

Cover Page



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CHAPTER 5: **THREE PLAGUES: WAR, PIRACY AND LITIGATION,** **1800-1814**

In the first twenty years of the regime of hong merchant collective liability for debt the process was direct. There were many hong firm failures. In the lesser cases, liabilities rolled on to successors or were settled. In major cases, the claims of creditors were determined through Chinese public debt process and the other hong merchants were ordered to pay allowed claims against failed guild members over time without interest. Under the public process, the hong merchant body was held collectively liable for 1,621,000 taels (\$2,251,388) in defaulted foreign debt during the period 1780-1799.

During the next fifteen years, the period 1800-1814, wars in Europe and in Asia, piracy along the South China coast, and bad debts and collection litigation in the United States afflicted both Chinese and Western participants in the Canton trade. As but one example of the problems of these years, two American ships were seized by Danish privateers in 1810 with \$128,000 in goods owned by Chinese merchants. One carried \$58,000 in tea that was owned by Puiqua (also known as Howqua II) and \$32,000 in tea owned by Conseequa. The other carried \$38,000 in tea that was owned by various Canton merchants.¹ The hong merchant Puiqua was financially sound as of this date, the exception who could tolerate the loss. As of 1810, Conseequa was embroiled in severe debt problems compared to which his \$32,000 Danish loss may have seemed almost negligible. In this difficult period, foreign creditors generally avoided the use of Chinese public process to collect hong debts, for fear that heavy calls on the collective guaranty might bankrupt the entire hong merchant guild.

The basic trade system, outlined at page 55 above, stood unchanged. When a foreign vessel arrived at Canton it was assigned to a hong merchant who became responsible (as security merchant) for customs duties owed by the ship, and also for the conduct of its crew and officers. Customs duties were levied under a complex set of rules, applied beginning with the measurement of the arriving vessel, which the foreign traders found difficult to understand. The sale of the ship's import cargo and the purchase of its export goods did not have to be with the hong merchant who secured the vessel, but that merchant usually received some payment from the hong merchant with whom the ship's business was done. The Canton trade was of national significance to China, and a large number of types of commodities were exported and imported. Tea was the leading Chinese export of the period, but many other products were shipped, for example, rattan mats, bulk and fine porcelain, and fireworks.² The principal import products included specie, rice, and cotton, as well as illegal and untaxed opium brought in from India and Turkey. Transactions with Chinese merchants were carefully negotiated. Initially this was the work of the supercargo (the commercial officer of the Western vessel), but with time firms with local contacts and trade expertise arose at Canton which contracted directly with the hong merchants as agents for distant foreign principals.

Under the Canton System, the hong merchants were required to report to the local officials as a condition of the foreign trade monopoly. The Chinese official most immediately concerned was the Hoppo, the Superintendent of Maritime

Customs. The Hoppo reported directly to the Imperial Household Department in Beijing. The two other senior officials at Canton, the Governor-General (also known as Viceroy) and Governor, occasionally become involved in more serious issues or disputes involving foreign trade. When a claim was made by a foreign creditor under the collective guaranty, and it was directed to be paid by the hong merchant body, that order was not final until it had gone up through the Canton officials and received ultimate approval from Beijing.

While the process of the Canton System thus remained much the same as in prior years, the trade itself took on a new character in the years 1800-1814. The era of competition among chartered European state trading corporations had come to an end, and the British East India Company was now the dominant foreign trading company at Canton. Independent traders, from the United States, Great Britain, and other nations, were rising in importance. Although their ships tended to be smaller, they arrived in increasing number and their activities altered the trade. The hong merchants were forced to adjust to the demands of the powerful British EIC and also to changes brought on by the private foreign traders. The illegal trade in opium was on the rise, and the trade monopoly of the hong merchants was increasingly evaded through transactions with outside merchants. Specie carried to Canton by vessels from the United States helped replace the bullion that had formerly been brought in by European trading corporations, and made the supercargoes of American ships desirable trading partners. Howqua II built strong alliances with Americans in these transitional years, avoiding the extension of credit and continuing to prosper. Conseequa also traded heavily with independents, but extended large loans to Americans, ending up a casualty of these difficult years.

5A. The Hong Merchants, 1800-1814.

The outer seas guild was in a frail condition in 1800, reduced by the failures of the last years of the eighteenth century. It had eight members. Puankhequa II (Pan Zhixiang of the Tongwen hong) and Mowqua I (Lu Guanheng of the Guangli hong), both in sound condition, were the senior merchants.³ The other six members were:

- Yanqua (Ye Shanglin of the Yicheng hong) (est. 1792);
- Puiqua (Howqua II) (Wu Bingjian of the Yihe hong) (est. 1792);
- Gnewqua II (Zheng Chongqian, successor proprietor of the Huilong hong);
- Ponqua (Ni Bingfa of the Dacheng hong) (est. 1792);
- Chunqua I (Liu Dezhang of the Dongsheng hong) (est. 1794); and
- Conseequa (Pan Changyao of the Liquan hong) (est. 1796).⁴

Yanqua, who had prospered in his decade as a hong merchant, sought and obtained the Hoppo's permission to retire in 1804. This was the first successful withdrawal by a hong merchant with his capital since 1760. The EIC saw this as a positive sign, which might encourage "respectable" people to join the guild without the fear of becoming trapped by it.⁵ The portent however had no significance. Mowqua I attempted to retire in 1804, but was thwarted and obliged to continue in business until his death in 1812. Three years later Puankhequa II is said to have paid \$500,000 to obtain permission to retire, but the authorization granted him in 1807 was revoked in 1815. Howqua II asked for but was denied permission to retire

in 1807, and ended up as head hong merchant in 1812 upon the death of Mowqua I.⁶ Even in “retirement,” Yanqua and his family continued to be pressed by the Canton officials to pay money for state needs.⁷

The Hoppo reported the weakened financial condition of the hong merchant body to the Court in the Spring of 1813. The Memorial alarmed senior officials and it was soon proposed that two or more senior hong merchants should be appointed as managers of the guild, with general powers over contracts and pricing. The British EIC adamantly resisted, refusing to unload its ships in response, until the proposal was withdrawn as of February 1814.⁸

Of the eight members of the guild of 1800, only four survived through 1814: Puankhequa II (recalled to business in 1815); Puiqua (Howqua II); Chunqua I; and Conseequa.⁹ As of 1813 Conseequa was on life support as one of the five junior hong merchants who were placed in receivership by the EIC and other foreign creditors that year. Conseequa's experiences as a debtor at Canton and as a creditor in numerous courts in the United States, a remarkable and instructive story, is discussed at pages 141-146 below. Of the seven hong merchants who were admitted to the guild between 1800 and 1814, four ended up subject to the junior merchant receivership of 1813 (along with Conseequa): Goqua I (Xie Jiawu of the Dongyu hong);¹⁰ Loqua (Exchin II);¹¹ Manhop I and II; and Poonequa.¹² Inqua, admitted in 1802, failed in 1810. Fonqua (Mu Shifang of the Wancheng hong), who was admitted in 1807, failed in 1809 in part because the \$70,000 he paid for a hong license left him with little operating capital.¹³ Fatqua I (Li Xiefa of the Wanyuan hong) had exactly the same problem but struggled on with financial assistance from Mowqua I, to whom he was related, and others.¹⁴ The perhaps happy exception, Kinqa I (Kingkua I) (Liang Jingguo of the Tianbao hong), although financially stressed and said to have been involved in the dangerous practice of “purchasing the privilege” of paying customs duties in the period 1813-1815, survived and remained in business for years thereafter.¹⁵

Two of the eight members of the guild of 1800 were immediately troubled. Gnewqua II was considered on the edge of failure in the seasons ending 1800 and 1801, but was rescued by a \$20,000 loan from other hong merchants to pay customs duties in 1801.¹⁶ Ponqua's Dacheng hong had resorted to desperate practices including “purchasing the privilege” of paying customs duties owed by outside shopkeepers or the agents of country traders. It was near collapse by the end of the 1802-03 season, burdened with over \$2.1 million in debt.¹⁷ Ponqua reached an agreement with creditors under which the claims of his Chinese creditors would be deeply discounted and all debts would be paid over a period of years, and brought in help to operate the hong.¹⁸ The Gnewqua II and Ponqua businesses struggled along. The EIC decided that it would prefer to continue to work with Gnewqua II and Ponqua, rather than see them collapse with negative consequences for the entire trade.¹⁹

5B. The Demands of Government, 1800-1814.

Demands made by the Canton officials on the Consoo Fund and on the hong merchants individually increased significantly in the troubled years of the early nineteenth century. As noted by British EIC historian Hosea B. Morse, the Consoo Fund “was drawn on so heavily to supplement ordinary taxation that it was not

available for the very purpose for which it had been established" -- paying the debts of failed hong merchants.²⁰ Of the climate of official "squeeze" that developed at Canton and across China in this era, John King Fairbank states, "[s]een more sympathetically, the dynasty after 1800 was, no doubt, clutching at every straw to maintain itself."²¹

The records of the British EIC show that payments out of the Consoo Fund increased dramatically in the early years of the nineteenth century. There were no disbursements to pay foreign debts from 1801 to 1808, as the debts ordered to be paid over time in the late 1700s had been satisfied. (See Table 2, at page 168.) The three failures of 1809-1810 generated 1,706,000 taels (\$2,369,444) in foreign claims, ordered to be paid over a period of years. Despite the magnitude of these claims, there is no record of any attempt ever having been made to adjust the *hangyong* tax on the trade to these losses, or to assess future risk or to adjust the amount of tax in accordance with any estimation of risk. Foreign creditors were deeply concerned that despite the passage of eight years since the satisfaction of the last of the claims ordered to be paid in the 1790s, and the collection of a tax for the benefit of the Consoo Fund, that the fund was unable to satisfy the claims that arose in 1809-1810. The British EIC made a determined effort at this time to understand the fund's income and the expenses, and the limited information that survives concerning Consoo Fund finances for the period are products of that effort. The EIC determined as of 1813, "though with some difficulty," that total annual payments from the Consoo Fund in recent years had been as follows:²²

1806-1807	691,000 taels (\$951,722)
1807-1808	592,000 taels (\$822,222)
1808-1809	740,000 taels (\$1,027,778)
1809-1810	885,000 taels (\$1,229,167)
1810-1811	619,000 taels (\$859,722)
1811-1812	763,000 taels (\$1,059,722)
1812-1813	698,000 taels (\$969,444)

In the years 1802 and 1803 "native tribute" remitted from the Consoo Fund to the Emperor soared to the amount of 150,000 taels (\$208,333) annually, rather than the usual 55,000 taels (\$76,389). This is said to have followed a series of confrontations between the strained hong merchants and Hoppo Jieshan, who sought retribution against the guild by reporting their "voluntary" agreement to a sharp payment increase to the throne.²³ In the years 1805 and 1806, for which there is more detail, 55,000 taels in "native tribute" went to the Emperor annually, plus singsong gifts to the Court in Beijing (expenses of 150,000 taels in 1805 and 200,000 taels in 1806), and 5,400 taels (\$7,500) annually for presents to high officials. Boat construction for anti-pirate operations cost 30,000 taels (\$41,667) in 1805 and 70,000 taels (\$97,222) in 1806, and Yellow River flood control and relief cost 37,500 taels (\$52,083) in both 1805 and 1806. Other military expenses, local and national, were 80,000 taels (\$111,111) in 1805 and 81,666 taels (\$113,425) in 1806.²⁴ Total draw from the Consoo Fund for these purposes is recorded at 357,900 taels (\$497,083) in 1805 and 449,566 taels (\$624,397) in 1806.

In 1817 six of the junior merchants, who sought financial support from the British EIC, were required by the EIC to disclose the payments that had been made out of the Consoo Fund during the prior ten years. The detailed list they provided of payments from 1807 through 1816 shows that a total of 3,438,057 taels (\$4,775,079) had been paid out of the Consoo Fund during this period.²⁵ The annual total ranged from a high of 568,000 taels (\$788,889) in 1811 to a low of 194,166 taels (\$269,675) in 1807. The average annual draw was 343,805.7 taels (\$477,508). Foreign debt payments totaled 1,338,000 taels (\$1,858,333), or 39% of total payments out of the fund during the ten year period.²⁶ The only consistent annual expenditure was 55,000 taels (\$76,389) in “native tribute” sent to the Emperor, amounting to 16% of total payments from the fund over the ten year period (550,000 taels) (\$763,889). Other significant recurring expenses were: Yellow River flood control and relief, 553,500 taels (\$768,750) (16% of the total);²⁷ piracy suppression efforts, 339,800 taels (\$471,944) (1807-1812) (10% of the total);²⁸ military expenses, local and national, 329,757 taels (\$457,996) (10% of the total);²⁹ and Shandong Province famine relief, 90,000 taels (\$125,000) (1814-1816) (3% of the total). Nonrecurring expenses included: 120,000 taels (\$166,667) for presents for the Emperor's birthday in 1809; and 73,700 taels (\$102,361) in non-foreign debt expenses resulting from Gnewqua's failure, including arrears of customs duties and his own arrears due to the Consoo Fund itself (all amounting to 193,700 taels [\$269,028] or 6% of the total). While their disclosure might be questioned both on the basis of whether these junior merchants had access to complete and accurate Consoo Fund data, and of the bias inherent in disclosure to the EIC in support of pleas for loan support, the numbers provided generally square with other information available about the amounts of and trends in government exactions .

5C. Trading Conditions, 1800-1814.

The first quarter of the nineteenth century was a period of high risk and potentially high reward for merchants engaged in foreign trade. The Napoleonic Wars, fought in Europe and Asia, had a substantial effect both on foreign trade with China and on the domestic Chinese economy. The flow of silver to China, the lifeblood of the trade, was repeatedly interrupted. The Embargo of United States trade imposed on 22 December 1807 halted the shipment of American silver until it was lifted in March 1809, in the course ruining many American merchants who traded with China. The flow of American silver was also impaired by the War of 1812, fought between Britain and the United States until 1815. Revolts in Spanish America sharply cut the historic flow of South American silver via Manila, and the opening of trade between India and London raised prospects of quick return in that trade which drew funds away from China. The maritime trade of Canton was accordingly affected by a serious cash squeeze in the years 1800 to 1814. Foreign traders responded by developing the use of private notes and bills to finance a trade which to this point had largely been conducted in cash.³⁰ The hong merchants had no such easy alternative. Their debts to foreign creditors soared through this period.

Already a problem in the 1790s, coastal piracy grew worse yet, at once a symptom and a cause of problems with the regional economy. The pirates (ladrones) had large numbers of ships and operated with impunity. Seaborne trade was disrupted and at points in 1802 and 1805 pirate fleets threatened Canton and the foreign factories. U.S. Consul Edward Carrington reported in 1807 to Secretary

of State James Madison that "The Coast of China and particularly the entrance to this Port, have for a long time been infested by China Ladrones or Pirates, in very alarming and considerable forces." Government forces proved largely useless against the pirates, until coordinated action finally bore fruit with a mass pirate surrender in April 1810.³¹

The hong merchants were severely affected by these trading conditions. As the American merchant Peter Snow related in an August 1811 letter to Edward Carrington, "The Hong Merchants with a few exceptions as you may have anticipated before your departure are in a bad state -- all but Mouqua Houqua and Chunqua are unable to pay their duties, and some of them I am told are in want even of the common necessaries of life." He spoke of an outside shopman. "Old Tuckee pays me a visit about once a week -- he says that China Man this time to muche hot for money -- and chin chins hard for your ship to come -- I tell him no fear. He heaves a heavy sigh and departs."³²

Many American traders were troubled as well. Large numbers had been ruined by the Embargo, which held their vessels idle in port running up bills while depriving them of the revenues to pay those and other expenses. They lacked funds to pay loans taken before the Embargo, and perhaps more distant creditors could be more easily ignored. As Helen of Troy is remembered as the face that launched a thousand ships, the Embargo of 1807-09 should be remembered as the force that launched innumerable lawsuits. With many Americans debtors having defaulted on loans made to them by Chinese merchants before the Embargo, credit now available to Americans at Canton was constricted,³³ and many lawsuits were brought in the United States by Chinese merchants to collect these debts.³⁴ Chinese who filed collection actions in American federal and state courts in the early nineteenth century include the hong merchants Chunqua I, Conseequa, Loqua (Exchin II), Howqua II and Pacqua (Exchin III), along with the outside merchants Cowqua, Eshing, Keetshing, Kingling, Namshing, Thonching and Youqua.³⁵

5D. The Collective Guaranty of Debt, 1800-1814.

Heavy demands were placed on the collective guaranty during this troubled period, all in its later years. Proceedings after the 1809 failure of Fonqua resulted in 259,000 taels (\$359,722) in allowed foreign claims, which were ordered to be paid by the hong merchant body in three annual installments without interest. The 1810 proceedings on the insolvencies of Gnewqua II and Ponqua produced an additional 1,447,000 taels (\$2,012,609) in allowed foreign claims, which the hong merchants were ordered to pay in ten annual installments without interest. In all of these cases, the Canton officials recognized and directed the payment of claims that arose from extensions of credit that were illegal under Chinese law.

The total collective guaranty liability that was assessed in the fifteen year period 1800-1814 is 1,706,000 taels (\$2,369,444), which averages at 113,733 taels (\$157,963) annually. While this sum might not seem that bad for hard times, the collective guaranty liability, as an annual average, was up sharply from the prior twenty year period. Total collective guaranty liability assessed to the hong merchant body in the period 1780-1799 was 1,621,000 taels (\$2,251,388), an average of 81,050 taels (\$112,569) annually. The average annual assessment under the collective guaranty



Figure 6. Porcelain pillbox in the form of a Spanish dollar.
Chinese artist, ca. 1830-1840. (Private collection. Photograph by permission.)

for the period 1800-1814 was 32,684 taels (\$45,394) more than in the earlier period, a forty percent (40%) increase.³⁶

The first imposition of collective liability after 1800 was in a case in which the hong merchant body complained about the sharp practices of country traders with weaker members of the guild. Fonqua (Mu Shifang) had become deeply indebted to country traders within two years of opening his Wancheng hong. In 1809 the hong merchants were pressed by two Parsi creditors, Hormajee Dorabjee and Dosabhae Monackjee, to pay these debts, or else they would petition the authorities. The guild saw the debts as excessive, and replied that the creditors had taken advantage of Fonqua's weakness by overpricing Indian goods they sold him on credit. Members would agree to pay this debt, but a levy of one tael per picul would need to be imposed on imports of Indian cotton to cover the cost. With negotiations thus at an impasse, word of the proposed cotton levy reached the EIC which told the guild it would be an unacceptable burden on the country trade. The creditors then petitioned Hoppo Changxian and Governor-General Bailing about the Wancheng hong debts, as they had threatened. The Governor-General directed the hong merchants to reach an agreement with the creditors. This brought on a second round of negotiations, opening with a proposal by the hong merchants to pay the debt in three equal annual installments without interest. Several proposals were in turn rejected by the creditors, who finally accepted the last proposal. Just then, the Governor-General issued an order in which he directed payment of Fonqua's debts in three equal annual installments without interest (the hong merchants' opening offer). In a joint memorial to the throne, the Governor-General, Governor and Hoppo reported that the matter had been resolved under the precedents in which hong merchants who violated the 1760 debt prohibition and borrowed money from the foreigners and engaged in intrigue with them were punished under the law concerning criminals who plotted with a foreign country and cheated foreigners of their goods and money. Fonqua's assets were liquidated, he was stripped of his purchased official title, and he was banished to Ili. The hong merchants were ordered to assume 259,000 taels (\$359,722) of Fonqua's debts. These debts were paid in three annual installments, the second having been significantly delayed due to the 1810 failures of Ponqua and Gnewqua. Fonqua's EIC debt was satisfied by delivery by Mowqua to the EIC of teas of equivalent value.³⁷

The difficult period 1800-1814 saw two notable attempts to evade the Canton Guaranty System. In form and in substance, each is quite different from the types of behavior which are seen as attempts to escape the restrictions of modern bank guaranty schemes. The first was the 1810 receivership of the hong of Gnewqua II and Ponqua. That evasion was terminated almost immediately with the arrest of the Chinese subject who acted as receiver for the British EIC, discussed in the following pages. The second was the 1813 receivership of five junior hong merchants, discussed at pages 130-131 below. As the latter attempt did not directly interfere with hong operations under official monopoly license, it was allowed to run its course. The element that these evasions have in common with certain modern examples is that each failed, with the result that large – and probably increased – claims ended up being filed, allowed and paid by the hong merchants under the Canton guaranty process.

5D1. The Abortive 1810 Receivership of Gnewqua II and Ponqua.

The EIC became aware in 1809 that two massively indebted hong were about to fail. Resort to the collective guaranty threatened to shift a debt burden exceeding \$2 million onto the other hong, many of which were themselves troubled. That summer, Ponqua (Ni Bingfa of the Dacheng hong)³⁸ had been petitioned against for \$240,000 due to the Parsi merchant Hormajee Dorabjee. The Governor-General ordered the hong merchants to pay this debt in three annual installments.³⁹ In November 1809 the EIC learned that Ponqua had not used the proceeds of woolens it had delivered to him to pay advances to tea merchants, as he was supposed to, and concluded that upon the deadline for duties to be paid to the government, Ponqua would fail.⁴⁰ In December 1809 it received word from Ahoy, a recently admitted business partner of Gnewqua II (Zheng Chongqian of the Huilong hong),⁴¹ who had fled Canton. Ahoy reported that he had just learned that this hong owed massive secret debt to Chinese creditors, and that Gnewqua II had been borrowing money on desperate terms, further jeopardizing its affairs. By contrast, Ponqua's recently admitted partner See Samyee (Shi Sanyo) did not flee Canton until February 1810.⁴²

The EIC decided that it would not petition about the unpaid debts of Gnewqua II or Ponqua. Its concerns, as noted in its records, were realistic.

“Should these merchants be allowed to break, and the amount of their debts to Europeans and for duties fall upon the other Merchants, it is more than some of them would be able to support, the Hong generally consisting of young Merchants who cannot be expected to do more than discharge their own immediate claims; from the accumulated pressure therefore that would ensue, it is difficult to say where the evil would end, but it appears certain that a total loss of confidence and the most serious difficulties to the trade must be the result.”⁴³

If a debt petition were to be presented, officials would “no doubt either on their own authority or by reference to Peking direct the payment of debts to Europeans in a certain number of years -- from the magnitude of the debts, six, is perhaps the least that can be expected, but more probably eight or even ten.”⁴⁴

The EIC determined that it would assume management of the two failing hong and try to pay foreign debts from their operating (liquidating) profits. It opted to act through a receiver, under its direction -- “confidential persons working in the interest of the bankrupts, but under the supervision of the Committee.” The EIC further decided to save money by consolidating operations, bringing the business of Ponqua's Dacheng hong under the umbrella of the Huilong hong licensed to Gnewqua II. The hong merchants did not assent to the EIC plan for consolidation and liquidation but EIC records state that they “did not resist it strenuously,” either. Private foreign creditors agreed to give the plan a chance, but reserved final decision.⁴⁵

Ashing (Wu Shining), who had been head clerk of Ponqua's hong, was hired by the EIC to act as receiver. He took charge in February 1810, continuing the business of the Ponqua and Gnewqua II hong under the name of the Huilong hong. He made contracts with tea merchants for the new season under his own seal, *shengji*, rather than under the seal of the Huilong hong. The purpose of the variant seal was

to prevent creditors of Gnewqua II from seizing these teas if Gnewqua II became involved in debt proceedings.⁴⁶

The authorities promptly arrested Ashing. In May 1810 he was brought before Governor-General Bailing for multiple violations of Chinese law. The most serious charge was that he had violated the trade monopoly by making tea contracts for foreign trade without a government license. Ashing was also charged with having violated the law barring Chinese from working for foreigners. He had previously worked for the EIC as a menial servant, and the receivership was viewed as a continuation of that service. Prosecution was triggered by petitions to the authorities from the remarkable number of sixty-four Chinese creditors, complaining of the receivership. For its part, the EIC believed Chunqua I had tipped off the authorities, in order to secure the debtors' shares of EIC business. The Governor-General told the EIC that Ashing stood accused of conspiring "and in the dark making use of the foreigners wealth [he] carried on Gnewqua's hong to the detriment of the inland tea dealers." Ashing duly confessed, providing a detailed description of his activities as receiver to the Canton authorities.⁴⁷

With Ashing imprisoned, and the receivership terminated, Gnewqua II and Ponqua were arrested and their property was seized. On 6 October 1810, the Hoppo entered an order determining the amounts of duties they respectively owed, directing the sale of their assets, and ordering the hong merchant body to pay the rest of the arrearage of customs duties. The Hoppo also directed foreign creditors of Gnewqua II and Ponqua to file statements of the amount of their claims. Foreign claims, through termination of the EIC receivership, totaled 1,447,000 taels (\$2,012,609). On 24 November 1810 the Nanhai Magistrate, acting for the Governor-General, announced that these claims would be paid by the hong merchants in ten equal annual installments without interest. "Protests from the Committee were met by indignant surprise that any one should venture to resist or criticize the Viceroy's decree." On 18 April 1811, foreign creditors were told that this ruling had been approved by the Emperor.⁴⁸ Gnewqua II, Ponqua and Ashing were ordered banished to Ili, in accordance with the law that penalized Chinese citizens who plotted with or cheated foreigners, and were stripped of their purchased official titles. Given the gravity of his offense, Ashing was subjected to the further punishment of being forced to wear the cangue (a form of yoke) for a period of three months. Ponqua died in prison at Canton on 15 February 1811, at the age of fifty, before he could be exiled, and Gnewqua II died shortly after arrival in Ili.⁴⁹ Ashing survived and returned to Canton twelve years later in 1823.⁵⁰

The EIC made at least one attempt to secure relief for Ashing. A remarkable exchange occurred in April 1811, upon the arrival in Canton of Governor-General Songyun. George Staunton of the EIC knew Songyun, having met him twenty years earlier when as a young man he had traveled to Beijing with the British Macartney embassy of 1793. Songyun agreed to see Staunton. Their private meeting was convivial through the moment Staunton presented a written note in Chinese about Ashing. The Governor-General read it quickly. He looked at Staunton and told him that the case "was serious and was already and finally settled" and refused to accept the letter.⁵¹

Six months later, it was Songyun who raised the subject of Ashing. The hong merchants had responded to an October 1811 demand for funds to meet national

exigencies by complaining that this expense was simply too great on top of the burden of the recently failed hong. In response, the Governor-General proposed to extend the repayment period of the Gnewqua II and Ponqua debt from ten to sixteen years. He sweetened his offer by saying that Ashing and Gnewqua II would be freed from prison if the EIC consented. The EIC refused to modify. It also took the position that it had no right to change the settlement on behalf of other foreign creditors.⁵² While the EIC was concerned about Ashing's plight, its concern had only modest cash value.

In the middle of 1810, while in the midst of dealing with the abortive Ashing receivership which itself had been triggered by the flight of the newly admitted junior partners of the Dacheng (Ponqua) and Huilong (Gnewqua II) hong, the British EIC learned that yet another hong partner had taken flight. Now it was Inqua (Deng Zhaoxiang) who had fled – he never was found – abandoning his Fulong hong and his partner Manhop I (Guan Xiang) burdened with roughly 700,000 taels (\$972,222) in debt to foreign creditors, plus unpaid customs duties and debt to Chinese creditors. Manhop I was pressed to stay in place and to assume together with his son Manhop II (Guan Chengfa) the liabilities Inqua had incurred. The Manhops did so. The Hoppo cooperated to the extent of reissuing the Fulong hong license in the name of the son as of the end of the 1810-11 season without payment of any fee. The Fulong hong was thus restarted as of 1811, under new management, but still mired in debt.⁵³

5D2. The 1813 Receivership of the Junior Hong Merchants.

In the wake of the failure of the Ashing receivership, there was grave concern about the viability of seven “junior merchant” firms: Conseequa, Goqua I, Loqua (also known as Exchin II), Manhop I and II, Poonequa, Kinqua I and Fatqua I. Their debts were significant. As of March 1809, Conseequa owed 670,769 taels (\$931,027) to the British EIC alone.⁵⁴ In 1812, the EIC decided to intervene in the cases of the five principal debtors, paying current hong expenses, and deducting them from the given merchant’s account at the end of the season. Under EIC leadership, private creditors of these five debtors -- Conseequa, Goqua I, Loqua (Exchin II), Manhop I and II and Poonequa -- agreed to work together, appointing three trustees as of January 1813 to superintend affairs and pay existing debts. Private creditors agreed “to stop charging any interest on the debts contracted by the five merchants in question prior to 1813, and to wait for the gradual liquidation of their claims from the commercial profits of these merchants expected in the years to come.” The EIC had effective control over the trusteeship; two of the three trustees were its employees (James Molony, junior supercargo, and Alexander Pearson, surgeon), and the third trustee, Hollingsworth Magniac, was a British private trader.⁵⁵ In contrast to the receivership of Gnewqua II and Ponqua, the trustees of the junior hong merchants did not attempt to operate the subject hong or to control the official hong seal under which these hong did business. The EIC increased cash flow to the debtors by allocating extra shares of its business to the insolvent merchants. Claims against the trust (all pre-1813) totaled \$3,964,297: Conseequa, \$822,906; Goqua, \$341,953; Loqua (Exchin II), \$820,610; Manhop I and II, \$1,237,681 (891,130 taels); and Poonequa, \$741,147.⁵⁶

Yet already by the summer of 1813, the junior merchants were again in trouble. In June Conseequa appealed again to the EIC for help paying his customs duties and

other sums owed to the government. The situation worsened with the 17 August 1813 arrival of a new Hoppo, who refused to take over from the old Hoppo until the hong merchants brought their customs duties completely current. In desperation, four of the junior hong merchants (Conseequa, Goqua, the Manhops and Poonequa) sought funds at forty percent interest for this need, but even at that premium they could not borrow enough money. The EIC finally stepped in as lender of last resort to advance the 166,000 taels (\$230,556) required to pay off the customs duties, but it had to borrow this sum from Howqua II and Mowqua as the EIC did not have sufficient cash in its own treasury.⁵⁷ Steady payments were made over the years on account of the trust debt, in varying amounts according to the ability of the junior hong debtors. The balance due was thus reduced, but the condition of the debtors was not materially improved.

In hong debt cases, during the troubled period 1800-1814, foreign creditors thus sought to avoid the Chinese public debt process and having to make claims on the guaranty fund. Whether this is considered simply as an abstention, or rather as an evasion of the system, it did not improve matters. The Consoo Fund enjoyed an initial eight years of relief, from 1801 through 1808, during which no payments were made on foreign claims. The debts of the 1790s had been satisfied, and the *hangyong* tax was going into the fund. Unfortunately, the Chinese government opted to step in and take what foreign creditors did not seem to need. For its part, the state acted in response to its own urgent needs, including piracy in the waters off Canton, which represented a true crisis in the years leading up to 1810. The Consoo Fund was defenseless, with no independent guardian. Many of the hong merchants, the constituency most immediately concerned with the fund, were themselves struggling to survive. Defending the interests of as yet undetermined creditor beneficiaries in the fund that would pay claims arising from the failure of their own firms was no priority of members of the outer seas guild.

As always, there was hope for tomorrow. While the claims that were ordered to be paid from the fund over time were large, the foreign wars were over at long last and there was reason to expect a strong rebound in trade.

1 Mazumdar, *Sugar and Society in China*, pp. 115-6.

2 See Nancy Ellen Davis, "The American China Trade, 1784-1844: Products for the Middle Class" (Ph.D. diss., The George Washington University, 1987).

3 Ch'en, *Insolvency*, pp. 15 and 20-21; Hummel, *Eminent Chinese*, p. 605.

4 Ch'en, *Insolvency*, pp. 15 and 19-21.

5 Ch'en, *Insolvency*, pp. 312-7; White, "Hong Merchants," p. 93; Van Dyke, *Merchants of Canton and Macao*, pp. 195-7.

6 Ch'en, *Insolvency*, pp. 126, 316 and 394 n.58; White, "Hong Merchants," pp. 94-5.

7 Ch'en, *Insolvency*, p. 316; Van Dyke, *Merchants of Canton and Macao*, p. 196.

8 Greenberg, *British Trade*, p. 52; Morse, *Chronicles, Vol. III*, pp. 194-7 and 202-3.

9 Ch'en, *Insolvency*, p. 16.

10 In 1806 the Hoppo allowed Goqua I, a head linguist who wanted to become a trader, to join the hong the struggling Lyqua (Zhou Xinzhao) had founded at the end of 1804. Within two years Lyqua was out, ordered to retire by the Hoppo, and Goqua became the full licensed representative of the hong. Ch'en, *Insolvency*, pp. 19 and 317.

11 Loqua (also known as Exchin II) (Li Yanyu) joined the outer seas hong in 1802 as the proprietor of the Xicheng hong. The firm, established by his father Exchin I (d. 1796), had long engaged in a modest but profitable trade supplying chinaware to the EIC. The father had managed to dodge admission to the guild; the circumstances under which Loqua became a member are unclear. Despite its modest origins and its presumably modest capital, the firm expanded quickly, growing its portion of the EIC's tea business to two shares as of 1809. Loqua extended much credit to Americans, sometimes unsuccessfully, and became involved in speculative trading with India agency houses and Parsis. As the decade 1800-1810 neared an end, the Xicheng hong was deeply in debt and often unable to pay customs duties to the government when due. Ch'en, *Insolvency*, pp. 339-41; *Exsching Looqua v. Dexter*, June term 1815, Records of the Circuit Court of the United States for the District of Rhode Island, Record Group 22, Federal Archives and Records Center, Waltham, Mass. (collection lawsuit: whether it resulted in the payment of money to Loqua is unknown).

12 The Tongtai hong, established by Poonequa (Mai Jinting) in 1811, follows a pattern similar to that of Loqua's Xicheng hong. Poonequa had a good reputation, and Youqua, who was either an employee or partner in the firm, was thought to have excellent judgment in choosing teas. Its business flourished. As of the season 1811-12, the firm had two shares of the EIC's tea business. Unfortunately, the firm's business judgment seems to have been worse than its judgment of teas. It was in severe financial trouble in 1811. As of 1812, the EIC believed that the Tongtai hong owed about \$600,000 to country traders and about \$400,000 to domestic Chinese creditors. Ch'en, *Insolvency*, pp. 345-6.

13 Fonqua was treated warily by the EIC, did business with country traders whom the other hong merchants believed took advantage of him, and failed within two years. Ch'en, *Insolvency*, pp. 19, 317-8 and 320.

14 Ch'en, *Insolvency*, pp. 19 and 363.

15 Hummel, *Eminent Chinese*, p. 501; Morse, *Chronicles*, Vol. III, p. 195; White, "Hong Merchants," pp. 99 and 155. This practice is discussed at page 26, above.

16 Ch'en, *Insolvency*, pp. 229-30 and 327.

17 Ch'en, *Insolvency*, pp. 175-6, 231, 323; Morse, *Chronicles*, Vol. III, p. 195.

18 Ch'en, *Insolvency*, pp. 231-2 and 323; Morse, *Chronicles*, Vol. II, pp. 403-4.

19 Ch'en, *Insolvency*, pp. 231-3.

20 Morse, *Chronicles*, Vol. III, p. 112.

21 Fairbank, *Trade and Diplomacy*, Vol. I, p. 52 ("At all events, the result at Canton seems clear -- a tradition of 'squeeze' was developed such as had seldom been equaled in Chinese history, even allowing (as Sansom puts it) for the customary 'difference between principle and practice.'").

22 Morse, *Chronicles*, Vol. III, p. 193 ("The above sums include as far as we can learn the whole of the charges made on the Merchants on account of Quan Suie contributions levied by order of Government to meet the exigencies of the State

generally for the payment of Troops and Armaments employed in quelling Disturbances -- The Repairs of the Embankments of the Whang ho River and other principal Rivers and Canals -- The Dividends on Bankrupt Merchants Debts -- The payments on account of Clocks Watches and other pieces of Mechanism and the annual payments in the shape of fees donations and gratuity to the several Officers of Government and which are all annually levied on the Hong Merchants in their corporate capacity. The mode of connection appears to be that when the sum required by Government is ascertained a percentage on the Imports and Exports of foreign Trade is levied formerly 3 per cent was deemed sufficient this however from the increase of the charges and the decrease of Foreign Trade is by no means adequate to the Demand and the charge in fact may be considered as exceeding 7 per cent.”).

23 Ch'en, *Insolvency*, pp. 97-98.

24 Morse, *Chronicles*, Vol. III, p. 62.

25 Morse, *Chronicles*, Vol. III, pp. 309-11; Cheong, *Hong Merchants*, pp. 224-25.

26 Morse, *Chronicles*, Vol. III, pp. 309-11 (1809, 84,200 taels (Gnewqua II); 1810, 128,800 taels (foreign debts); 1811, 398,100 taels (foreign debts); 1812, 146,400 taels (foreign debts); 1813, 145,500 taels (foreign debts); 1814, 145,000 taels (foreign debts); 1815, 145,000 taels (foreign debts); and 1816, 145,000 taels (foreign debts)).

27 Morse, *Chronicles*, Vol. III, pp. 309-11 (Yellow River flood control and relief: 1807, 37,500 taels; 1808, 150,000 taels; 1809, 52,500 taels; 1812, 60,000 taels; 1813, 73,500 taels; 1814, 60,000 taels; 1815, 60,000 taels; and 1816, 60,000 taels).

28 Morse, *Chronicles*, Vol. III, pp. 309-11 (suppression of piracy: 1807, 60,000 taels; 1808, 20,000 taels; 1809, 149,800 taels; 1810, 50,000 taels; 1811, 30,000 taels; and 1812, 30,000 taels).

29 Morse, *Chronicles*, Vol. III, pp. 309-11 (Military expenses: 1807, 41,666 taels (Sichuan and Shanxi); 1808, 41,666 taels (Sichuan and Shanxi) and 10,000 taels (Macao); 1809, 20,000 taels (river barriers and forts) and 10,000 taels (Macao); 1810, 41,600 taels (Sichuan and Shanxi); 1811, 41,600 taels (Sichuan and Shanxi) and 43,300 taels (Macao); 1812, 41,600 taels (Sichuan and Shanxi) and 33,300 taels (Macao); and 1816, 5,325 taels (Bogue forts, first installment)).

30 Weng Eang Cheong, "Trade and Finance in China: 1784-1834, A Reappraisal," *Business History* (Liverpool), Vol. 7, pp. 34-56 (1965), pp. 40-1; Weng Eang Cheong, "The Beginnings of Credit Finance on the China Coast: The Canton Financial Crisis of 1812-1815," *Business History* (Liverpool), Vol. 13, pp. 70-92 (1971), p. 87; Fichter, *So Great a Proffit*, pp. 56-72; John D. Forbes, "European Wars and Boston Trade, 1783-1815," *New England Quarterly*, Vol. 11, pp. 709-730 (1938); Gibson, *Otter Skins*, p. 103; Kenneth S. Latourette, "The History of Early Relations Between the United States and China," *Transactions of the Connecticut Academy of Arts and Sciences*, Vol. 22, pp. 1-209 (1917), p. 27 n.3; Stelle, "American Trade in Opium to China, Prior to 1820," pp. 425 and 443; Herbert J. Wood, "England, China, and the Napoleonic Wars," *Pacific Historical Review*, Vol. 9, pp. 139-56 (1940).

31 Ch'en, *Insolvency*, pp. 85-6; Gibson, *Otter Skins*, p. 189; Leonard, *Wei Yuan*, pp. 80-3; Murray, *Pirates of the South China Coast*, pp. 85, 87-8, 105, 111, 119, 131 and 137-50; Morse, *Chronicles*, Vol. III, pp. 7-8; Anonymous, "Chinese Pirates," *Chinese Repository*, Vol. 3, pp. 62-83 (June 1834).

32 Letter, Peter W. Snow (Canton) to Edward Carrington, 11 August 1811, Edward Carrington Papers, Box 13, Rhode Island Historical Society, Providence, Rhode Island.

33 Dennett, *Americans in Eastern Asia*, p. 85.

34 Frederic D. Grant, Jr., "Hong Merchant Litigation in the American Courts," *Proceedings of the Massachusetts Historical Society*, Vol. 99, pp. 44-62 (1987); Stelle, "American Trade in Opium to China, Prior to 1820," pp. 436-7.

35 Grant, "Hong Merchant Litigation," pp. 44-62. It is almost certain that other lawsuits were filed by Chinese merchants for which records have not been found, as for example in the Court of Common Pleas of Philadelphia County, the records of which court for this period have been lost. Carelessness and inconsistency in the transcription of the trading names of Chinese merchant litigants by American merchants, lawyers, court clerks and court reporters make it difficult to match Chinese litigants with known hong merchants and outside shopmen. An original promissory note found in the files of the case styled as *Chomqua v. Mason*, 5 F. Cas. 649 (C.C.D.R.I. 1812) (No. 2,693) establishes that the plaintiff "Chomqua" is the hong merchant Chunqua. Chunqua's name was also rendered as Cheongwo and Cheonqua. *Cheongwo v. Jones*, 5 F. Cas. 544 (C.C.E.D. Pa. 1818) (No. 2,638); *Cheonqua v. Tagert*, Apr. term 1816, No. 45, Records of the Circuit Court for the District of Pennsylvania. The hong merchant Loqua (Exchin II) is the plaintiff in *Exsching Looqua v. Dexter*, June term 1815, Records of the Circuit Court of the United States for the District of Rhode Island, Record Group 22, Federal Archives and Records Center, Waltham, Mass., and the hong merchant Pacqua (sometimes Pakqua) is the plaintiff in *Pacqua v. Pleasants*, Apr. term 1822, No. 4, Records of the Circuit Court for the District of Pennsylvania. Morse, *Chronicles*, Vol. III, pp. 208, 234, and Vol. IV, p. 57. Actions commenced by outside merchants include: *Keetshing v. Wells*, Apr. term 1822, No. 36, Records of the Circuit Court for the District of Pennsylvania; *Kingling v. Read*, Apr. term 1805, No. 68, Records of the Circuit Court for the District of Pennsylvania; *Namshing v. Coe*, Apr. term 1826, No. 25, Records of the Circuit Court for the District of Pennsylvania; and *Thonching v. Coe*, Apr. term 1826, No. 28, Records of the Circuit Court for the District of Pennsylvania.

36 Ch'en, *Insolvency*, p. 96 (Table 2.7).

37 Ch'en, *Insolvency*, pp. 96 (Table 2.7) and 319-323; Ng, "Ch'ing Management of the West," pp. 166-7.

38 Ponqua, who was licensed to operate the Dacheng hong in 1792, was pushed to the edge by imposition of his share of collective responsibility for debts of Gonqua in 1795 and had been in financial distress for many years. Ch'en, *Insolvency*, pp. 214-5, 229 and 294-5

39 Morse, *Chronicles*, Vol. III, pp. 110-1.

40 Ch'en, *Insolvency*, pp. 232-4.

41 Gnewqua II assumed control of the Huilong hong, established by his father Gnewqua I (Zheng Shangqian) in 1793, upon the father's death in 1795. Ch'en, *Insolvency*, pp. 212, 229 and 327.

42 Ch'en, *Insolvency*, pp. 233 and 235-6; Morse, *Chronicles*, Vol. III, p. 111.

43 Morse, *Chronicles*, Vol. III, p. 111.

44 Ch'en, *Insolvency*, p. 224.

45 Ch'en, Insolvency, pp. 224 and 236-7; Morse, Chronicles, Vol. III, pp. 112-3.

46 Ch'en, Insolvency, pp. 62-3, 237-9 and 354; Morse, Chronicles, Vol. III, pp. 151-2.

47 Ch'en, Insolvency, pp. 62-3, 237-9 and 354; Morse, Chronicles, Vol. III, pp. 148 and 151-2.

48 Ch'en, Insolvency, pp. 62-3, 96 (Table 2.7), 237-9, 241 and 354; Morse, Chronicles, Vol. III, pp. 105 and 148-52. The debtors also owed large amounts to the government. At failure, Gnewqua II and Ponqua respectively owed 89,000 taels and 88,000 taels in unpaid customs duties. Jointly they owed another 30,000 taels in piracy control assessments. Morse, Chronicles, Vol. III, pp. 150-1 and 192 and Vol. IV, p. 83; Cheong, Hong Merchants, p. 92 n. 49.

49 Ch'en, Insolvency, pp. 239-40 and 327; Cheong, Hong Merchants, p. 92 n.49; Morse, Chronicles, Vol. III, p. 153; Ng, "Ch'ing Management of the West," p. 169.

50 Ch'en, Insolvency, p. 241 ("The Select Committee, feeling responsible to provide a living for the rest of Ashing's life, granted him two 'chops' (lots) of tea through one of the Hong merchants, for three consecutive years [after his 1823 return]. By such an arrangement, the Committee gave Ashing a total sum of about 12,000 taels in the form of profit."); Morse, Chronicles, Vol. IV, p. 83.

51 Morse, Chronicles, Vol. III, pp. 169-70.

52 Ch'en, Insolvency, pp. 240-1; Morse, Chronicles, Vol. III, p. 153.

53 Ch'en, Insolvency, pp. 213, 328-30, 349 and 375 n.36; Morse, Chronicles, Vol. III, p.135. Although Manhop II (Guan Chengfa) was also known as "Fatqua," he is not referred to by that name herein, in order to avoid confusion with Li Xiefa and Li Yinggui (the son of Li Xiefa) who traded during the same period under the names Fatqua I and Fatqua II respectively (of the Wanyuan hong). Ch'en, Insolvency, pp. 19-20, 349 and 363-4.

54 Frederic D. Grant, Jr., "The Failure of the Li-ch'uan Hong: Litigation as a Hazard of Nineteenth Century Foreign Trade," American Neptune, Vol. 48, pp. 243-60 (1988), pp. 259-60.

55 Ch'en, Insolvency, pp. 242-9; Morse, Chronicles, Vol. 3, p. 183, and Vol. 4, pp. 410-1 and 414; Grant, "Failure of the Li-ch'uan Hong," pp. 253-254.

56 Ch'en, Insolvency, pp. 245, 335, 340-2, 346, 349 and 355; Morse, Chronicles, Vol. III, pp. 233-4.

57 Ch'en, Insolvency, pp. 167-8; Morse, Chronicles, Vol. III, pp. 195-7.