along the canal, so their salt could be protected. The suggestion got through the red tape and was finally approved by the Ministry of Revenue, and 10,000 *dīng* of paper currency was appropriated for the warehouse project. See Song Lian 宋濂 et al. eds., *Yuanshi* 元史 [History of the Yuan Dynasty] (Beijing: Zhonghua shuju, 1976), 2494–2495.

26 Lü Xian 呂賢, “Yunsi shuzhi ji 運司署治記 [On the Office of the Lianghuai Salt Administration]”, in Xie Kaichong 謝開龍, ed., *Kangxi Lianghuai yanfazhi* 康熙兩淮鹽法志 [Gazetteer of the Lianghuai Salt Administration] (1693 edition, rpt. Taipei: Taiwan xuesheng shuju, 1966), 25:43a–44a, 1803–1805.

27 Li Rui 李銳, “Yunsi shuzhi ji 運司署治記 [On the Office of the Lianghuai Salt Administration]”, in Xie Kaichong, ed., *Kangxi Lianghuai yanfazhi*, 25:24a–25b, 1765–1768. Note that both Lü Xian and Li Rui wrote their essays with the same title.

28 Yao Wentian and Akedang'a et al., eds., *Yangzhou fuzhi* (1810 edition), 63:49a, p. 4945.

istration to wall the eastern outskirt of Yangzhou on behalf of sojourning salt merchants.<sup>29</sup> He Cheng and Yang Shoucheng argued that the unwalled eastern outskirts were important to the salt revenue and deserved protection. The project was approved and formally launched in 1556.<sup>30</sup>

To build the wall, some houses along the bank of the Grand Canal had to be demolished. Some of these homeowners, themselves sojourning salt merchants, objected. The newly appointed Prefect of Yangzhou, Shi Maohua, reminded them that the land along the riverbank belonged to the government, which would have to take back the land in order to “let you build your homes permanently”. The Yangzhou Prefect’s promise to “build your homes permanently” was a sign that the government would formally recognize the salt merchants’ settlement in Yangzhou, which was incentive enough to persuade the salt merchants.

The project cost 46,157 taels; salt merchants loaned 30,000 of it. They not only provided the loan, but virtually built the wall themselves. The administration selected 180 salt merchant households to participate and assigned each household a small part of the project. (Household selection also meant recognition under the household registration system, both for categorization within the system, and assignment of tax and labor service.) The project suffered serious setbacks when the *wakō* invaded Yangzhou; many among the 180 households were robbed, and some were killed. But after nine months of work, the wall was finally built.<sup>31</sup> As well, the salt merchants were assured of permanent residence in Yangzhou.

Along with helping to build the wall, Shanxi merchants fought to defend Yangzhou against the *wakō*. In 1554, the Salt Control Censor Mo Rushi recruited 500 soldiers from Shanxi merchant families. Since the standard Ming draft was one or two able-bodied men from each family, the merchant families from Shanxi must have numbered in the hundreds by the 1550s. These soldiers, known as merchant soldiers [*shangbing*], were responsible for defending

29 For a biography of Yang Shoucheng, see Zhang Ning and Lu Junbi, eds., *Wanli Jiangdu xianzhi* (1573–1620 edition), 17:12a–b, 917. He Cheng’s father He Xuan “migrated to Yangzhou for business, and therefore registered in Jiangdu”. For a biography of He Cheng, see *Wanli Jiangdu xianzhi* (1573–1620 edition), 17:25a–26b, 924. He Cheng’s brother He Jian was also mentioned in the gazetteer, see 17:20b–21a, 921–922. The He family were probably leaders of the sojourning merchants in Yangzhou.

30 Yao Wentian and Akedang’a et al., eds., *Yangzhou fuzhi* (1810 edition), 15:2b–3a, 1054–1055; 15:5a–6a, 1059–1061.

31 He Cheng 何城, “Yangzhou xincheng ji 揚州新城記 [One the New City of Yangzhou]”, in Yao Wentian and Akedang’a et al., eds., *Yangzhou fuzhi* (1810 edition), 15:5a–6a, 1059–1061.



Yangzhou.<sup>32</sup> According to a contemporary account, in 1558 a force led by Yan Jin from Shaanxi mounted a successful defense through their brilliant archery and the terror inspired by their northwestern accent:

In the *wuwu* year of Jiajing (1558), the *wakō* devastated the Capital area. The [Yangzhou] Prefect Shi Maohua drove commoners up onto the city wall [for defense]. When they saw the *wakō* approaching the city wall, they trembled with fear. At this moment, Jin summoned his heroes and went up to the wall together with them. One of them, with the surname Shao, was good at archery. He kept shooting with the Dahuang bow and killed the *wakō* chief. The *wakō* heard the northwestern frontier accent from over the city wall, and recognized the arrows. They suspected that such arrows could only be shot by the strong bows of the frontier army. Therefore they retreated that night. That Yangzhou survived unscathed was due to Jin's recruitment of this merchant. As a result Yan Jin's name was well known around the Yangzi and Huai rivers. Jin rose out of the salt trade. When people owed him money, he always destroyed the deeds and gave the money away. Later, his sons Shixuan, Shichong, and Shixuan's son Rumei all passed the provincial examination on the Book of Rites with distinction and became *jinshi*.<sup>33</sup>

Yan Jin's biography was typical of sojourning salt merchants in Yangzhou. They came from the northwest to Yangzhou, claimed registration, and made their fortune in the salt trade, becoming part of Yangzhou's *nouveaux riches*. With their money they contributed to temples and hosted gala religious events, and loaned or gave money for various building projects.<sup>34</sup>

The process of transforming oneself from a salt merchant *in* Yangzhou to a salt merchant *of* Yangzhou was not easy and smooth. To become a member of Yangzhou's social elite, being wealthy and generous was not enough. While defending their adopted hometown was no doubt helpful, if merchants

32 Zheng Xiao 鄭曉, *Duanjian Zhenggong wenji* 鄭端簡公文集 [Collected Works of Zheng Xiao] (1600 edition), 10:80b, in *SKCM* ji, vol. 85:383.

33 Lei Yingyuan 雷應元, (*Kangxi*) *Yangzhou fuzhi* 康熙揚州府志 (1664 edition), 18:72a–b, rpt. Zhongguo kexueyuan tushuguan, ed., *Xijian Zhongguo difangzhi huikan* (Beijing: Zhongguo shudian, 1992), vol. 13, 377.

34 Huang Huan, another salt merchant from Shanxi, was ordered to build a water gate [*shuiguan*] outside the city gate in 1557. In 1559 he donated 500 taels (some said 1,000) to rebuild the county school that had been destroyed in a storm. *Wanli Jiangdu xianzhi* (1573–1620 edition), 10:2b–3a, 856–857. The record was repeated in *Jiaqing Yangzhou fuzhi* 嘉慶揚州府志, 19:17a, 1275.



wanted to raise their status, passing the imperial examinations was crucial. To be allowed to take the exam—to have their own school with an examination quota, and to be allowed take the exam locally—meant that they had to circumvent government regulations against “falsifying registration”.

### Examination Quotas in Yangzhou

While Ming household registration left a loophole for relocating merchants in the form of “claimed registration”, the law on the imperial civil examinations was more rigid. Examinees had to take each level of the examinations in the seats of their registered county, prefecture, and province. Sitting for the examination in places other than one’s registered place of origin was known as “falsifying registration” [*maoji*], and was prohibited. For the Shanxi merchants in Yangzhou, such a policy, if enforced, meant they had to travel hundreds of kilometers back to Shanxi to sit for the examination, even though they might have been settled in Yangzhou for generations.

The regulation against “falsifying registration” was by no means toothless, and “sojourning” examinees were always at the mercy of officials’ tempers. Even with claimed registration, access to the examinations was by no means certain. An excerpt from Xie Zhaozhe illuminates the problem:

The government recruits the literati through examination. From county and prefecture examinations to provincial examinations, the ban on falsifying registration is applied, [even though it] is rather meaningless. . . . In Linqing of Shandong, nine-tenths [of the examinees] are Huizhou merchants with claimed registration. . . . Last year a Provincial Education Commissioner tried hard to drive them out, to the extent that some of them were banned from sitting for the examinations even though their grandfathers and fathers had acquired the *juren* degree in Shandong. This is really laughable. I was then serving in Linqing Prefecture, and only with my strong opposition was this ban lifted.<sup>35</sup>

The insecurity of sojourners with claimed registration persisted throughout the Ming and into the Qing,<sup>36</sup> but merchants in Yangzhou did manage to get

35 Xie Zhaozhe, *Wuzazu*, 14:26a–b, p. 499.

36 Zhao Erxun 趙爾巽 et al., eds., *Qingshigao* 清史稿 [Draft of the History of the Qing Dynasty] (Beijing: Zhonghua shuju, 1976), 3480. According to the Qing regulations on examinations, those who had held local registration for 25 years and acquired land

around it. During the Ming the Shanxi merchants even acquired an examination quota known as the merchant registration [*shangji*]. Terada Takanobu documented the migration of three salt merchant families from Shanxi to Yangzhou, focusing on their success through the salt trade and their education.<sup>37</sup> Fujii Hiroshi noted that the *Lianghuai Salt Gazetteer* recorded many degree holders whose places of origin were not Yangzhou, but notably Shanxi and Huizhou.<sup>38</sup> Xu Min studied numerous examinees' résumés and found a case from 1602 in which the examinee identified himself as holding a "merchant registration" while a student in Yangzhou Prefecture School.<sup>39</sup>

But exactly when Shanxi merchants acquired the quota in Yangzhou is not known. Fujii cited the 1806 *Lianghuai Salt Gazetteer* which stated that in the Wanli period there was an examination quota in the Yangzhou Prefecture School for Shanxi merchants but not for Huizhou merchants.<sup>40</sup> Fujii also noted that the 1806 *Lianghuai Salt Gazetteer* identified Yan Shicong, who acquired the *juren* degree in 1585, as a "person of Shaanxi, merchant registration",<sup>41</sup> and concluded that the merchant registration in Lianghuai existed by 1585 at the latest.

But there was no direct evidence to back Fujii's argument. The *Lianghuai Salt Gazetteer* that Fujii quoted was compiled two centuries after the Ming. By then, the salt merchants' school and examination quotas were far in the past. There was no mention of such a policy in the 1693 *Lianghuai Salt Gazetteer* or any earlier Yangzhou gazetteers. Although Pang Shangpeng suggested that a

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and property were not regarded as falsifying registration. See Xie Kaichong, ed., *Kangxi Lianghuai yanfazhi*, 15:8a–8b, pp. 1201–1202.

37 Terada Takanobu 寺田隆信, *Sansei shonin no kenkyū* 山西商人の研究 (Kyoto: Tōyōshi Kenkyūkai, 1972), 251–265. The three families were the Yans from Taiyuan, and the Xues and the Lis, who were both from Datong.

38 Fujii Hiroshi 藤井宏, "Mindai enshō no ichi kōsatsu 明代鹽商の一考察 [A Study of the Salt Merchants of the Ming Dynasty]", *Shigaku zasshi* 史學雜誌, vol. 54, no. 6 (1943), 644–645; "Shinan shōnin no kenkyū (iv) 新安商人の研究", *Tōyō gakuō* 東洋學報, vol. 36, no. 4 (1947), 533–563.

39 Xu Min 許敏, "Mingdai shangren huji wenti chutan 明代商人戶籍問題初探 [A Preliminary Study of the Household Registration of Merchants in the Ming Dynasty]", *Zhongguoshi yanjiu*, no. 3 (1998), 116–127, 124.

40 *Jiaqing Lianghuai yanfazhi* (1796–1821 edition), quoted from Fujii Hiroshi, "Shinan shōnin no kenkyū (iv)" *Tōyō gakuō*, vol. 36, no. 4 (1947), 538.

41 *Jiaqing Lianghuai yanfazhi* (1796–1821 edition), quoted from Fujii Hiroshi, "Shinan shōnin no kenkyū (iv)" *Tōyō gakuō*, vol. 36, no. 4 (1947), 542.

school be built for sojourning salt merchants in Yangzhou in 1567, there is no evidence that his suggestion was followed.<sup>42</sup>

Whether or not salt merchants were allowed to sit for the examinations in Yangzhou in the early sixteenth century, they made their mark in education, as they had in charitable contributions, Guandi worship, and the *wakō* battles. When the Plum Blossom Academy [*Meihua Shuyuan*] was founded in 1527 in honor of the famous Confucian scholar Zhan Ruoshui, He Liangjun noted with disapproval that:

[Zhan Ruoshui] later became the Southern Minister of Rites. Big salt merchants from Yangzhou and Yizhen also studied under Zhan, and Zhan called them “disciples in the itinerant resort”. These lot go everywhere to cultivate connections. Even now people in the Southern Capital still talk about them.<sup>43</sup>

Despite He Liangjun’s scorn, merchant sponsorship was vital for the Plum Blossom Academy. It was rebuilt by Prefect Wu Xiu in 1592, and by Lu Bao, the eunuch in charge of salt administration in Lianghuai, in 1595. In return, the academy gave merchants access to education, and through that, to the literati and officialdom.

While Shanxi merchants were able to acquire an examination quota in Yangzhou, merchants whose families came from Huizhou were not so lucky: they were denied access to the imperial civil examinations in Lianghuai.<sup>44</sup> Feeling that they were being discriminated against, Huizhou salt merchants campaigned for a school of their own, and therefore an entry quota to the imperial civil examinations in Yangzhou. The campaign began in the 1630s, yet until the downfall of the Ming it had little success. Not surprisingly, Shanxi merchants opposed the campaign; they did not want to have to compete with Huizhou people for the merchant registration slots in the imperial exams. The competition between Huizhou and Shanxi salt merchants in Yangzhou

42 Pang Shangpeng, *Baiketing zhaigao*, 2:6a–6b, in *SKCM* ji, vol. 129:139.

43 He Liangjun 何良浚, *Siyoushai congshuo* 四友齋叢說 [Miscellaneous Notes from the Chamber of Four Friends], rpt. Yuan Ming shiliao biji congan (Beijing: Zhonghua shuju, 1982, 1997), 32.

44 The 1693 *Lianghuai Salt Gazetteer*, which was mainly compiled by Huizhou salt merchants, urged the government to permit Huizhou merchants to sit the imperial civil examinations, just as the Shanxi merchants were allowed to do. See Xie Kaichong, ed., *Kangxi Lianghuai yanfazhi*, 15:9b, p. 1202.

mirrored their rivalry in the salt monopoly: Shanxi merchants were frontier merchants, and Huizhou merchants were interior merchants.

At least three circumstances can account for the Shanxi merchants' success and the Huizhou merchants' failure. Firstly, in Hedong, Shanxi's salt depot, salt merchants had already established a special school and had a reserved quota for the civil examinations. No such precedent existed in Huizhou. Secondly, Shanxi was farther from Yangzhou than Huizhou was, which meant travel problems would be greater for Shanxi merchants' descendants. Thirdly, and more importantly, Yangzhou and Huizhou both belonged administratively to the Southern Metropolitan Area, while Shanxi was not even a neighboring province, which made the absurdity of expecting a student to travel across three provinces to take the examination all the more glaring. Although Huizhou and Yangzhou were two weeks apart in travel time, the government had no problem with this; and at least it made sense administratively.

Huizhou merchants had another disadvantage in the form of an official from their rivals' hometown, Lei Shijun. A member of the literati and a native of Jingyang in Shanxi, Lei Shijun provided a detailed account of the Huizhou merchants' campaign in an essay that, although mild in tone and elegant in style, revealed his entrenched opposition to it.<sup>45</sup>

According to Lei's essay, written in the 1620s,<sup>46</sup> the Huizhou merchants' campaign nearly succeeded: the emperor had granted them permission for a school and a quota when the Salt Distribution Commissioner Shi, who had sympathized with their plight, was transferred. The new Yangzhou Prefect Zhang was a native of Shanxi; he opposed the Huizhou merchants' plan.

Lei admitted that it was unfair for descendants of Shanxi merchants to sit for the imperial civil examinations in Yangzhou while descendants of Huizhou merchants had to travel all the way to Huizhou. Losing ground on the principle behind the decision, Lei stressed the financial difficulties: establishing a new school would cost several tens of thousands of taels, an unaffordable burden. Instead of building another school, Lei suggested that the enrollment quota of the Yangzhou Prefecture School be increased, creating a new quota for the Huizhou merchants. This proposal would cost a few thousand taels, only a few taels for every salt merchant involved.

Before this suggestion could be accepted or rejected war intervened. The Ming dynasty fell and Qing soldiers devastated Yangzhou in the infamous

45 Lei Shijun 雷士俊, "Lianghuai zengjian yunxue yi 兩淮增建運學議 [Proposal on Establishing One More School by the Salt Administration]", in Xie Kaichong, ed., *Kangxi Lianghuai yanfazhi*, 27:6a–10b, 2041–2050.

46 Xie Kaichong, ed., *Kangxi Lianghuai yanfazhi*, 27:6a–10b, 2041–2050.

“ten-day massacre”. Not until the early eighteenth century did Huizhou merchants finally gain access to the imperial civil examinations in Yangzhou.

During the Ming, it was in Hangzhou that Huizhou merchants were able to achieve this goal.<sup>47</sup> In Hangzhou they created an academy, Ziyang Shuyuan, for their descendants. Although the late Ming gazetteer of Hangzhou, published in 1609, did not mention the academy, the early Qing gazetteer, published in 1718, provided a brief account of it.<sup>48</sup>

Shanxi and Huizhou merchants were not always rivals. According to an epitaph by Zhong Xing (1574–1624), a famous late Ming writer, the daughter of a Shanxi merchant named Zan Silan married a Huizhou merchant named Cheng Zhuangsuo.<sup>49</sup> At this time there was in Yangzhou a frontier merchant involved in illegal activities, so much so that the entire merchant community, both Shanxi and Huizhou, was terrorized. Cheng Zhuangsuo openly challenged and subdued him. Impressed by Cheng’s courage, Zan Silan married his sixteen-year old daughter to the man.

After a few years in Yangzhou, the couple moved to Cheng’s hometown in Huizhou, where Ms Zan, now Madame Cheng, gave birth to a son, Cheng Ningzhi.<sup>50</sup> Huizhou merchants were not as firmly rooted in Yangzhou as Shanxi merchants and remained more attached to their place of origin; for example, Cheng Jinghong’s father, who was a leading Huizhou merchant in Yangzhou, returned to Xiuning of Huizhou, his hometown, to retire.

The conflict between the two groups of merchant, dramatized by Cheng Zhuangsuo’s open challenge to and victory over a “scoundrel” frontier merchant, followed by an alliance offered by frontier merchants through marriage, was telling evidence of the rise of Huizhou merchants in Yangzhou.

47 According to the local gazetteer of Shexian, it was Wu Xian from Shexian, not from Xiuning, who launched the campaign. See Zhang Peifang and Liu Dakui 張珮芳、劉大樑, eds., *Shexianzhi* 歙縣志 [The Gazetteer of Shexian] (1771 edition), 6:1a, rpt. *Zhongguo fangzhi congshu Huazhong difang Anhuisheng* (Taipei: Chengwen, 1975), 327.

48 Wei Yuan and Qiu Lian 魏源、裘琏, *Qiantang xianzhi* 錢塘縣志 [The Gazetteer of Qiantang County] (1718 edition), 4:16a, rpt. *Zhongguo difangzhi jicheng Zhejiang fuxian-zhiji* (Nanjing: Jiangsu guji chubanshe; Shanghai: Shanghai shudian; Chengdu: Bashu shushe, 1993), vol. 4:134.

49 While the epitaph does not state directly that Zan Silan was a frontier merchant, the Zan family originated in Datong in Shanxi and moved to Yangzhou for the salt trade, so it seems likely that they were sojourning Shanxi merchants.

50 Zhong Xing 鍾惺, *Yinxiuxuan ji* 隱秀軒集 [Collected Works from the Hidden and Elegant Chamber], *Zhongguo gudian wenxue congshu* (Shanghai: Shanghai guji chubanshe, 1992), 538–539.

Although Huizhou merchants still clung to their original hometown, they had established firm control over the salterns. Two early Qing salt gazetteers, the 1693 *Salt Gazetteer of Lianghuai*, and the 1673 *Gazetteer of the Middle Ten Salterns*, give a clear picture of their dominance in the salterns in the seventeenth century.

### Huizhou Merchants in the Salterns

Salt merchants not only settled in Yangzhou city, but also moved into the production end of the salt trade: salterns. The salt merchants' silver gave them political power in the salterns, at the government's expense. To appreciate the significant social change this represented, we must understand the early, non-commercial nature of the saltern. The Ming government did not base salt production on commercial principles, but on a government ideal of a regimented society. People in coastal regions, and some criminals, were compulsorily assigned the household registration of salt producer [*zaoding*] and were to perform corvée to the government by fulfilling a quota of salt. In return the government paid them in grain, reserved nearby land for them to grow grass as fuel, kept the waterways clear, and provided relief for those who were destitute among them. The saltern was supposed to be run by officials, who would collect and store the salt, and then distribute it to merchants with valid salt certificates. Merchants were to play no role in the salterns except that of drawing salt.

But as we saw in Chapter Two, the government did not keep its side of the bargain. By the fourteenth century, it had stopped grain payments to saltern households, giving them a nearly worthless paper currency instead. Also, merchants arriving to draw salt often had a long wait. To avoid waiting in vain, they provided commercial incentives to salt producers, first as loans in kind and later as payment in silver. By the mid-sixteenth century, salterns began to look more like merchants' salt workshops than government salt depots.

The *Gazetteer of the Middle Ten Salterns* [*Zhongshichang zhi*],<sup>51</sup> compiled in 1673, recorded the details of the salt merchants' penetration into Lianghuai salterns. The ten middle salterns faced the Yellow Sea in the east, and stretched

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51 Wang Zhaozhang 汪兆璋, *Zhongshichang zhi* 中十場志 [Gazetteer of the Middle Ten Salterns of Lianghuai] (1673 edition, rpt. Dongtai: Dongtaixian bianxiu xianzhi bangongshi, 1985); henceforth, *Zhongshichang zhi*.

from north to south in a ten-mile-wide strip along the coast.<sup>52</sup> An extensive but fragile network of inland waterways linked them together and provided shipping southwestward through Taizhou, Yangzhou, and Yizhen into the Yangzi River. Of the thirty Lianghuai salterns, the northern ten were disadvantaged by their distant location (and heavy transportation costs), while the southern ten, at the mouth of Yangzi River, were often damaged or flooded by tsunamis.<sup>53</sup> "The middle ten were the major salt producers in Lianghuai, and therefore in the Ming salt administration."

By the mid-sixteenth century, of these ten salterns only Dongtai, Heduo, Fuan, Anfeng, and Liangduo (the middle of the middle ten) were still producing salt for the government. The remaining salterns either paid silver in lieu of salt to the government, or fulfilled their quota by buying salt from nearby salterns.<sup>54</sup> The 1673 *Gazetteer* provides ample evidence of the Huizhou merchants' dominance of these five salterns, as well as the earlier presence of Shanxi merchants.

One way the merchants made their presence felt was through charitable contributions. In Dongtai Saltern, for example, Jin Wan, a salt merchant from Xiuning of Huizhou, built a public cemetery near the north salt depot in 1523 for 500 famine victims. Thirty years later, his son had the cemetery repaired, and Cui Tong, a famous member of the literati, wrote an essay in honor of their charity.<sup>55</sup> In Anfeng Saltern, Fang Hongkui, a merchant originally from Shexian of Huizhou, also built a temple in 1664 and a public cemetery at an unspecified date.<sup>56</sup> Before Jiaoxie Saltern went defunct, three Huizhou merchants who came to buy surplus salt, Zheng Gongwan, Fang Bingham, and Huang Ji Yao, built a temple there in honor of Guandi.<sup>57</sup>

Salt merchants also took responsibility for improving the salt transportation networks, for the obvious reason that this was to their benefit. In Anfeng Saltern, Xu Mingqian, a Huizhou merchant, rebuilt the Huancui Bridge during the Shunzhi era (1644–1662)<sup>58</sup> and Zheng Daxiu built the Dongsì Bridge

52 The ten salterns were: Xiaohai, Caoyan, Dingxi, Heduo, Dongtai, Liangduo, Anfeng, Fuan, Pingcha, and Jiaoxie. Dongtai Saltern was where the Taizhou Branch Office was located.

53 The Yuzhong saltern under the Tongzhou Sub-commission, for instance, was engulfed by the Yangzi river. See Xie Kaichong, *Kangxi Lianghuai yanfazhi*, 3:13b, p. 190.

54 *Zhongshichang zhi*, 1:77b.

55 *Zhongshichang zhi*, 2:105b, 109b, 7:23b; Cui Tong, *Cui Dongzhou ji xujì* (1555 edition), 8:3a–4b, in *SKCM ji*, vol. 73:119–120.

56 *Zhongshichang zhi*, 2:119b, 121b, 5:108b, 7:30a.

57 *Zhongshichang zhi*, 2:133a, 5:112a.

58 *Zhongshichang zhi*, 2:119b.



in 1666.<sup>59</sup> In Liangduo Saltern, Fang Hongkui repaired the Wanghai Bridge in 1669.<sup>60</sup> Cheng Zhichu repaired the Zhuanshui Bridge and renamed it Shiji Bridge in 1656.

Perhaps most illustrative of the transition from the Shanxi to the Huizhou merchants' dominance was the river-dredging project in Anfeng Saltern. In Anfeng, as in other salterns, salt shipments were seriously disrupted during droughts. When this happened in the years 1544 and 1545, Zhao Bai, on behalf of merchants from Yicheng of Pingyang Prefecture of Shanxi, offered to dredge the inland-waterways network. The salt administration approved the project, which was launched under official supervision while Zhao Bai and the other merchants "upheld righteousness and covered shortages [in funding]."<sup>61</sup> A century later, when the inland-waterways network became impassable due to flooding, it was not Shanxi but Huizhou merchants who sponsored the reconstruction. Zheng Yongcheng, a syndicate [*gang*] merchant from Huizhou, headed a group of merchants who loaned 11,000 taels for the river-dredging project in 1665. The loan was to be repaid in salt from the saltern. Four years after the dredging project, the saltern still owed them 2,816 taels worth of salt. At this point Zheng Yongcheng and the other merchants voluntarily donated the arrears.<sup>62</sup> Zheng Yongcheng was highly praised for his charity and generosity.

The two dredging projects reflected a more important phenomenon than charity: the increase in merchant control over salterns. In 1545, the Salt Censor launched the dredging project, the Lianghuai Salt Distribution Commission provided funding, and officials in Taizhou Branch Office and Anfeng Saltern supervised the project. Shanxi merchants only suggested the project and covered shortages with a loan. But by 1665 all the funding came from the Huizhou merchants' loan, to be repaid in salt for four consecutive years. At this point Zheng Yongcheng and his fellow merchants controlled the production and purchase of salt within Anfeng Saltern, a far cry from the early Ming salterns in which saltern officials, not merchants, reigned supreme.

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59 *Zhongshichang zhi*, 2:111b, 5:104b. The reconstruction of Guanwang Temple by Zheng Daxiu was said to have been carried out in the *gengyin* year of Kangxi, i.e., 1710 (5:104b), but this would not have been possible as *Zhongshichang zhi* was published in 1673. The construction was more likely to have been carried out in 1670, or the *gengxu* year of Kangxi.

60 *Zhongshichang zhi*, 2:119b, 121b, 5:108b, 7:30a.

61 *Zhongshichang zhi*, 9:3b–5b.

62 *Zhongshichang zhi*, 2:98a–b, 8:34a–36a.



Salt merchants must have begun to settle in the salterns by the mid-sixteenth century at the latest. A salt merchant named Liu Yingxiang, from the far western frontier of Shanxi, settled in Heduo Saltern after travelling around Yangzhou, Jiangxi, and Huguang for a decade. He weathered the violence and chaos of the Ming-Qing transition thanks to the popular support he received due to his lifelong devotion to righteousness and charity.<sup>63</sup> In Dongtai Saltern, Huizhou merchants had built a guild hall by 1663.<sup>64</sup> Wu Rongzu, a merchant from Huizhou who came to purchase surplus salt, was known to have resided in the saltern for nearly 50 years; he was still alive and healthy in 1673.<sup>65</sup> The Jiang family from Huizhou also lived in Dongtai Saltern, and was renowned for the chastity of its two widows and the filial piety of its son, Jiang Yingquan, in recognition of which the government erected two arches in their honor. Jiang Yingquan stayed in Dongtai for nearly twenty years, and Jiang Jiuwan, one of his grandsons, became a merchant in Yangzhou. Jiang Yuekai, son of Jiang Jiuwan, gained a *juren* degree in Guizhou. He achieved this feat by sitting for the imperial civil examinations with his “in-laws’ registration”.<sup>66</sup> With a grandfather in Dongtai Saltern and a grandson doing business in Yangzhou, the Jiang family made an ideal commercial network, covering both the production and wholesale ends of the salt trade.

Huizhou sojourners not only distinguished themselves through the salt trade, but in literati circles. Fang Yihuang, who settled in Anfeng Saltern, was a famous poet.<sup>67</sup> In Liangduo Saltern, Xie Shaolie was famous for his friendship with the late Ming celebrity Dong Qichang, his expert calligraphy, and his madness;<sup>68</sup> Hu Kedong was popular in literati circles in Yangzhou;<sup>69</sup> and Xu Mingshi was known for the elegance of his literati lifestyle.<sup>70</sup>

The 1673 saltern gazetteer showed the same pattern as the 1693 gazetteer: Shanxi sojourners arrived first, in the mid-sixteenth century; Huizhou merchants followed; and the latter became pre-eminent from the late sixteenth century onwards. In this long process the single most important event was Yuan Shizhen’s creation of the syndicate system in 1617. What Yuan Shizhen did not mention in his memorials was evident in the gazetteers, and may even

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63 *Zhongshichang zhi*, 7:28a.

64 *Zhongshichang zhi*, 4:63b.

65 *Zhongshichang zhi*, 7:26a–b.

66 *Zhongshichang zhi*, 7:76a–b.

67 *Zhongshichang zhi*, 7:27a.

68 *Zhongshichang zhi*, 7:28.1b–29b.

69 *Zhongshichang zhi*, 7:29b–30a.

70 *Zhongshichang zhi*, 7:29a–b.

have been part of the deal he struck with hoarders: merchants had been given control of salt production.

The control Yuan Shizhen ceded to salt merchants was realized in the “conversion” [*gaizhe*] of corvee into monetized tax. A Qing record of the Xiaohai Saltern in Lianghuai, provided this account of the change:

According to the old regulations of the previous Ming dynasty, salt was collected into depots and waited to be withdrawn by merchants. If time elapsed, the salt stock would diminish, to the loss of saltern households and their chiefs. If the salt production quota was not fulfilled, the salt administration officials would be punished. If delay in salt withdrawal continued, it hurt merchants and weakened the state. In the 45th Year of Wanli (1617), the Salt Control Censor Yuan [Shizhen] submitted his deliberation and payment was changed to silver, and this was thereafter followed as a rule.<sup>71</sup>

Another version of the Xiaohai gazetteer described how merchants operated in the salterns after the 1617 reform, although the gazetteer did not seem to realize that merchants already were “making transactions on their own”:

Since the conversion, the government has not collected salt, but allowed merchants to make transactions on their own. . . . This saltern has 141 households, and all are poor. Their salt-sheds [*ting*] and salt-pans [*bie*] are all supplied by merchants to dry [the brine in the sun] and to boil [the brine over a fire]. Before the salt is boiled, [saltern households] receive payment; after the salt is boiled, [saltern households] run further into debt.<sup>72</sup>

The conversion meant that the saltern administration had to be changed, too:

Under the Ming system, there were five Depot Men [*cangfu*] who supervised the collection of salt. After the Wanli era, [the salt quota] was converted [into silver tax]. Community Heads [*jiashou*] were appointed, with six under the Saltern Commissioner and four under the Assistant Saltern

71 *Zhongshichang zhi*, 4:79a.

72 Lin Zhengqing 林正青, *Xiaohaichang zhi* 小海場志 [Gazetteer of the Xiaohai Saltern] (1739 edition), 5:1b, rpt. *Zhongguo difangzhi jicheng xiangzhenzhi zhuanji* (Nanjing: Jiangsu guji chubanshe; Shanghai: Shanghai shudian; Chengdu: Bashu shushe, 1992), vol. 17:210.

Commissioner, to supervise the collection of silver tax from each section [*zong*]. They were each paid 2.4 taels annually from the saltern coffer.<sup>73</sup>

This was not a temporary change in a particular saltern, but a new policy that applied throughout the system. With the establishment of the syndicate, from 1617 right down to the Qing dynasty, salterns paid their tax in silver instead of salt.<sup>74</sup> As a result, in many salterns, such as Liangduo, government salt depots were laid waste.<sup>75</sup> In Fuan Saltern, the monetization of grain tax followed the monetization of salt tax.<sup>76</sup>

Although saltern households now paid their tax in silver, this did not mean that they no longer produced salt, but that they sold their salt directly to merchants, who paid for it in silver. The power shift that had begun when merchants moved into the salterns was complete.

Although the government had given up control of salt production, it kept a firm grip on its distribution. The laissez-faire period in Lianghuai's salterns beginning in 1617 was short-lived. In 1661, the early Qing government ruled that public depots be established in salterns, in effect resuming Ming policy.

The gazetteer for Xiaohai Saltern recorded that

Saltern households paid tax without delivering salt. The system of official production had long been abandoned. Consequently, it was up to them [the saltern households] to decide how much or how little salt they wanted to boil, or whether they wanted to sell their salt to the government or to merchants. Shipment of salt relied on boats or carts. Abuses occurred everywhere. In the 18th year of Shunzhi (1661), Li Zanyuan, the Salt Control Censor, suggested establishing a public depot following the example of Yizhen and Huaian. He ordered that saltern officials be responsible for opening and closing the depot. All salt produced by saltern households was to be stored in the depot and there the transactions would be made with merchants. Any salt stored in private houses or outside the depot was deemed contraband. Merchants arriving at salterns with *yin* should immediately go to the depot, purchase salt publicly, and have their *yin* verified and salt packed. After the inspection by saltern

73 Lin Zhengqing, *Xiaohaichang zhi*, 2:10a, 183.

74 "In the early Ming, the original quota [of salt for all of the middle ten salterns] was 214,880 *yin*. . . . Since the conversion, only silver is collected, and no salt quota is levied". *Zhongshichang zhi*, 4:61a, 72b.

75 *Zhongshichang zhi*, 4:54a.

76 *Zhongshichang zhi*, 4:69b.

officials, the salt would be released. . . . Under the current system, there are merchants in every saltern who make the purchase themselves and wait for their salt to be packed and weighed.<sup>77</sup>

### Officials and Merchants

The *Gazetteer of the Middle Ten Salterns* has been a major source for this chapter. It was compiled by Wang Zhaozhang, a Salt Administration official who was himself from a salt merchant family that originated in Huizhou; as such, he is a good example of salt merchants' migration and social mobility.

Wang Zhaozhang was the head of the Taizhou Branch Office, the Second Assistant Salt Controller [*yunpan*], and ranked 6b. What distinguished him was that he was a descendent of sojourner salt merchants from Yixian in Huizhou who had relocated to Hangzhou, a city second only to Yangzhou in the salt trade. According to the Wang genealogy, the lineage settled in Hongcun of Yixian in the twelfth century.<sup>78</sup> In the sixteenth century, Wang Yuantai, of the 82nd generation, migrated from Hong Village to Hangzhou to engage in the salt business.<sup>79</sup> While growing rich in Hangzhou, Wang Yuantai maintained close connections to his hometown in Yixian, purchasing land there as ancestral property, decorating an ancestor hall, and dying there in 1580.<sup>80</sup> He was survived by two sons, Zongjin and Zongshen, and adult grandchildren; the three generations had amassed a fortune in the salt trade. Wang Shiyong, Yuantai's grandson and Zongshen's second son, later moved Yuantai's coffin to Hangzhou and built an ancestor hall there, establishing the Hangzhou branch of the Wang lineage.<sup>81</sup>

77 Lin Zhengqing, *Xiaohaichang zhi*, 5:7b–8a, 213–214.

78 Wang Chuncui 汪純粹, *Hongcun Wangshi jiapu* 弘村汪氏家譜 [The Genealogy of the Wangs of Hongcun], 1748 edition (henceforth, *Hongcun Wangshi jiapu*); also see Wang Yunian, *Hangzhou Wangshi Zhenyitang xiaozongpu*, 1925 edition.

79 The *Hongcun Wangshi jiapu* does not say that Wang Yuantai was engaged in the salt trade, only that he migrated to Hangzhou. See *Hongcun Wangshi jiapu*, 12:2a. Fortunately, clear evidence of his involvement in the salt trade is recorded in the genealogy of a Wang lineage branch. See Wang Zengli 汪曾立, *Pingyang Wangshi jiu shi yi shi zhipu* 平陽汪氏九十一世支譜 [The Branch Genealogy of the Eleven Generations of the Wangs of Pingyang], 1:2a.

80 *Hongcun Wangshi jiapu*, 12:2a, 3a.

81 *Hongcun Wangshi jiapu*, 24:79a–79b; 12:3b; 25:89b–90a.

Wang Zhaozhang was Shiyang's cousin and Zongjin's second son.<sup>82</sup> Unlike his elder brother Zhaolian (who later changed his name to Zhaoyan) who took the *jinshi* degree in 1664,<sup>83</sup> Wang Zhaozhang did not excel in his studies, and only acquired the degree of Tribute Student by Grace [*engongsheng*] at an unspecified date.<sup>84</sup> He was the head of the Taizhou Branch Office of the Lianghuai Salt Distribution Commission from 1667 to 1675.<sup>85</sup> During this time he commissioned the scholar Yang Dajing to compile a gazetteer of the ten salterns under his jurisdiction, which was published in 1673. In 1675, Wang Zhaozhang went back to Hangzhou to mourn the death of one of his parents. In 1682, having finished his term of mourning, he was appointed the Second Assistant Salt Controller in the Cangzhou Branch Office of the Changlu Salt Distribution Commission. In 1682, he was promoted to a post in the Guangdong Salt Distribution Commission. He died in the post at an unspecified date, having spent his whole career as a salt bureaucrat.

As head of a branch office in a salt distribution commission, ranked 6b, Wang Zhaozhang was no senior official. But officials like Wang had enough time (seven years in his case) to build up their expertise in front-line salt administration, something which the salt censor, who only held office for a year, could not hope to achieve. Wang would have had more authority than ordinary salt-ern commissioners, and have been more likely than his senior colleagues to understand and take control of the salt administration. Moreover, since the Taizhou Branch Office supervised the most important salterns in Lianghuai, he would have been the most important middle-ranking official in the Lianghuai Salt Administration. With one cousin as head of the Taizhou Branch Office and another a salt merchant, the Wang family could keep track of every aspect of the salt business. It was through lineage connections like these that the middle ten salterns became the Huizhou merchants' private workshop.

Historians are aware that Huizhou merchants linked their business in the salt trade to their lineage formation, but details are seldom available. The records of the Wang lineage help fill the gap. Wang Gao, of the 85th generation and one of Wang Zhaozhang's distant nephews, formed the *qicheng hui*, an organization much like a contemporary loan syndicate. When its members, his kinsmen who were involved in the salt trade, donated silver to build their

82 *Hongcun Wangshi jiapu*, 12:2b–3a; 25:88b–89a.

83 *Hongcun Wangshi jiapu*, 12:2a–2b.

84 Li Wei 李衛 et al., eds., *Chixiu Liangzhe yanfazhi* 勅修兩浙鹽法志 [The Gazetteer of the Liangzhe Salt Administration] (1728 edition, rpt. Taipei: Xuesheng Shuju 1966), 15:21b, 1778.

85 Xie Kaichong, ed., *Kangxi Lianghuai yanfazhi*, 5:31b, 468.

ancestral hall, the donations were pegged to the salt certificates they owned in a fixed ratio. The capital thus accumulated was used for further investment.<sup>86</sup>

Wang Zhaozhang's lineage pursued the salt trade in Hangzhou by following the same course as their fellow Huizhou townsmen in Lianghuai, first penetrating the salterns of Liangzhe. While many members of the lineage became salt merchants, some received imperial examination degrees, and some became officials in the salt bureaucracy. Profits from the salt trade, support from the lineage organization—an investment mechanism devised in the name of filial piety towards ancestors—and the quest for cultural capital were the key elements in their social progress. Under the syndicate system their position was about to change once more, and quite drastically.

### From Merchants to Tax Captains

Ray Huang called the Lianghuai salt syndicate, in which the merchants had substantial capital and developed close government connections, the precursor of the "Co-hang at Canton under the Ch'ing".<sup>87</sup> The late imperial Chinese government's policy towards them has been commonly described as "feudal-autocratic", especially in the sprouts of capitalism literature of the 1950s. Albert Feuerwerker objected to this misleading image. To him, what distinguished the late imperial Chinese state from its European counterpart was that the latter channeled capital investment away from land and into new ventures.<sup>88</sup> The late imperial Chinese state, on the other hand, "contributed little to the elaboration of the legal, financial, and commercial institutions that could facilitate the shift of commercial capital . . . into industrial investment . . .".<sup>89</sup>

Thus, while the salt trade required merchants to travel nationwide, household registration tied families to the same place for generations. Salt merchants exploited this contradiction, moving into the salterns and taking responsibility where the government had failed to—in loans to the saltern households—as well as establishing themselves in the community through temple donations,

86 The project lasted for 35 years and the ancestral hall was finally completed in 1747. *Hongcun Wangshi jiapu*, 25:97a–97b.

87 Ray Huang, *Taxation and Governmental Finance in Sixteenth-century Ming China* (Cambridge: Cambridge University Press, 1984), 220–221.

88 As evidence he lists the national debt, government-launched annuities, and later the government bonds issued by modern public banks like the Bank of England.

89 Albert Feuerwerker, "The State and the Economy in Late Imperial China", *Theory and Society* vol. 13, no. 3 (May 1984), 297–326, especially 318 and 320.

building and dredging projects, and charitable contributions. After surmounting the obstacles to taking the imperial examinations, they distinguished themselves as scholars and members of the literati.

When Yuan Shizhen arrived at Yangzhou in 1617, Lianghuai salt merchants already controlled salt production in salterns. Meanwhile the most powerful salt merchants, the “hoarders”, had cornered the market in salt certificates. They built lavish resorts in and around Yangzhou and Huaian, where certificates for southern and northern Huai salt were issued, and even the violent Ming-Qing transition did not diminish their wealth.

But the transition from hoarders to syndicate merchants was more than a change in title and status. The power structure had changed. Syndicate merchants paid the salt tax according to the number of salt certificates they subscribed, and these certificates were linked to the regions where the salt was to be sold. Before 1617, the number of salt certificates a merchant possessed determined his fortune; after 1617, the monopoly regions designated by his salt certificates were the indicator of wealth. Also, as long as salt merchants paid their annual tax, the government did not care how the salt trade was run. We shall see how this played out, and how their new world operated, in the next chapter.

## Salt Syndicate and Salt Merchants

Although scholars have studied the regulations and details of the salt syndicate, the institutional changes caused by the shift to the syndicate system have never been fully explored. Exactly what was the difference between the grain-salt exchange and the syndicate system, when the market for salt certificates disappeared and its holders were transformed into tax farmers? What was it like to be a salt merchant under the syndicate system? This chapter will answer these questions from the salt merchants' perspective.

The transformation of the salt trade during the last four decades of the Ming dynasty was dramatic, but it was meant to be temporary. Whatever arrangement had been put in place must have come to an abrupt end when Yangzhou was decimated by Qing forces in 1645, although one salt merchant was recorded as having offered a gift of 300,000 taels to Dodo (Duoduo), the Qing commander, to spare the city.<sup>1</sup> Despite colorful descriptions of this episode in contemporary accounts such as *An Account of the Ten Days of Yangzhou* [*Yangzhou shiri ji*], little is known of what happened to salt merchants and the syndicate after the chaos of the transition. The two cases described in this chapter offer some insights and draw tentative conclusions on the syndicate system in the early Qing.

The first case is drawn primarily from a 1673 genealogy of the Cheng lineage, whose members included prominent salt merchants. This genealogy in turn was based on genealogies from 1452 and 1586.

### The Huaitang Chengs in Lianghuai

One suspects that the 1673 Cheng genealogy compilation was part of a process of the lineage re-establishing status after the turmoil of the Ming-Qing transition. Social registration was not new to Huizhou merchants, as evidenced by the *Genealogy of Reputable Lineages of Huizhou* (*Xin'an mingzu zhi*) in 1551. From at least the sixteenth century until the end of the Qing dynasty, establishing a lineage organization was a way to consolidate power and raise status.

1 Ma Buchan 馬步蟾, *Huizhou fuzhi* 徽州府志 [The Gazetteer of Huizhou] (1827 edition), 12.5:4b, in *Zhongguo difangzhi jicheng Anhui Fuzhouxianzhiji*, (Nanjing: Jiangsu guji chubanshe; Shanghai: Shanghai shudian; Chengdu: Bashu shushe, 1998), vol. 50:71.



Lineages were established by compiling a genealogy and building an ancestral hall, then using the lineage organization to advance in business, education, territorial expansion, and so on. A successful lineage could always produce imperial degree holders, who in turn enhanced the social legitimacy of the lineage, as we saw in Chapter Four. The richer and stronger the lineage became, the more easily it produced degree holders—youths who had the money and time to study for, and then pass, the imperial examinations—while the more degree holders a lineage had, the greater its legitimacy and official connections.

The Cheng lineage started to take shape in the late Ming. Compilers of the 1673 Huaitang Cheng genealogy identified a Cheng Lingxi in the fourth century as their common ancestor, and claimed kinship with residents in various places, including Yangzhou, Huaian, and Shexian in Huizhou, Anhui Province.<sup>2</sup> Cheng Sigong, one of their kinsmen and a senior official, had orchestrated the compilation of the 1586 genealogy on which they based their updated version.<sup>3</sup> Cheng Sigong in turn based his work on that of Cheng Meng of Huaitang village, Shexian, one of his early kinsmen and a prominent scholar, who in 1452 had compiled a comprehensive genealogy for numerous branches of the Chengs.<sup>4</sup>

The Chengs in Huaitang village initiated the 1673 genealogy. They sent two letters to Cheng Jia (1595–1665) of the Jiangcun branch, seeking his financial support. In 1652 Cheng Jia agreed to finance the project in the “letter from Yangzhou”, which was obviously where he lived. We also know that Cheng Jia was a man of means; in his reply he suggested that, for fund raising, any member

2 Li Yanshou 李延壽, *Nanshi* 南史 (Beijing: Zhonghua shuju, 1975), 1632–1634.

3 Cheng Sigong 程嗣功, postscript to *Xu Huaitang Chengshi zongpu* 續槐堂程氏宗譜 [The Lineage Genealogy of the Chengs of Huaitang] (1586 edition), n. pag. Of particular interest is Cheng Sigong's postscript. He noted that a group of Chengs from Fengtang and Tongling, respectively, tried to forge connections with the Huaitang Chengs. Fengtang was probably somewhere within Shexian, therefore causing less problem even if the Fengtang Chengs were allowed in. Cheng Sigong was particularly outraged by the Tongling Chengs, as he could find no record whatsoever from previous genealogies of any Cheng migrating to Tongling, 130 km north of Shexian. To punish the culprits and to warn his descendants, Cheng Sigong had the names of the five persons involved listed.

4 Cheng Meng 程孟, *Xin'an Chengshi zhu pu huitong* 新安程氏諸譜會通 (1452 edition). It was meant to be a comprehensive study of all the genealogies of Chengs he could find. It was therefore not confined to the Chengs of Huaitang village. At this time he said that the Huaitang Chengs themselves had 17 branches. This lineage structure was faithfully copied in the subsequent two genealogies: the 1586 and the 1673 one.

of the Huaitang Chengs who donated 3,000 taels would receive a posthumous tablet in the ancestral hall. Then he himself donated 3,000 taels.<sup>5</sup>

Cheng Jia began his career as a Tribute Student, which was a degree that could be had for a price. He was appointed a deputy aide in the Court of Imperial Entertainments, and, thanks to “two occasions on which the emperor granted his mercy”,<sup>6</sup> he received the title of the Gentleman for Summoning and later became a director in the Ministry of Works.<sup>7</sup> Cheng Jia’s curriculum vitae was typical of a wealthy person buying his way into officialdom in late imperial China, since both his academic degree and official titles were purchased, more proof that he was a man of substantial means.

The violence of the Ming-Qing transition destroyed more than his fortune. In 1645, as the Qing army sacked Yangzhou and occupied Nanjing, Cheng Jia and his family fled back to their Shexian hometown along the Xin’an River. When their ship stopped at Yanzhou overnight, a fire broke out and killed his eldest son, who was only 13 years old.<sup>8</sup> Cheng Jia barely escaped the fire himself.

By 1652, only seven years later, Cheng Jia was re-established in Yangzhou, with enough money to be called upon to fund the genealogy. Once the genealogy project was endorsed by Cheng Daoyan, the lineage head [*zuzhang*], it was formally launched in the name of Xiancheng Hall, the ancestral hall at Huaitang, with Cheng Jia as the coordinator [*shoushi*]. Cheng Jian, another lineage member, took on the laborious job of liaison and research. On July 8, 1652, Cheng Daoyan, Cheng Jia, Cheng Jian, and other literate members of the Huaitang Chengs gathered in Xiancheng Hall to sacrifice to the ancestors and notify them of the genealogy project. A contract [*hetong*] was drawn up and four copies distributed, one each to Cheng Daoyan, Cheng Jia, and Cheng Jian,

5 HT, 1:57a, 16:18b

6 This is in fact a polite reference to the fact that he purchased the title.

7 HT, 16:18b.

8 According to his biography, the 13-year-old Cheng Qishan died while rescuing his father. The local people were deeply touched by his filial piety and erected a stone tablet near Lügongqiao Bridge in his memory. See HT, 16:24a. The local gazetteer of Yanzhou notes that the bridge, situated in a southwestern suburb of Yanzhou Prefecture city, was built by and named after Lü Changqi, the Ming Yangzhou Prefect, in 1610. It served as an important connection point between Huizhou and Ningguo Prefectures on the one hand, and Chun’an, Suian, and Shouchang Counties on the other. See Wu Shijin 吳士進 et al., eds., *Yanzhou fuzhi* 嚴州府志 [The Gazetteer of Yanzhou Prefecture] (1883 edition), rpt. *Zhongguo difangzhi jicheng Zhejiang fuzhoushixianzhi ji* (Nanjing: Jiangsu guji chubanshe; Shanghai: Shanghai shudian; Chengdu: Bashu shushe, 1993), vol. 8, p. 90.

and one for all the other literate members.<sup>9</sup> A month later a public letter went out to all the branches of the Huaitang Chengs.<sup>10</sup>

In 1654, with all data collected, a few highly educated members of the Huaitang Chengs were called upon to do the writing and editing. By 1655, the genealogy was ready to be printed, but disaster struck. Cheng Jia and his son Cheng Duyuan were prosecuted by the government and sent into exile for reasons that, as we will see, made an intriguing chapter in the lineage's history. The genealogy project would be put on hold for the next 13 years.

Although all the Huaitang Cheng sources expressed grief, sympathy, and indignation over the exile, they were conspicuously silent on the details. One account said that: "[Cheng] Jia suffered disaster."<sup>11</sup> Another account was even more cautious: "the draft of the genealogy was ready, but, because of an accident, was not printed onto the wood-blocks."<sup>12</sup> The *Lianghuai Salt Gazetteer* was no more forthcoming: "[Cheng Jia] was later sent into exile for some reason, but was allowed back as he contributed to the grand construction project for the state."<sup>13</sup> A later edition of the *Lianghuai Salt Gazetteer*, compiled during the Yongzheng era (1723–1735), did not even mention the incident in Cheng Jia's brief biography.<sup>14</sup>

Cheng Jia's biography in the 1673 genealogy provides the most detailed account:

(Cheng Jia) sponsored the ancestor hall in the old home of Huaitang, and was the first to donate 3,000 taels to compile the genealogy. The draft was completed but was not printed because a disaster occurred. (Cheng Jia's) second son won the degree of a Graduate Student in 1657, but was falsely

9 See "Fanli" of *HT*. The exact date of the gathering in Xiancheng Hall was the third day of the sixth month of the ninth year of Shunzhi, or July 8, 1652.

10 See "Chong xu zongpu tongzu gongshu 重續宗譜通族公書 [A Public Letter to All Members of the Lineage on Re-compiling the Lineage Genealogy]", *HT*, juan 1, 1a–1b. The exact date of the letter was the first day of the seventh month of the ninth year of Shunzhi, or August 4, 1652.

11 See Zhou Yu's preface to *HT*, n. pag.

12 See Cheng Liangneng 程量能, "Chongxiu zongpu jishu 重修宗譜記述 [An Account of Re-compiling the Lineage Genealogy]", in *HT*, 1:59b–60a.

13 Xie Kaichong 謝開寵, ed., *Kangxi Lianghuai yanfazhi 康熙兩淮鹽法志* [The Kangxi Gazetteer of Lianghuai Salt Administration] (1693 edition) (Taipei: Taiwan xuesheng shuju, 1966), p. 1554.

14 Gaertai 嘎爾泰, ed., *Lianghuai yanfazhi 兩淮鹽法志* [The Gazetteer of Lianghuai Salt Administration] (1723–1735 edition), 14:54b. Cheng Jia's biography contains only 28 characters.

charged by rumor and together they were sent into exile on the remote frontier. In 1661, the emperor decreed that they be brought back through the postal circuit and all of their confiscated property returned. They paid for the construction of the bell tower and the city wall, an expense which was beyond calculation, and they exhausted their resources to bring the construction project to a successful end.<sup>15</sup>

This sounded like Cheng Jia may have been the first to be brought down by the mysterious “disaster”. What befell Cheng Duyuan, his son, was easier to understand. Bribery was alleged to have affected the examination results of 1657, when Cheng Duyuan won the degree of Graduate Student. An investigation resulted in the execution and exile of dozens of examiners and examinees; Cheng Duyuan was probably one of them.<sup>16</sup>

Father and son were granted pardons in 1661, the year the Shunzhi emperor died and Kangxi was enthroned.<sup>17</sup> Returning from exile “through the postal circuit”, that is, at the government’s expense and in official style, the two Chengs stayed in Beijing under what seem to have been house arrest. As a token of gratitude for the emperor’s mercy, they sponsored the construction of a bell tower and part of the city wall.<sup>18</sup> The construction project took seven years, but Cheng Jia died in 1665, before its completion. Three years later his son Cheng Duyuan had Cheng Jia’s coffin exhumed and returned to his hometown for formal burial. On his way back to Yangzhou, Cheng Duyuan took the draft of the genealogy but found he was unable to print and publish it. He sent a public letter to all branches of the Huaitang Chengs, asking for help.

15 HT, 16:18b.

16 For a study of this famous incident, known as the “the case of the *dingyou* examination”, see Meng Sen 孟森, *Ming Qingshi luncong* 明清史論叢 [Collected Papers on Ming-Qing History] (Taipei: Shijie shuju, 1965).

17 The enthronement of the new emperor, as were other auspicious occasions, was usually accompanied by pardons for convicted criminals.

18 Assuming that the bell tower was the famous one in the northern ward of Beijing, outside Di’anmen Gate, I consulted various local gazetteers and private writings about early Qing Beijing but found no trace of the Chengs’ involvement whatsoever. The officially compiled Beijing gazetteer in the eighteenth century, *Rixia jiuwen kao*, for example, noted that the bell tower was built in the Yongle period (1403–1424) and reconstructed in 1745. See Yu Minzhong 于敏中 et al., eds., *Rixia jiuwen kao* 日下舊聞考 [A Study of Old News under the Sun], in Wenyuange ben Siku qianshu (Shanghai: Shanghai guji chubanshe, 1987), vol. 497, pp. 753–754. Miu Quansun’s authoritative Beijing gazetteer faithfully copied this record. See Miu Quansun 繆荃孫 et al., eds., *Shuntian fuzhi* 順天府志 [The Gazetteer of Shuntian Prefecture] (1886 edition), in XSK, vol. 683:311–312.

The prosecution, exile, and Beijing construction project must have bled the Jiangcun branch white. At this point they were no longer in a position to dominate the genealogy project, and the Censhandu branch took over.

Cheng Liangneng of the Censhandu Branch, whom Cheng Duyuan addressed as uncle, took over Cheng Jia's role as the coordinator. Cheng Liangneng not only sponsored the project, but had the draft expanded to include the 13 years after 1655. Once again, Cheng Jian was responsible for liaising, interviewing, and research. Literate members of the Huaitang Chengs were invited to Sanyuan Daoyuan, a Daoist monastery in Yangzhou, to do the writing and editing.<sup>19</sup> In 1673 the genealogy was formally published in 1,100 wood-block pages and more than 800,000 characters. The 21-year-long project had finally been completed, an important step in building the Cheng lineage community and advancing the bloodline.

Cheng Liangneng's slightly sour account betrayed the uneasy relationship between the two men:<sup>20</sup>

In the year of *renchen* (1652), granduncle Daoyan and brother Jia were launching a project to renew the two genealogies [of Cheng Minzheng and Cheng Sigong]. I was then sojourning in Yangzhou and was not given the chance to present my humble opinion to the editorial board. . . . In the winter of the year of *wushen* (1668), nephew Duyuan carried on his father's will and planned to publish the draft in Yangzhou. Without hesitation I took up the project, and only then was I able to participate in public discussion with others in the same hall.

Despite the rivalry between Cheng Jia and Cheng Liangneng, the genealogy project showed that while individual fortunes might rise or fall, the Huizhou merchants, as a body, were re-establishing themselves by the early Qing.

Although Cheng Liangneng received little mention in the 1673 genealogy, for at least two generations his family had been in the salt trade. One of his uncles, Cheng Dagong (1565–1648), had been a wealthy salt merchant. During the Ming-Japanese war in Korea (1592–1599), Cheng Dagong had financed the government's war effort and been given the honorary title of Secretary of

19 The editorial board included: Cheng Zhiwang of the Huaitang branch, Cheng Jun of the Censhandu branch, Cheng Shiqi of the Jiangcun Branch, Cheng Yuangen of the Dachengcun Branch, and Cheng Song of the Tangkou Branch. See Zhou Yu's preface to *HT*, juan 1, n. pag.

20 Cheng Liangneng, "Chongxiu zongpu jishu [An account of re-compiling the lineage genealogy]", *HT*, 1:59b–60a.

the Grand Secretariat.<sup>21</sup> The *Lianghuai Salt Gazetteer* provided a more important piece of information: Cheng Dagong was engaged in the salt business in “Huaibei”, meaning that he specialized in northern Huai salt.<sup>22</sup> Merchants engaged in this trade stayed in Huaian, about 130 km north of Yangzhou, and home of the Huaian Salt-Distribution Sub-commission and the Huaibei Salt Control Station, as well as the prefectural seat of Huaian. Salt merchants redeeming Huaibei salt relocated to Huaian, just as those who redeemed Huainan salt relocated to Yangzhou. Like their Yangzhou counterparts, the Huaian sojourners gradually rose to prominence and became the elite stratum of the community. Cheng Liangneng was probably apprenticed to Dagong in the salt business and then made his own fortune later.

Cheng Liangneng's generation produced other prominent merchants who survived the chaotic Ming-Qing transition. Cheng Liangru (1612–1640), Liangneng's elder brother, migrated to Yangzhou where he became the leader of the salt merchants there. Among other achievements, he convinced the government to reserve the three prefectures in southern Hunan for the sale of Huainan salt. Guangdong and Huainan salt administrations had competed for these prefectures since the Song dynasty. Cheng Liangru was also remembered for striking a deal on behalf of the merchants to pay salt tax arrears of 1.4 million taels.<sup>23</sup>

Cheng Liangyue (1626–1687), Cheng Liangneng's youngest brother, was also a famous salt merchant. According to a local gazetteer of Huaian, in 1670, the 44-year-old Cheng Liangyue was already an established salt merchant in Huaibei. During a serious flood lasting for two years (1670–1671), he launched an urgent relief operation to rescue and house thousands of refugees. Then, during the Rebellion of the Three Feudatories (1673–1679), government forces captured thousands of Zhejiang women who were to be sold as slaves or concubines. As the escort passed Huaian, Cheng Liangyue paid to ransom these women, and then he sent them home.<sup>24</sup>

While the above gazetteer tells of Liangyue's charitable acts, an eighteenth century private account recorded something about his salt business. Cheng Zhong, author of the private account, was Cheng Liangyue's fifth-generation

21 HT, 13:47a. Cheng Dagong was the only son of Cheng Yingbiao, who was in turn the younger brother of Cheng Yingshe.

22 Xie Kaichong, ed., *Kangxi Lianghuai yanfazhi*, p. 1553.

23 Xie Kaichong, ed., *Kangxi Lianghuai yanfazhi*, pp. 1556–1557.

24 Wen Bin, Sun Yun and He Zhaoji 文彬、孫雲、何紹基, *Chongxiu Shanyang xianzhi* 重修山陽縣志 [The Gazetteer of Shanyang County] (1873 edition), 15:15a–15b, rpt. *Zhongguo fangzhi congshu Huazhong difang* (Taipei: Chengwen, 1983), no. 414, 235.

grandson.<sup>25</sup> According to him, all four of Cheng Liangyue's elder brothers stayed in Yangzhou while he went to Huaian. He had a shop for his salt business, known as the *wuzidian* (literally "a shop with the character 'five'"), which was probably a warehouse for storing salt; it was also where the Cheng family lived. The name was more than a trademark, in that it was his branch number in the family genealogy. According to a local archive, the Chengs ran six shops in the early Qing, each owned by a different branch of the family. Later the number of shops increased to 13, and all of them were wealthy.<sup>26</sup>

As the next section will show, the Chengs also played a prominent role in compiling the gazetteer of the Lianghuai salt administration in 1693, ensuring that it reflected their prominent place in local history. The Chengs were conspicuous in the gazetteer: of the 273 Huizhou people mentioned (excluding female and early figures), the 46 Chengs made up the second largest surname group. (See Appendix for details.) A co-compiler of the *Lianghuai Salt Gazetteer* was Cheng Jun (1638–?), who had been one of the principal compilers of the 1673 genealogy. Cheng Jun came to Yangzhou as the adopted son of a scholarly family from Hangzhou, in the Censhandu branch of the lineage, the same branch as the wealthy salt merchant, Cheng Liangneng.<sup>27</sup> Cheng Jun's stepfather and two uncles were students in the Renhe County school of Hangzhou Prefecture, clear evidence of their settlement in Hangzhou, home of the Liangzhe Salt Distribution Commission as well as many Huizhou migrants. Cheng Dasheng's family may well have engaged in the salt business here. (For an overview of the key figures in the Censhandu branch, see Chart 5.1.)

### The Chengs in the Lianghuai Salt Gazetteer

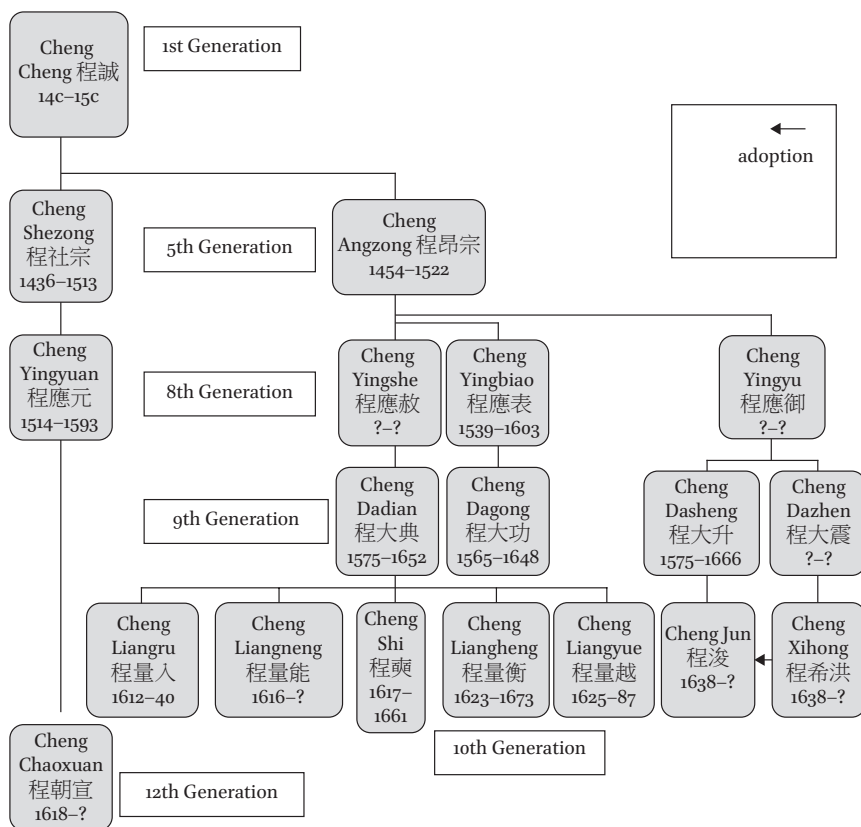
The first gazetteer of the Lianghuai salt administration in the Qing dynasty was published in 1693. It contains six chapters of "biography" and two on "literary works". It was a great honor for Lianghuai salt merchants and their ancestors to be favorably mentioned in the gazetteer, and they tried their best to obtain

25 Cheng Zhong (1786–?), *Nean zazhu* 訥庵雜著 [The Miscellaneous Works of Nean], in Wang Guangbo and Cheng Jinghan 王光伯、程景韓, *Huaian hexia zhi* 淮安河下志 [The Gazetteer of Hexia of Huaian] (1931 preface), rpt. *Zhongguo difangzhi jicheng xiangzhen zhi zhuanji*, vol. 16 (Nanjing: Jiangsu guji chubanshe 1992), 359.

26 Li Yuangeng 李元庚, *Zhili daizheng lu* 梓里待徵錄 [A Record of Hometown for Citation], cited from Wang Guangbo and Cheng Jinghan, *Huaian hexia zhi*, 1931 preface, rpt., *Zhongguo difangzhi jicheng xiangzhen zhi zhuanji*, vol. 16 (Nanjing: Jiangsu guji chubanshe, 1992), p. 582.

27 *HT*, 13:48a, 63a, 80b.



CHART 5.1 *Key figures of the Censhandu branch of the Cheng surname at Huaitang*

such recognition. Consequently, the eight chapters give a wealth of information about salt merchants and their relatives, many of whom are given independent entries in the biographies or mentioned in passing. I begin my study by number crunching.

Since Lianghuai salt merchants in Ming and Qing dynasties were mostly migrants from Shanxi and Shaanxi, and later from Huizhou, people originating from these two regions naturally became the focus of the study. In the gazetteer, people originating from Huizhou and from Shanxi and Shaanxi totaled 428, with the Huizhou group numbering 337, or 79%, and the Shanxi-Shaanxi group numbering 91, or 21%. No doubt the Huizhou merchants had far outnumbered the Shanxi merchants since late Ming.

Of the 337 Huizhou people, 53 had Wang as their surname, constituting the biggest group, to be closely followed by the Chengs (52) and the Wus (50); in fact, with the Fangs (40) coming fourth, these four surname groups together constituted as much as 58% of the Huizhou people (see Table 5.1).



TABLE 5.1 *Huizhou people recorded in the 1693 Lianghuai Salt Gazetteer*

Surnames	Number of people under that surname	Percentage
Wang 汪	53	15.77%
Cheng 程	52	15.48%
Wu 吳	50	14.88%
Fang 方	40	11.90%
Subtotal	195	58.04%
Jiang 江	17	5.06%
Huang 黃	16	4.76%
Xiang 項	13	3.87%
Zheng 鄭	11	3.27%
Zhang 張	10	2.98%
Xu 許	9	2.68%
Hu 胡	8	2.38%
Bao 鮑	7	2.08%
Sun 孫	7	2.08%
Jiang 蔣	6	1.79%
Ma 馬	6	1.79%
Min 閔	4	1.19%
Wang 王	4	1.19%
Zhao 趙	4	1.19%
15 other surnames	19	5.65%
<b>Total</b>	<b>336</b>	<b>100.00%</b>

However, since these numbers include both male and female, a lineage may appear numerous simply because it boasted more chaste widows, obscuring the fact that females generally occupied an inferior position in the patriarchal structure of lineage. Moreover, some of the people mentioned in the biographies were early Ming, even late Yuan figures, far beyond the scope of this study.<sup>28</sup> Having excluded female and pre-sixteenth-century figures, the number totals 273, but the statistical pattern remains the same. The four biggest surname groups are still the Wangs, the Chengs, the Fangs, and the Wus (the

28 For example, Wu Ning was a Ming official in 1449; Cheng Cai died in 1496; Huang Hua gained the *jinshi* degree in 1481; and Bao Yuanfeng was active in 1352. See Xie Kaichong, ed., *Kangxi Lianghuai yanfazhi*, 1477, 2099, 2069, 2057.

TABLE 5.2 *The 273 Huizhou people recorded in the 1693 Lianghuai Salt Gazetteer, excluding female and early figures*

Surnames	Number of people under that surname	Percentage
Wang 汪	48	17.58%
Cheng 程	46	16.85%
Fang 方	38	13.92%
Wu 吳	35	12.82%
<b>Subtotal</b>	<b>167</b>	<b>61.17%</b>
Jiang 江	16	5.86%
Huang 黃	16	5.86%
Xiang 項	12	4.40%
Zheng 鄭	8	2.93%
Xu 許	7	2.56%
Sun 孫	7	2.56%
Zhang 張	6	2.20%
Hu 胡	6	2.20%
Ma 馬	6	2.20%
Jiang 蔣	5	1.83%
Zhao 趙	4	1.47%
9 other surnames	13	4.76%
<b>Total</b>	<b>273</b>	<b>100.00%</b>

latter two change place, though); and they appear to be an even more overwhelming majority, constituting 61% of the Huizhou people (see Table 5.2).

Of the 46 Chengs in Table 5.2, all but eight were from Shexian of Huizhou. In theory, people having the same surname and living in the same county do not necessarily belong to the same lineage. In the case of the 46 Chengs recorded in the salt gazetteer, however, the majority do come from the Huaitang lineage (see Table 5.3). For example, half of the 46 Chengs were from the Censhandu branch, and another 7 from the Jiangcun branch of the Huaitang lineage (see Table 5.4). The two branches alone claimed 65 percent of the Huizhou Chengs in the salt gazetteer.

In short, we see the rise of the Chengs of Huaitang on the construction of two texts: their own lineage genealogy in 1673 and the gazetteer of Lianghuai salt administration in 1693. Certainly, the successful compilation of these two texts was the consequence, not the cause of their economic and social success. However, as far as the fortune of the Chengs was concerned, success in

TABLE 5.3    *The 46 Chengs recorded in the 1693 Lianghuai Salt Gazetteer*

Branch/Origin	Number
Censhandu, Shexian	23
Jiangcun, Shexian	7
Nanshi, Shexian	2
Hehuachi, Shexian	2
Shexian	4
Xiuning	2
Huizhou	3
Unspecified	3
Total	46

TABLE 5.4    *The Huaitang Chengs recorded in the 1693 Lianghuai Salt Gazetteer*

Name	Branch	Relation	Record in gazetteer (page number)	Record in genealogy ( <i>juan</i> and page number)
Cheng Jia 程欒	Jiangcun	8th generation ancestor	1553	16:7b–8b, 18b
—	Jiangcun	Jia's son	1553	—
Cheng Qisu 程起驩	Jiangcun	9th generation ancestor	1459	16:7b–8b, 23b
Cheng Shiqi 程式琦	Jiangcun	Qisu's nephew	1460	16:7b–8b
Cheng Shiyi 程式儀	Jiangcun	Qisu's eldest son	1460	16:7b–8b, 29b
Cheng Shichuan 程式傳	Jiangcun	Qisu's second son	1460	16:7b–8b, 29b
Cheng Wenming 程文銘	Jiangcun	Qisu's grandson	1460	16:7b–8b, 38a
Cheng Cai 程材	Censhandu	6th generation ancestor	2099	13:10a, 16b, 87a

TABLE 5.4 *The Huaitang Chengs (cont.)*

Name	Branch	Relation	Record in gazetteer (page number)	Record in genealogy ( <i>juan</i> and page number)
Cheng Mo 程默	Censhandu	6th generation ances- tor Cai's eldest son	2099	13:16b, 87a, 28b
Cheng Ran 程然	Censhandu	6th generation ances- tor Cai's second son	2099	13:16b, 28b–29a
Cheng Lian 程廉	Censhandu	6th generation ances- tor Cai's nephew	2099	—
Cheng Lie 程烈	Censhandu	6th generation ances- tor's nephew	2099	—
Cheng Dagong 程大功	Censhandu	9th generation ancestor	1553	13:19a–21b, 47a
Cheng Zhizao 程之藻	Censhandu	Dagong's grandson	1701	13:19a–21b, 78b
Cheng Xinyuan <sup>i</sup> 程新元	Censhandu	Jun 浚's father	2051	13:19a–21b
Cheng Jun 程浚	Censhandu	10th generation ancestor	2051	13:19a–21b, 63a
Quan 程銓	Censhandu	Jun 浚's brother	2099	13:16b, 87a, 58b
Liangyue 程量越	Censhandu	10th generation ancestor	1521	13:19a–21b, 61a
Cheng Yongchang 程用昌/ Cheng Ling <sup>ii</sup> 程陵	Censhandu	Liangyue's second son	1521	13:19a–21b, 77a–b
Zhiwan 程之秭	Censhandu	Liangyue's sixth son	1521	13:19a–21b, 77a–b
Liangru 程量入	Censhandu	10th generation ancestor	1556	13:19a–21b, 61a

Name	Branch	Relation	Record in gazetteer (page number)	Record in genealogy ( <i>juan</i> and page number)
Wenzheng 程文正	Censhandu	Liangru's grandson	1478	—
Zhiying <sup>iii</sup> 程之諲	Censhandu	Liangru's eldest son	1556	13:19a–21b, 76b
Cheng Jun 程濬	Censhandu	11th generation ancestor	1478	13:16b, 74a
Cheng Shi 程湜	Censhandu	—	1478	—
Cheng Song 程淞	Censhandu	—	1478	—
Cheng Chaoxuan 程朝宣	Censhandu	12th generation ancestor	2059	13:87a, 94a
Cheng Yun <sup>iv</sup> 程埴	Censhandu	Chaoxuan's son	2063	13:87a
Cheng Zongmeng 程宗孟	Censhandu	—	1702	—
Cheng Qiwei程 其位	Censhandu	Zongmeng's eldest son	1702	—
Cheng Qilu 程其祿	Censhandu	Zongmeng's second son	1455	—

<sup>i</sup> According to the genealogy, Cheng Jun's natural father was Cheng Dazhen. Xinyuan was probably Dazhen's style.

<sup>ii</sup> According to the genealogy, Cheng Liangyue's second son was Cheng Ling.

<sup>iii</sup> None of Cheng Liangru's grandsons in the genealogy has the name Wenzheng. There might be a printing mistake in either of the two archives, or Wenzheng was born after 1673.

<sup>iv</sup> None of Cheng Chaoxuan's five sons in the genealogy has the name Yun. There might be a printing mistake in either of the two archives, or Yun was born after 1673.

Source: Lei Yingyuan, (*Kangxi*) *Lianghuai yanfazhi* (1693 edition); *HT* (1673 edition).

salt monopoly was only the necessary condition, and the cultivation of social capital was the sufficient condition.

### Zhang Lin and the Changlu Salt Monopoly

The case of Zhang Lin (circa 1660s–1750s), the Changlu salt merchant has been thoroughly studied by Kwan Man-bun.<sup>29</sup> This interesting and intriguing case shows how salt merchants operated, and the very different kinds of risks they ran, under the syndicate system in early Qing. Zhang Lin conducted his business by cultivating connections with agents in the Imperial Household Department [*Neiwufu*]. His rise and fall were intertwined with favors and hazards from his political connections. But before investigating this case, we shall examine its context: the geographical setting and administrative framework of the Changlu salt trade in the early Qing.

Changlu was the salt production area along the coastline of contemporary Hebei in north China. In 1679, the 24 government salterns that had been set up in the Ming were reduced to 16, indicating a decline in salt production.<sup>30</sup> Of the remaining 16, four had ceased production by 1726.<sup>31</sup> In the early Qing, Changlu had an annual official quota of 719,515 *yin* of salt (one *yin* equal to 225 catties),<sup>32</sup> to supply salt for a region stretching from the entire Metropolitan Area to Kaifeng and eastern Henan.

The 16 salterns were divided, eight each, into the Northern and the Southern Sub-Commissions, with the Northern Sub-Commission in Tianjin, and the Southern Sub-Commission in Cangzhou. Both cities had salt depots; salt from the Southern Sub-Commission was shipped by land to Cangzhou, and salt from the Northern Sub-Commission was shipped by water to Tianjin. Only from these two depots could merchants draw their salt, making Cangzhou and

29 This case, and the salt trade of Changlu in Qing dynasty in general, has been studied in Kwan Man-bun 關文斌, "The Merchant World of Tianjin: Society and Economy in a Chinese City" (PhD Thesis, Stanford University, 1990). Also see his *The Salt Merchants of Tianjin: State-Making and Civil Society in Late Imperial China* (Honolulu: University of Hawai'i Press, 2001), 76–85.

30 Duan Ruhui 段如蕙, *Changlu yanfazhi* 長蘆鹽法志 [The Gazetteer of Changlu Salt Administration] (1726 edition, rpt. Taipei: Taiwan xuesheng shuju, 1966), 3:4a, 157 (henceforth, *Changlu yanfazhi*).

31 *Changlu yanfazhi*, 6:59b–60a, 454–455.

32 *Changlu yanfazhi*, 2:21a–b, 135–136.

TABLE 5.5 *The first salt monopoly scheme for Zhang Lin's family in 1662*

Monopoly terms	Yin	New Yin	Total
Monopoly Regions:			
(1) Jizhou Department	1,128	300	1,428
(2) Zunhua County	752	300	1,052
(3) Fengrun County	1,128	200	1,328
(4) Yutian County	752	400	1,152
(5) Baodi County	3,071	—	3,071
(6) Pinggu County	240	200	440
(7) Xianghe County	564	300	864
(8) Sanhe County	1,128	300	1,428
Annual total <i>yin</i>	8,763	2,000	10,763
Tax per <i>yin</i> (taels)	0.39	0.42	
Annual total tax (taels)	3,417.57	840.00	4,257.57

Source: YZCLYFZ, pp. 506–507, 566–567.

Tianjin not only the administrative but also the transshipment and transportation centers of the salt trade in Changlu.

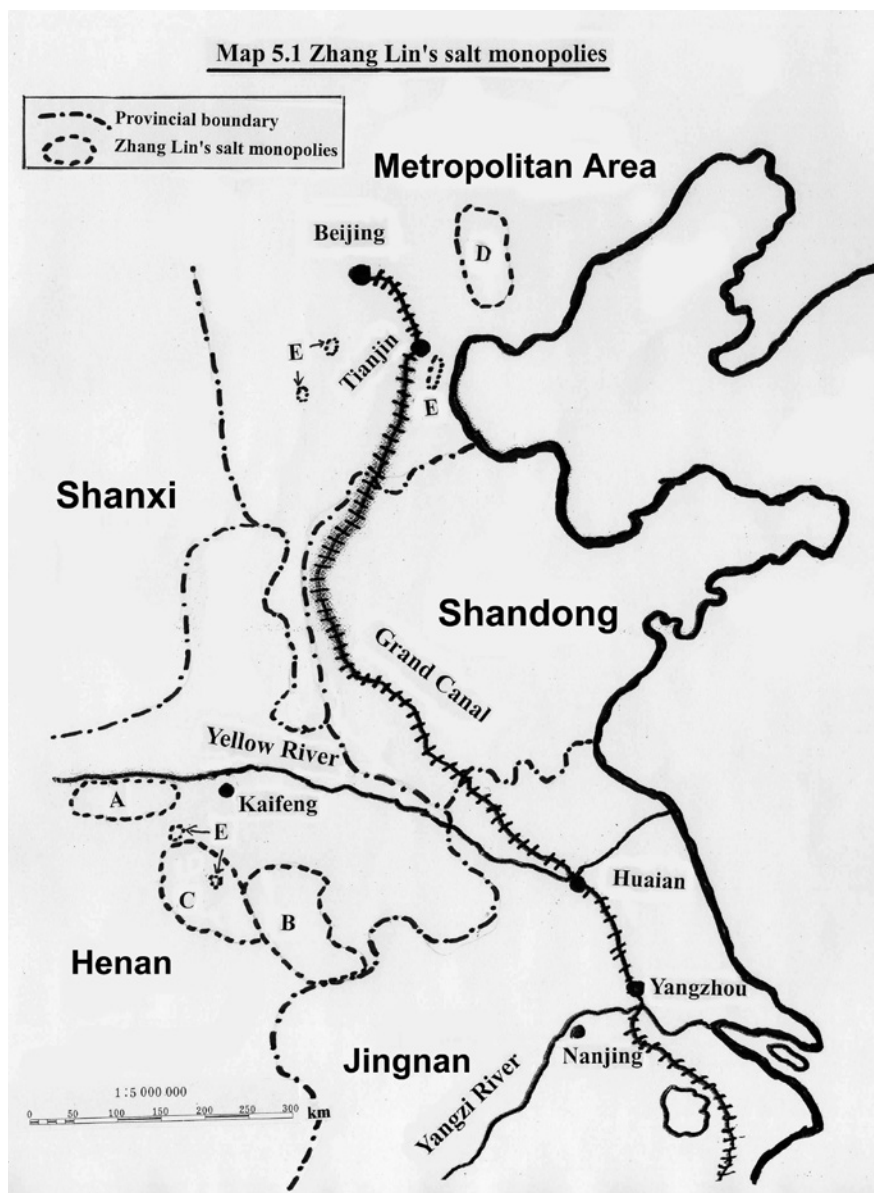
Zhang Lin inherited his place in the salt business through his father, Zhang Xiwen. The Zhang family had originated in northern Anhui and in the Ming migrated to Funing County in the North Metropolitan Area (contemporary Hebei).<sup>33</sup> In the late Ming, Zhang Xiwen settled in Tianjin as a salt merchant, appearing in official archives as a syndicate merchant in 1662. He and Wang Yuzun, another syndicate merchant, were given monopolies on the salt trade in eight departments and counties in Shuntian Prefecture during a major reshuffling, when the Qing government appointed new merchants since the ones who had held the monopoly had failed to pay their tax.<sup>34</sup>

Beginning in 1662, Zhang Xiwen and Wang Yuzun had a monopoly over the salt trade of Jizhou Department and the seven counties of Zunhua,<sup>35</sup> Fengrun,

33 The North Metropolitan Area [*bei Zhili*] in the Ming became the Metropolitan Area [*Zhili*] in the Qing.

34 They were known as capital merchants [*jingshang*] and local merchants [*tushang*].

35 In 1676, Zunhua was upgraded administratively from a county to a department.



MAP 5.1 *Zhang Lin's salt monopolies*



TABLE 5.6 *Zhang Lin's salt monopolies and their transfer*

Monopoly	Annual Terms	Transfer	Sources
<b>A:</b> Kaifeng Prefecture of Henan Province, including Zheng Department, Heyin, Yingyang, Yingze, and Sishui Counties	<i>Yin</i> : 11,438 (as of 1726) Tax: 5,261 (0.46/ <i>yin</i> )	To Jin Yi (An Shangren) in 1694	<i>KXZP</i> , 2:428–429 <i>YZCLYFZ</i> , 567, 585, 632–633
<b>B:</b> Kaifeng Prefecture of Henan Province, including Chen Department, Xihua, Shangshui, Shenqiu, and Xiangcheng Counties; and Wuyang County of Nanyang Prefecture of Henan Province	<i>Yin</i> : 20,419 (as of 1685); 42,262 (as of 1696) Tax: 9,392 taels (as of 1685)	To Qian Ren (An Shangren) in 1696	<i>KXZP</i> , 2:818; <i>YZCLYFZ</i> , 544–545
<b>C:</b> Xu Department of Kaifeng Prefecture of Henan Province	<i>Yin</i> : 7,950 (as of 1726) Tax: 3,657 taels (0.46/ <i>yin</i> )	To He Tiren in 1703	<i>KXZP</i> , 2:428–429 <i>YZCLYFZ</i> , 567, 585, 632
<b>D:</b> Shuntian Prefecture of Metropolitan Area, including Ji Department, Zunhua, Fengrun, Yutian, Sanhe, Xianghe, Baodi, and Pinggu Counties	<i>Yin</i> : 10,763 Tax: 3,118.38 taels	To Liang Zhang in 1704	<i>YZCLYFZ</i> , 506–507; <i>KXZP</i> , 1:300–301
<b>E:</b> Kaifeng Prefecture of Henan Province, including Yu Department and Linying County of Xu Department; Baoding Prefecture of Metropolitan Area, including Xincheng and Qingyuan Counties, and Jinghai and Qing Counties of Tianjin Department	<i>Yin</i> : 33,507 (as of 1726) Tax: 15,413 taels (0.46/ <i>yin</i> )	To Li Tianfu in 1716	<i>KXZP</i> , 1:300, 397–401; <i>YZCLYFZ</i> , 567, 585, 612–613, 617, 632; <i>Kangxi</i> <i>qijuzhu</i> , 2323

Yutian, Sanhe, Xianghe, Baodi, and Pinggu, in Shuntian Prefecture.<sup>36</sup> To hold onto their monopoly, Zhang and Wang had to pay a tax of 4,257.57 taels for 10,763 *yin* of salt annually (see Table 5.5). To operate on this scale, Zhang Xiwen must have possessed both capital and connections.

Zhang Lin expanded his father's salt trade substantially, improving the business through political connections, and consolidating his political connections with his business profits. In two decades Zhang Lin's status evolved from that of a Tribute Student by Purchase, to becoming a Provincial Administration Commissioner, a much respected post. During this time he also expanded the family salt business. In 1662, the family held only one monopoly (the eight regions in Shuntian Prefecture). By 1705, the year Zhang Lin was impeached and the government began its investigation, the Zhang family held five monopolies. (See Map 5.1 and Table 5.6.)

What made Zhang Lin's official career and his salt business so successful were patronage from the Imperial Household Department, and in particular from Mingzhu, a Manchu nobleman. Formed in 1661, the Imperial Household Department was staffed by imperial bondservants [*huang baoyi*] and headed by Grand Ministers [*zongguan Neiwufu dachen*] selected from the ranks of princes or other nobility. The Department was not part of the imperial bureaucracy; it was created to serve the personal needs of the emperor, his family, and his attendants in the residential quarters of the palace.<sup>37</sup> The Department's close relationship with the emperor and the palace added political clout to its economic activities. Studies of its complex organization have revealed that, with its political influence and its active involvement in running pawn shops, as well as the salt and copper trades, the Department was a key player in the national economy.<sup>38</sup> The salt trade of Changlu, being near the capital, naturally caught the Department's interest.

36 *Changlu yanfazhi*, 7:3b–5a, 504–507.

37 For a succinct introduction to the formation and organization of the Imperial Household Department, see Charles Hucker, *A Dictionary of Official Titles in Imperial China* (Stanford: Stanford University Press, 1985), 354.

38 Preston Torbet, *The Ch'ing Imperial Household Department: A Study of its Organization and Principal Functions* (Cambridge, MA: Harvard University Press, 1977); Wu Qiyang 吳奇衍, "Jianlun Qing qianqi Neiwufu huangshang de xingqi—Qingdai Neiwufu huangshang jingji zhuanji yanjiu zhi yi 簡論清前期內務府皇商的興起—清代內務府皇商經濟專題研究之一 [A Brief Discussion on the Rise of Palace Merchants of the Imperial Household Department in Early Qing—a Study of the Economic Activities of the Imperial Household Department]", in Ye Xian'en 葉顯恩, ed., *Qingdai quyu shehui jingji yanjiu* 清代區域社會經濟研究 [A Study of Regional Socio-economic Development in Qing Dynasty] (Beijing: Zhonghua shuju, 1992), pp. 772–783; Wei Qingyuan

From 1688 to 1708, the Manchu nobleman Mingzhu controlled the Imperial Household Department. Mingzhu was a favorite of the Kangxi emperor; he had won the emperor's favor when he backed Kangxi's 1673 decision to revoke Wu San'gui's fief, which prompted Wu's rebellion. It was a difficult decision for Kangxi, and most of his ministers were unsympathetic to such a risky plan. Mingzhu's support won him the post of Grand Secretary from 1677 to 1688. After he was impeached, Mingzhu was demoted from Grand Secretariat to Grand Minister for the Imperial Household Department, in which position he remained until his death in 1708.

The decades when Mingzhu controlled the Imperial Household Department were also the high point of Zhang Lin's salt business, at least until 1705. Evidence suggests that this was more than coincidence: Department loans financed Zhang Lin's business. Known as the Emperor's Loans [*huangtang*], they enabled Zhang Lin to claim salt monopolies one after another, and later on to transfer the monopolies to the Department.

Zhang Lin received the first loan of 370,000 taels at an unspecified date, to sponsor his salt monopolies in Shuntian and Kaifeng.<sup>39</sup> In 1704 a second loan of 700,000 taels, arranged via an estate manager for the imperial lands [*zhuang-tou*], was lent to "eight" merchants: Zhang Lin's younger brother Zhang Qifeng, Zhang Lin's agents Zha Richang and Jin Dazhong, and Zhang Lin himself under five different pseudonyms.<sup>40</sup>

At the same time Zhang Lin was disguising himself as eight other people in order to transfer his salt monopolies to the department. Three salt monopolies were transferred, one to "Jin Yi" in 1694, one to "Qian Ren" in 1696, and one to He Tiren in 1703 (see Map 5.1 and Table 5.6). Jin Yi and Qian Ren were pseudonyms for one An Shangren, an agent for Mingzhu, while He Tiren was another agent in the Imperial Household Department. From the text it appears that no money changed hands, only the ownership of the monopolies. Zhang Lin's salt business was an ill-disguised cover for the Department itself.

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韋慶遠, "Qingdai zhuming huangshang fanshi de xingshuai 清代著名皇商范氏的興衰 [The Rise and Fall of the Famous Palace Merchant Family: the Fans]", in Wei Qingyuan, *Dangfang lunshi wenbian* 檔房論史文編 [Collected Papers on the Study of History from the Archives Chamber] (Fuzhou: Fujian renmin chubanshe, 1983), pp. 42–69. For archives of the Imperial Household Department in the mid-Qing period, see Ye Zhiru 葉志如, "Qianlong nianjian Neiwufu guandang shiliao xuan 乾隆年間內務府官當史料選", in *Lishi dang'an* 歷史檔案 vol. 4 (1985), 15–28.

39 KXZP, 1:300–301. Note that Qingyuan was in Taiyuan Prefecture of Shanxi, an unlikely county for the Changlu salt trade. I believe that Wang Hongxu mistook it for Qingyuan, the county which was also the seat of Baoding Prefecture in the Metropolitan Area.

40 KXZP, 1:308–309.

Zhang Lin's connection with Mingzhu was not only their shady business dealings; they shared an interest in poetry. When Zhang Lin was appointed the Provincial Administration Commissioner of Yunnan in 1700, he did not leave his hometown, but remained in his finely decorated home in Tianjin, there to cultivate the literati. Banquets in honor of famous poets and learned scholars were common events in his home. His younger brother Zhang Zhu, a poet himself, described how seven willow trees had been brought to the courtyard "regardless of the manpower needed".<sup>41</sup> Mingzhu's patronage served Zhang Lin well, but Mingzhu's downfall would bring down Zhang Lin with him.

In 1705, Li Guangdi, the Governor of the Metropolitan Area, accused Zhang Lin of running contraband salt, and making a profit of 1.6 million taels.<sup>42</sup> Zhang Lin and Zha Riqian, another salt merchant, were charged with running 100,000 *yin* of contraband salt under the cover of 10,000 official certificates. The salt drawn in Changlu should have been registered at Tongzhou, but Zhang Lin, with his influence, had been above investigation. He gave his accomplice, Zha Riqian, 100,000 taels to bribe the Changlu Chamber [*Changlu guan*] in Beijing. (The Chamber had been founded in 1687 as a wholesale centre for the sale of salt in Beijing.)<sup>43</sup> Zha's bribery must have allowed him to corner the Beijing salt market.<sup>44</sup>

Li Guangdi found both men guilty and sentenced them to death. He proposed that Zhang Lin be executed immediately and his property confiscated. The emperor responded with caution. He ruled that Zhang Lin's execution be stayed, even as he promoted Li from Governor of the Metropolitan Area to the post of Grand Secretary, for his integrity. Li's post as Governor went to Zhao Hongxie, then Governor of Henan,<sup>45</sup> so Zhao, not Li, was now in charge of Zhang Lin's case.

Li Guangdi's attack on Zhang Lin was but a single scene in the ongoing drama of court politics in the late Kangxi period, when the court was split by the rivalry between Mingzhu and Suoetu, two Manchu noblemen. As an ally

41 Zhang Zhu 张震, "Suixian bieshu yi liu ji 水仙別墅移柳記", in Hua Guangnai 華光鼐, ed., *Tianjin wenchao* 天津文鈔 [A Collection of Tianjin Archives] (Beijing: Zhongguo shudian, 1991), 5:4b–5a.

42 *Qing shi lu* 清實錄 [Veritable Records of the Qing Dynasty] (rpt. Taipei: Xinwenfeng chubangongsi, 1978) Kangxi, 222:2982.

43 *Changlu yanfazhi*, 7:49a–49b, 595–596. Also see the memorials by Xilu and Yang Bao, Salt Censors of Changlu, in 1714 and 1715, respectively, in *Changlu yanfazhi*, 11:45b–47b, 996–1000.

44 *KXZP*, 1:309.

45 Jiang Liangji 蔣良驥, *Donghualu* 東華錄 [A Record of the Qing Court] (1736–1796 edition), in *XXSK*, 368:453.

of Suoetu, Li Guangdi had challenged Mingzhu previously,<sup>46</sup> while his accusation of Zhang implicated Mingzhu. It was probably to protect Mingzhu that the emperor stayed Zhang Lin's execution and removed Li Guangdi from the investigation. Then the emperor ordered Wang Hongxu, another minister, to report on the case through a secret memorial.

In 1706, after a year's investigation, the Ministry of Justice proposed to sentence Zhang Lin to death, this time along with Zha Richang and Jin Dazhong. The emperor was not satisfied with what he regarded as a cursory proposal for the death sentence, and ordered further deliberation.<sup>47</sup> Three days later, the emperor decreed that all three men be spared from execution for one year, to allow them time to pay the back taxes they owed.<sup>48</sup>

The emperor's mercy extended beyond the year. Zhang Lin lived at least until 1709, when he was implicated in a separate but related case.<sup>49</sup> Mingzhu's agent An Shangren was accused of engaging in the salt trade under a false identity and Zhang Lin to have given him a certain portion of salt under license. Since Mingzhu had died in 1708, it was possible that the case came to light only because Shangren's political patron was gone. The case concerned the aforementioned transfer of salt monopolies to "Jin Yi", "Qian Ren" and He Tiren between 1694 and 1703, with Jin Yi and Qian Ren being pseudonyms for An Shangren as Mingzhu's agent. The monopolies, in Chenzhou Prefecture in Henan, had come under the Lianghuai Salt Administration until 1687, when they were transferred to the Changlu Salt Administration, and supposedly offered for sale to salt merchants. Zhang Lin stated that he had bought the monopolies, but he was unable to produce any evidence that he had paid for them. They were managed by his uncle Zhang Xisi, who had received loans of an unknown amount from An Shangren, which made it obvious that the money had come from Mingzhu. It was also alleged that in Zhang Xisi's declining years, the monopolies were sold to "Jin Yi" and "Qian Ren" for a total of 169,048 taels, or four taels per *yin*.

Zhao Hongxie, the new Governor of the Metropolitan Area, reported in this case that he had seen the registration of this sale; Zhang Lin testified that his willingness to register the sale was proof that the sale was aboveboard, since he did not try to hide it. Zhao, however, may well have surmised that in truth no money had changed hands, a conclusion he might have reached with reference

46 Zhao Erxun 趙爾巽 et al., ed., *Qingshigao* 清史稿 [A Draft of the History of the Qing Dynasty] (Beijing: Zhonghua shuju, 1976), 9992–9993.

47 Zhongguo diyi lishi dang'anguan 中國第一歷史檔案館, ed., *Kangxi qijuzhu* 康熙起居注 [The Daily Records of Emperor Kangxi] (Beijing: Zhonghua shuju, 1984), 2034.

48 *Kangxi qijuzhu*, 2036.

49 *KXZP*, 2:427–428, 430.

to the loans of An Shangren. Whatever the reason, Zhao demanded that An Shangren, not Zhang Lin, make good on the payment of 169,048 taels, which would go to the government since Zhang Lin, and through him his uncle, were implicated in shady dealings. Moreover, Zhao noted that as a bannerman An Shangren was barred from participating in the salt trade at all—which made the need for a pseudonym clear, and increased the likelihood that An Shangren was committing an offence.<sup>50</sup>

The emperor responded to Zhao's conclusions with silence. Four months later, Zhao reiterated them, to no avail.<sup>51</sup> Fearing reprisals from An Shangren, Zhao ended his memorial by expressing his loyalty to the emperor.<sup>52</sup> The case was finally closed in 1716. Li Tianfu, a business agent [*maimairen*] of the Imperial Household Department, was ordered to run the eight areas including Yuzhou, previously a monopoly of Zhang Lin's, and to pay Zhang's arrears as well.<sup>53</sup>

While Zhang Lin survived the impeachment unscathed, his involvement in the Changlu salt trade had ended. Beginning in the 1720s, the way was cleared for the rise of another lineage, the Fans, who would dominate the salt (and also the copper) trade for nearly 60 years, until its liquidation in 1783.<sup>54</sup>

"Jin Yi" and "Qian Ren" would also survive, appearing in 1725 in a memorial by Manghuli, the Salt Censor of Changlu. According to the memorial, An Qi, a salt merchant of Changlu, along with "Jin Yi" and "Qian Ren", offered to pay for repairing the city wall of Tianjin. An Qi was said to be acting on behalf of his father An Shangyi.<sup>55</sup> Since An Qi was also mentioned as being An Shangren's son, An Shangyi was either An Shangren himself, or, more likely, someone closely related to An Shangren who had adopted An Qi as a son.<sup>56</sup> In this instance, An Qi seemed to have inherited his father's false identities. In any event, the newly enthroned Yongzheng emperor gave his approval for the wall-repair project, and instructed Manghuli to "help him in earnest".<sup>57</sup>

The above cases have vividly illustrated details of the syndicate system in the Qing. Syndicate merchants needed political patronage as they bought, sold, and registered salt monopolies with the government. In Zhang Lin's case, the syndicate merchant himself was not far from the distribution monopolies.

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50 KXZP, 2:714–718.

51 KXZP, 2:818–821.

52 KXZP, 2:820.

53 *Kangxi qijuzhu*, 2323. Later, in 1732, Li Tianfu also went bankrupt and was replaced by the Fan family. See Wei Qingyuan, *Dangfang lunshi wenbian*, 54.

54 Wei Qingyuan, *Dangfang lunshi wenbian*, 57.

55 *Changlu yanfazhi*, 1054.

56 KXZP, 2:430.

57 *Changlu yanfazhi*, 1056.

This is to be expected, for a salt allotment was only good to the extent that the salt was saleable within a designated salt district, and patronage was needed to ensure that the trade went through without hindrance.

### Continuity and Change

The Huaitang Chongs were certainly not the first to compile their own genealogy and influence the official gazetteer, any more than Zhang Lin was the first merchant to cultivate political patronage. But when the Chongs and Zhangs operated within the syndicate system, lineage connections and the cultivation of influence took on new meanings. Their strategies shed light on the difference between the syndicate and the grain-salt exchange that preceded it.

Before 1617 the key to success was the salt certificate. The merchant who obtained salt certificates tried to sell them for a profit, or held onto them in hopes that their price would rise even higher. Some merchants exchanged their certificates for salt, but they were a closely defined group, not the powerful merchants who could afford to be high-stakes players in salt certificate speculation. Although such speculation was never intended by the Ming government, it became the motivating force behind the grain-salt exchange system.

Under the syndicate system, entry into the salt trade was restricted to a registered few, the syndicate merchants who had once been “hoarders”, and who were wealthy enough to pay a fixed annual salt tax in return for their salt certificates. The key to success in such a setting was no longer the salt certificate itself, but the salt region where each merchant had the exclusive right to sell salt. Only when there was a new monopoly area could there be a new market for salt, and hence new salt certificates. Since official permission was the prerequisite for claiming a monopoly area, the key to success in the syndicate system was political patronage.

For the Chongs, the compilation of their own genealogy, and later of the *Lianghuai Salt Gazetteer*, consolidated their social status and assured their survival in the salt trade. For the Zhangs, the political patronage of Mingzhu in the Imperial Household Department was vital to their success in the salt trade, but also instrumental in their downfall.

Under the syndicate system salt merchants continued to be spectacularly wealthy, but the risk factor that made them so had changed. They were no longer dependent on the rise and fall of salt prices, but on the rise and fall of political personalities. Lineage connections and official patronage had become the order of the day.



## Conclusion

Previous studies of the Chinese salt trade have focused on the salt administration. The current study, while relying on the same body of archives, i.e., government sources, has focused on the salt certificate. Instead of simply replaying the policy battles of the Ming salt administration, it has shown that the salt certificate, as a credit-bearing instrument, was being speculated upon from the fifteenth to the seventeenth centuries. The salt certificate represented a debt, denominated in salt, that the government owed, and in this way resembled a national debt. The Ming salt certificate did not lead to financial revolution in the form of a full-fledged public credit market; but it did create a speculative market, resembling today's speculation on futures and bonds. In the end, however, this speculative market was abolished by the Ming government in 1617.

Under the grain-salt exchange system, the salt certificate performed two functions: it was the license to trade in salt, and a note of public debt. In the frugal fourteenth century, about which we know relatively little, the salt certificate was traded for a price among strangers hundreds of kilometers apart. For the duration of the salt monopoly, the government attempted to control the speculation in salt certificates, which became most rampant in the years before 1617, when the syndicate system replaced the monopoly. In those years a tax was levied in advance and the redemption of salt certificates lagged years behind. Salt merchants paid the tax without even having acquired a certificate and recouped their investment only when they were allowed to draw salt. This situation guaranteed a market for salt certificates, and hoarders—not of salt, but of the certificate—cornered the certificate market and traded its price up. The hoarders grew wealthy, even as the Ming government sank into a financial quagmire.

In response the government initiated the syndicate system, registering wealthy salt merchants into salt syndicates and giving them a monopoly to trade in salt. Introduced in 1617 as a temporary measure to clear up the backlog in salt certificates, the syndicates outlasted the Ming dynasty and became a permanent feature of the Qing salt administration. The market in salt certificates, however, disappeared. In Lianghuai, when the Qing government re-established the syndicate in 1652, registered merchants were given only 45 days to draw their salt and ship it to the clearing checkpoints.<sup>1</sup> The brevity of the

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1 Xie Kaichong 謝開龍, ed., *Lianghuai yanfazhi* 兩淮鹽法志 [The Gazetteer of Lianghuai Salt Administration] (1693 edition, rpt. Taipei: Taiwan xuesheng shuju, 1966), 7:2b, 604.



interval between issuance and expiration of the certificate effectively killed any opportunity for trading it.

In contrast, Ming salt certificates were effective for generations. A long period of time was allowed for merchants to journey to the salt administrations, apply for salt certificates, and draw salt from salterns.<sup>2</sup> When the government declared an expiry date of 35 years in 1490, there was a run on salt, leading to near collapse of the trade. For many years thereafter, the law was lax on the timing of the salt withdrawal. In 1545, the law was restored to require redemption within ten months,<sup>3</sup> but by 1616, when the government taxed salt certificates in advance, a backlog in salt certificates as long as eight years had formed, so obviously no ten-month rule was in effect.

After 1617 and especially during the early Qing, the syndicate salt merchants were appointed by imperial favor and granted exclusive and hereditary rights in the salt monopoly. Until the mid-nineteenth century they would impress the country with their enormous wealth. Gone, however, was the market in certificates, governed by the belief that the debt denoted on paper would eventually be honored. The salt merchant, a creditor in the grain-salt exchange system, had become a tax captain under the syndicate system, where he was appointed under household registration. Just as the government imposed irregular tax or corvée on his community of household, the salt administration levied irregular surcharges (often in the form of a “voluntary” donation) on syndicate merchants in times of financial crisis. The syndicate merchants monopolized the profits from the salt trade, but they also carried the full tax obligation, and with unlimited liability.

We have to turn to European economic history to appreciate what the change from a credit market to hereditary mercantile rights accompanied by arbitrary tax demands might involve. European states in the Middle Ages, Italian city-republics in particular, were used to borrowing from the public. Their public debts took forms such as “annuities” or “monte”. In the late twelfth and early thirteenth centuries, Venice, Genoa, and Florence borrowed from the public by issuing “monte”. “Monte” always promised interest to their holders and were marketable. Frederic Lane and Reinhold Mueller noted that, because of this the “monte” “lost their individuality”. By the end of the war between Verona and the Venice-Florence coalition (1336–1339), while the former had

2 Shi Qizhe and Zhang Qu 史起鰲、張渠, eds., *Lianghuai yanfazhi* 兩淮鹽法志 [The Gazetteer of Lianghuai Salt Administration] (1551 edition), 5:1a–1b, 4a, in *SKCM shi*, vol. 274:209–210; *DMHD*, 34.23b, p. 628.

3 Shi Qizhe and Zhang Qu, eds., *Lianghuai yanfazhi* (1551 edition), 5:7b–8a, in *SKCM shi*, vol. 274:212.

only borrowed 27,000 ducats from its citizens without floating the debt, Florence alone had issued “monte” totaling 450,000 gold florins.<sup>4</sup> By the mid-fifteenth century, Venice’s outstanding “monte” had reached 8,850,000 ducats.<sup>5</sup> These bills of “monte” had indeed “lost their individuality” and because they were circulating at a price, a lively market for public credit had been created.<sup>6</sup>

The importance of the public debt system to an economy can best be testified by the case of Britain. Peer Vries draws our attention to the intriguing fact that “until at least the 1830s”, Britain, being “a fiscal-military, mercantilist and imperialist state”, with a “surprisingly high number of bureaucrats” and “high tariffs”, that “sinned against so many of the prescriptions of mainstream economics”, became “the first industrial nation and the first one having modern economic growth.”<sup>7</sup> Certainly there is no simple explanation, and Vries goes into some depth to review the analyses presented by various schools of economic and historical thought. In disputing Giovanni Arrighi’s concept of “military Keynesianism”, Vries quotes James McDonald’s *A Free Nation Deep in Debt*, which shows that the public deficit of Britain in the eighteenth century was for many decades over 100 percent of GDP: “between 1780 and 1845 it was never lower than 150 per cent!”<sup>8</sup> Vries means to cast doubt on the “‘healthy’, ‘Keynesian effects’ of public debts”,<sup>9</sup> but the fact that Britain could sustain such a high level of public debt at all is extremely interesting. How did Britain manage to do this?

The answer might be found in the Bank of England, an institution established in 1694, or nearly eight decades after the salt syndicate was established in Lianghuai. The Bank of England, formed by London merchants, tendered a loan of 1.2 million pounds, at an annual interest rate of eight percent, to the

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4 Frederic Lane and Reinhold Mueller, *The Venetian Money Market: Banks, Panics, and the Public Debt, 1200–1500* (Baltimore and London: Johns Hopkins University Press, 1997), 456; Carlo M. Cipolla, *The Monetary Policy of Fourteenth-century Florence* (Berkeley: University of California Press, 1982), 3.

5 John Day, *Money and Finance in the Age of Merchant Capitalism* (Oxford: Blackwell, 1999), 40. Both florin and ducat were nominally 24 carats fine. The unit weight of the florin varied from 3.52 to 3.54 grams while that of the ducat remained 3.56 grams. Therefore the Venetian ducat was a bit more expensive than the Florence florin. See Peter Spufford, *Money and Its Use in Medieval Europe* (Cambridge: Cambridge University Press, 1988), 322, Table 6.

6 Lane and Mueller, *The Venetian Money Market*, 456.

7 Peer Vries, *Escaping Poverty: the Origins of Modern Economic Growth* (Goettingen: V & R Unipress; Vienna: Vienna University Press, 2013), 359, 360, 362.

8 Vries, *Escaping Poverty*, 374.

9 Vries, *Escaping Poverty*, 374.

government.<sup>10</sup> In return the government granted the Bank a royal charter for taking deposits, issuing bank notes, and discounting bills of exchange. Geoffrey Ingham notes that the Bank of England's business combined public debt (state bonds) with private debt (bills of exchange) and thus encouraged the development of capitalist credit-money.<sup>11</sup> With this unique strength, the Bank of England eventually turned itself into Britain's central bank, or the "bank of banks", providing the structure for the issuing of paper currency and the servicing of public debt. Patrick O'Brien observes that after "decades of experimentation and episodic crises", Britain in late seventeenth century finally created "a framework of institutions, mechanisms, and techniques for the management of a rapidly accumulating national debt" and transformed the debt "into such a reliable and significant sinew of British power".<sup>12</sup> One of the institutions no doubt was the Bank of England. Peer Vries does not mention about the Bank of England in his study of the role of British state, but he does admit that China "lacked all characteristics of a fiscal-military state *à la* Britain".<sup>13</sup>

Vries sees the difference between public finance in China and Britain "in the long eighteenth century" as historically constituted. He points out that "to rule Qing China as a modern, bureaucratic and centralized state was beyond the logistic capacities, not just of China, but of *any* pre-industrial society" and therefore "Britain in many respects was an exceptional state".<sup>14</sup> This being so, Vries would have agreed with Niv Horesh's analysis, that "a gateway to the modern 'national debt' economy" had been found in Europe. Ming China, however, abolished the salt certificate market in 1617, sharply contrasting "the rise

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10 Studies on the Bank of England abound. See, for instance, Andre Michel Andreades, *History of the Bank of England 1640–1903*, trans. Christable Meredith (1909; London: Frank Cass & Co., 1966); Sir John Clapham, *The Bank of England: A History*, 2 vols (Cambridge: Cambridge University Press, 1958). For more recent works, see Glyn Davies, "The Birth and Early Growth of British Banking", in his *A History of Money: From Ancient Times to the Present Day* (Cardiff: University of Wales Press, 1994), 237–282; Larry Neal, *The Rise of Financial Capitalism: International Capital Markets in the Age of Reason* (Cambridge: Cambridge University Press, 1990), 89–117.

11 Geoffrey Ingham, *The Nature of Money* (Cambridge: Polity Press, 2004), 128–129.

12 Patrick K. O'Brien, "The formation of states and transitions to modern economies: England, Europe, and Asia compared", in Larry Neal and Jeffrey G. Williamson, eds., *The Cambridge History of Capitalism. Volume 1, The Rise of Capitalism: From Ancient Origins to 1848* (Cambridge: Cambridge University Press, 2014), 367.

13 Vries, *Escaping Poverty*, 375.

14 Peer Vries, "Public Finance in China and Britain in the Long Eighteenth Century", Working Papers No. 167/12, Department of Economic History, London School of Economics, August 2012, 35.

of England's 'perpetual' national-debt economy after the Glorious Revolution (1688).<sup>15</sup> This is not to say that there is only one path which China had to follow. The object of historical comparison is *not* a teleological conclusion. On the contrary, this study shows that the circulation of capital is anything but automatic or necessary. Capital does not guarantee its own circulation; institutions are needed for that purpose. Moreover, even when such an institution exists, there is no guarantee that it will evolve along a predestined path.

Throughout the centuries China had various credit-bearing instruments, such as paper money, cheques, promissory notes, and bills of exchange, and even the national debt in the form of salt or tea certificates. Some of these instruments might have led to the development of institutions to facilitate the circulation of capital, even in a limited way. Yet a market for public credit did not come into being. Just like states, the Ming salt certificate also evolved "along particular path-dependent trajectories", to borrow Patrick O'Brien's phrase,<sup>16</sup> but ended up with its own demise. The market for the Ming salt certificate, which represented a public debt, was no doubt an institution that encouraged the circulation of capital. In 1617, however, when the syndicate system converted this public debt in salt into a tax on salt, a market for public debt was abolished.

In a general history of money in China, Peng Xinwei located the earliest credit institution in the pawning service in fifth-century Buddhist monasteries.<sup>17</sup> Jacques Gernet provided a more thorough study of China's economy from the fifth to tenth centuries, as did Eric Trombert.<sup>18</sup> Both of them relied on documents

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- 15 Niv Horesh, *Chinese Money in Global Context: Historic Junctures between 600 BCE and 2012* (Stanford: Stanford University Press, 2013), 69–70. On p. 69 he states, "a large secondary market for *yanyin* rights (*kaizhong*) emerged around Huizhou". "Huizhou" is probably a typo for "Yangzhou".
  - 16 Patrick K. O'Brien, "Afterword: Reflections on fiscal foundations and contexts for the formation of economically effective Eurasian states from the rise of Venice to the Opium War", in Bartolomé Yun-Casalilla and Patrick K. O'Brien with Francisco Comín Comín, eds., *The Rise of Fiscal States: A Global History, 1500–1914* (Cambridge and New York: Cambridge University Press, 2012), 442.
  - 17 Peng Xinwei 彭信威, *Zhongguo huobishi* 中國貨幣史 [A Monetary History of China] (Shanghai: Shanghai remin chubanshe, 1988), 286–289.
  - 18 Jacques Gernet, *Buddhism in Chinese Society: An Economic History from the Fifth to the Tenth Centuries*, trans. Franciscus Verellen (New York: Columbia University Press, 1995). Tong Pi 童丕 (Eric Trombert), *Dunhuang de jiedai: Zhongguo zhonggu shidai de wuzhi shenghuo yu shehui* 敦煌的借貸：中國中古時代的物質生活與社會, trans. Yu Xin and Chen Jianwei, Faguo Xiyu Dunhuangxue mingzhu yicong (1995; Beijing: Zhonghua shuju, 2003), 184.

excavated from Dunhuang. By the early ninth century, merchants were known to deposit their specie (mainly copper cash) at government offices in the capital, take a certificate known as “flying money” [*feiqian*] in return, and reclaim their specie from government offices elsewhere upon presentation of the certificate.<sup>19</sup> There is no evidence that these certificates were traded at a price, though.

Outside of Dunhuang, from the seventh to the tenth centuries, deposit shops [*guifang*] were found to have been taking deposits and issuing cheques.<sup>20</sup> Katō Shigeshi, who first made this observation, was supported by Yang Lien-sheng, who regarded deposit shops as a form of “proto-bank”.<sup>21</sup> From the studies of these Tang historians who focused on finance and credit, however, there is no evidence that Chinese governments from the fifth to the tenth centuries were involved in issuing a public debt.

By contrast, beginning in the eleventh century, the Song government revolutionized the credit market. The government enhanced money remittance by devising the “money certificate” [*qianyin*], modeled on the “exchange voucher” [*jiaozhi*] issued by Sichuan merchants.<sup>22</sup> By the mid-twelfth century, as Yang Lien-sheng found, the “cheque voucher” [*huizi*] became legal money that was used in “every corner of Southern Song China” except Sichuan.<sup>23</sup> Jacques Gernet agreed that “banknotes had made their appearance.”<sup>24</sup>

19 Peng Xinwei, *Zhongguo huobishi*, pp. 395–397, 428.

20 Katō Shigeshi 加藤繁, *Shina keizaishi kōshō* 支那經濟史考證 (Tokyo: Tōyō Bunko, 1974), vol. 1, 489–509. Katō finds at least one piece of clear evidence from a ghost story in a tenth-century encyclopedia. According to the story, an early seventh-century scholar, driven by poverty, broke into a government coffer in order to steal the money. A warrior stopped him, demanding a document [*tie*] from Welch Jingle to whom the money belonged. Welch Jingle, one of the famous generals in early Tang, was then but a humble blacksmith. He almost took the scholar's request as an insult but nevertheless agreed, and had a paper written by the scholar according to his dictation: “Money, 500 *guan*, to be paid to so-and-so,” with the date and his signature as well. The scholar brought the document to the coffer, presented it to the warrior, and got the money in return. Regardless of it being a ghost story, Katō advises, what can be clearly seen is the practice of depositing money and drawing money with a dated and signed paper, i.e., a cheque in today's banking system (504–505).

21 Yang Lien-sheng 楊聯陞, *Money and Credit in China: A Short History*, Harvard-Yenching Institute Monograph Series, 12 (Cambridge, MA: Harvard University Press, 1952), 78–80.

22 Yang Lien-sheng, *Money and Credit in China*, 79.

23 Yang Lien-sheng, *Money and Credit in China*, 55–56. Also see Peng Xinwei, *Zhongguo huobishi*, 434–436.

24 Jacques Gernet, *Daily Life in China on the Eve of the Mongol Invasion, 1250–1276*, trans. H.M. Wright (Stanford: Stanford University Press, 1970), 80.

Of more relevance to this study is the Song salt or tea certificate system. Cecilia Chien's annotated translation of the "Treatise on Salt Monopoly" in the official history of the Song dynasty has been extremely helpful in this regard.<sup>25</sup> Compared with its Ming counterpart, the Song salt administration was similar in principle but more flexible in operation. During the Song, merchants could buy certificates with copper cash or paper currency, or apply for certificates in return for delivering grain to the frontier. As large numbers of salt and tea certificates were issued, by the eleventh century, an institution that specialized in their speculation had appeared: the certificate exchanges [*jiaoyinpu*]. The certificate exchanges not only impressed contemporaries by their architectural splendor, but also by the grand scale of exchange: a single transaction therein was said to involve millions of *guan* of paper currency.<sup>26</sup>

Controlling the certificate exchanges and amassing huge wealth was a group of mysterious merchants who, according to Jiang Xidong, were similar to, but operating on a much larger scale than the Ming salt certificate hoarders.<sup>27</sup> In 1102, for instance, in an age when the annual military expenditure footed by the central Song government came to no more than ten million *guan*, the value of unredeemed salt certificates held by six to seven "giant merchants" was 3.7 million *guan*. These merchants' demand for immediate redemption of their certificates was a nasty surprise for Cai Jing, who had assumed the post of Grand Counselor that very year. To Hino Kaisaburō, the volume of financial capital these merchants had amassed showed the advancement of Song China's economy.<sup>28</sup> Christian Lamouroux, also writing about the certificate exchanges and the merchants behind them, saw them as an example of the interaction

25 Cecilia Lee-fang Chien, *Salt and State: An Annotated Translation of the Songshi Salt Monopoly Treaties*, Michigan Monographs in Chinese Studies, 99 (Ann Arbor: Center for Chinese Studies, University of Michigan, 2004).

26 Dai Yixuan 戴裔煊, *Songdai chaoyan zhidu yanjiu* 宋代鈔鹽制度研究 [A Study of the Salt Certificate System of the Song Dynasty] (1957; Taipei: Huashi chubanshe, 1982), 149.

27 Jiang Xidong 姜錫東, *Songdai shangye xinyong yanjiu* 宋代商業信用研究 [A Study of Commercial Credit in the Song Dynasty], *Songshi yanjiu congshu* (Shijiazhuang: Hebei jiaoyu chubanshe, 1993), p. 211.

28 Hino Kaisaburō 日野開三郎, *Sōdai no kahei to kinyō* 宋代の貨幣と金融 [Currency and Finance of the Song Dynasty], in his *Hino Kaisaburo Tōyōshikagu ronshū* 日野開三郎東洋史學論集 (1929; Tokyo: San'ichi Shobō, 1980–1984), 6:207, 221. Citing Hino Kaisaburō, Yang Lien-sheng notices that the salt certificates "changed hands several times before they were actually presented for the commodity." See Yang Lien-sheng, *Money and Credit in China*, 58.

between bureaucratic and merchant networks.<sup>29</sup> In studying the tea certificate system, Lamouroux agreed with Hino that these certificate exchanges served as true monetary institutions and true discount banks.

The situation changed in the Yuan, although the salt certificate survived. A survey of the various Yuan emperors' biographies yields 19 cases from 1253 to 1334 that explicitly mention the salt certificate. Salt certificates were given to merchants in return for deliveries of grain or horses for military campaigns,<sup>30</sup> or grain for famine relief.<sup>31</sup> Salt certificates were disbursed to provincial governments as part of their revenue,<sup>32</sup> or sold directly in a desperate attempt to cut the deficit.<sup>33</sup> Emperors gave salt certificates to their favorite ministers or princesses,<sup>34</sup> and eunuchs requested salt certificates on behalf of empresses.<sup>35</sup> Many officials bought and sold salt certificates despite clear regulations against doing so, and some officials even stole them.<sup>36</sup> In short, the salt certificate was clearly in use during the Yuan dynasty, although very little is known about speculation on them during this time. Whereas the Song had an explicit financial institution in form of the certificate exchanges, no comparable institution existed in the Yuan. In the Song and the Ming, powerful merchants held large numbers of salt certificates, but no similar figures have been found in the Yuan. Finally, although the Song and the Ming governments employed the salt certificates in a regular and systematic manner, the Yuan government's use of the salt certificates was more *ad hoc*. In this sense, the Yuan government severely curtailed the use of the salt certificate as a credit-bearing paper instrument. Lamouroux cautions readers that in the end, despite its being a very important "financial circuit", the Song tea certificate system "did not become a true banking activity."<sup>37</sup> The reason might be found in the sharp break in the Yuan dynasty. This being said, the Yuan dynasty did inherit the Song financial

29 Christian Lamouroux, "Commerce et bureaucratie dans la Chine des Song (x<sup>e</sup>–xii<sup>e</sup> siècle)", in *Études Rurales*, vols. 161–162 (2002), 183–214, 191.

30 Song Lian 宋濂 et al., eds., *Yuanshi* 元史 [The History of the Yuan Dynasty] (Beijing: Zhonghua shuju, 1976), 59, 88, 396, 453–454.

31 *Yuanshi*, 485, 491, 495, 732, 776.

32 *Yuanshi*, 408, 467.

33 *Yuanshi*, 491.

34 *Yuanshi*, 718, 746, 487, 776.

35 *Yuanshi*, 822.

36 *Yuanshi*, 470, 448, 452.

37 Christian Lamouroux, "Territorial organization and financial relations in Sung China: The tea monopoly in the Huai Basin during the first century of the northern Sung dynasty", in Institute for Philology and History, Academia Sinica, ed., *Zhongguo jingji shehui wenhuashi lunwenji* 中國經濟社會文化史論文集 [Collected Papers on the Economic, Social and



tradition by making extensive use of paper currency, as meticulously demonstrated by Hans Ulrich Vogel in his study of the Marco Polo legend.<sup>38</sup>

Therefore, the Ming salt monopoly followed a long tradition of government involvement in the issuing of credit-bearing instruments, none of which had been effective over a long period of time. In contrast, as this study has argued, despite its ups and downs, the Ming salt certificate lasted for more than two centuries before certificate trading was abolished. Thereafter, bills issued by local banks and businesses continued to be used, but no banking establishment of substantial scale evolved in China until the late nineteenth century.

Recently, Jean-Laurent Rosenthal and R. Bin Wong have admitted that “there were and remain important differences in financial institutions” between China and Europe, but argued that “there is little evidence that credit-market failures were responsible for the path of the Chinese economy”.<sup>39</sup> They divided European debts into four categories: private IOUs, commercial debt, collateralized debt (mortgages), and public credit.<sup>40</sup> As far as public credit was concerned, they found, in agreement with most historians, that before the 1840s, Chinese governments hardly borrowed from the public. As to the question of “why the Chinese state did not accumulate a public debt before the nineteenth century”, Rosenthal and Wong offered their answer in terms of path-dependency: because of their grand size and substantial tax revenue, Chinese states in most cases managed to survive, and survive reasonably well, on current revenues.<sup>41</sup> Believing that “finance most often follows rather than leads growth”,<sup>42</sup> they contend that “the economic cost to the Chinese of not developing more formal credit markers was likely quite small.”<sup>43</sup>

The economist Ma Yinchu would not have agreed with Rosenthal and Wong. Writing in the 1920s, Ma Yinchu found that Chinese banks were weak, which he related to weaknesses in the discounting of bills of exchange. Chinese merchants, Ma argued, did not commonly use bills. Instead, their most common

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Cultural History of China] (Taipei: Institute for Philology and History, Academia Sinica, 1992), 703–704, 710.

38 Hans Ulrich Vogel, *Marco Polo Was in China: New Evidence from Currencies, Salts and Revenue, Monies, Markets, and Finance in East Asia, 1600–1900* (Leiden: Brill, 2013), Chapter Two, “Paper money in Yuan China”, 89–226.

39 Jean-Laurent Rosenthal and R. Bin Wong, *Before and Beyond Divergence: The Politics of Economic Change in China and Europe* (Cambridge, MA: Harvard University Press, 2011), 129.

40 Rosenthal and Wong, *Before and Beyond Divergence*, 141–142.

41 Rosenthal and Wong, *Before and Beyond Divergence*, 161–163.

42 Rosenthal and Wong, *Before and Beyond Divergence*, 167.

43 Rosenthal and Wong, *Before and Beyond Divergence*, 161.



practice was to record transactions in their account books and to clear their accounts at specific times of the year.<sup>44</sup> Without the business of discounting bills of exchange, Ma continued, Chinese banks were deprived of a very important source of revenue, and “still remained at a primitive stage.”<sup>45</sup>

Yang Yinpu agreed with Ma Yinchu, when he traced the origin of China's stock exchange to the late nineteenth century, when Liang Qichao proposed its establishment. In fact, not until 1921 was the formal legislation for the stock exchange in place.<sup>46</sup> The belated emergence of a stock exchange was in sharp contrast to the early development of joint-stock corporations. In the Qing, for instance, Sichuan's salt mining industry boasted various forms of joint-stock corporations.<sup>47</sup> In the Ming, coal mining in Mentougou near Beijing also led to the buying and selling of coal mine shares.<sup>48</sup> The structure of the Ming lineages, whereby members took turns managing property in honor of their ancestors, also smacked of modern incorporation. Nevertheless, the abolishment of the salt certificate market in 1617 made it even less likely that these institutions would evolve into Braudel's intricate financial cogwheels of capitalism.<sup>49</sup>

By comparison, in Britain, a century after the establishment of the Bank of England, monetary theories were being hotly debated. By the nineteenth century, the debate resulted in legislation that governed the operation of the

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- 44 Ma Yinchu 馬寅初, *Zhonghua yinhang lun* 中國銀行論 [On Chinese Banking] (1929), and “Zhongwai xinyong zhidu zhi yitong 中外信用制度制異同 [The Differences and Similarities of Chinese and Foreign Credit Systems]” (1922), in Tian Xueyuan 田雪原 et al., eds., *Ma Yinchu quanji* 馬寅初全集 (Hangzhou: Zhejiang renmin chubanshe, 1999), vol. 4, pp. 231–233; vol. 2, pp. 1–3.
  - 45 Ma Yinchu, “Yinhang zhi zhenquan 銀行之真詮 [The Essence of Banking]” (1919), in *Ma Yinchu quanji*, vol. 1, pp. 245–247.
  - 46 Yang Yinpu 楊蔭甫, *Zhongguo jiaoyisuo lun* 中國交易所論 [On Financial Exchanges of China] (1930), in Jinrongshi bianweihui 金融史編委會, ed., *Jiu Zhongguo jiaoyisuo gupiao jinrong shichang ziliao huibian* 舊中國交易所股票金融市場資料彙編 [Archives on Financial Exchanges, Stocks and Financial Markets of Old China] (Beijing: Shumu wenxian chubanshe, 1995), 1:87.
  - 47 Peng Jiusong and Chen Ran 彭久松、陳然, *Zhongguo qiyue gufenzhi* 中國契約股份制 (Chengdu: Chengdu keji daxue chubanshe, 1994).
  - 48 Deng Tuo 鄧拓, “Cong Wanli dao Qianlong—Guanyu Zhongguo zibenzhuyi mengya shiqi de yige lunzheng 從萬曆到乾隆—關於中國資本主義萌芽時期的一個論證 [From Wanli to Qianlong—A Case Study of the Sprouts of Capitalism in China]”, in *Zhongguo remin daxue Zhongguo lishi jiaoyanshi* 中國人民大學中國歷史教研室, ed., *Zhongguo zibenzhuyi mengya wenti taolunji xubian* (Beijing: Sanlian shudian, 1957), pp. 133–182.
  - 49 Fernand Braudel, *Afterthoughts on Material Civilization and Capitalism*, trans. Patricia M. Ranum (Baltimore: Johns Hopkins University Press, 1977), 32.

Bank, and, hence, the relationship between the national debt and British currency.<sup>50</sup>

To Geoffrey Ingham, the history of credit denominated in a money of account can be traced back to 2000 BC in Babylon, “but the *general* use of *transferable* debt is specific to capitalism”.<sup>51</sup> To that, it may be added, capitalism has to be conceived not only as a way of conducting business, but also as a way that the state relates to credit instruments through legislation and administration. When it came to the crunch, instead of legislation, the Ming and the Song governments withdrew support from the credit market. The small dealers remained, but they remained forever small in operation.

Organizations for ancestral worship, such as the Cheng surname group described in Chapter Five, served the purpose of commercial partnerships for merchants. The syndicate system in the salt trade, in place of the market for the salt certificate, served the purpose of commercial management for the state. Such was the capitalism, or, to borrow Braudel’s phrase, “the nondevelopment of Chinese capitalism”,<sup>52</sup> from the sixteenth to eighteenth centuries.

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50 See Clapham, *The Bank of England*, vol. 11. For an early discussion of Britain’s financial policy in late eighteenth and early nineteenth centuries, see Norman J. Silberling, “Financial and monetary policy of Great Britain during the Napoleonic Wars”, *The Quarterly Journal of Economics*, vol. 38, no. 3. (May, 1924), pp. 397–439. Also see Henry Thornton, *An Enquiry into the Nature and Effects of the Paper Credit of Great Britain* (1802; Fairfield, NJ: Augustus M. Kelly, Publishers, 1991). For a more recent discussion of Henry Thornton’s theoretical contribution, see Neil T. Skaggs, “Henry Thornton and the Development of Classical Monetary Economics”, *The Canadian Journal of Economics*, vol. 28, no. 4b. (Nov., 1995), 1212–1227.

51 Geoffrey Ingham, *The Nature of Money*, 39.

52 Fernand Braudel, *Afterthoughts on Material Civilization and Capitalism*, 32.

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