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CHAPTER 7:
THE LAST YEARS OF THE CANTON SYSTEM, 1829-1842

As of 1829 the British EIC had become deeply concerned about the depleted number and feeble financial condition of the hong merchants. In response, it imposed a five month trade embargo from 1829 into early 1830 in an unsuccessful attempt to force reform of the Canton System. Just four years later, the EIC itself left the Canton trade, its charter terminated as the result of the legislative efforts of British private traders and manufacturing interests which saw bright promise in China. New participants poured into the trade, increasing exports and driving up prices.

The departure of the EIC meant the end of the annual fixed share tea purchase contracts it had long made with the hong merchants, and also the end of the bailout loans the EIC often made as a lender of last resort to keep its hong trading partners in business.[1] The bailout loans had always depended on future revenues the EIC contracts would generate for the hong merchants. The EIC assumed that its hong debtors would be able to repay their loans from the proceeds of its contracts, or that the EIC would be able to simply offset the debt. As the EIC closed down, there was a general realization in the marketplace that the entire Canton Guaranty System had been founded on much the same assumption. Creditors whose claims were being paid over time had assumed that the surviving hongs would be able to pay their guarantor obligations with income from stable tea contracts. As the English private trader W. S. Davidson stated in his 1830 testimony before the Select Committee of the House of Lords:

> "I often selected bankrupts to deal with because I could seldom deal with the merchants on fair terms; some of them were satisfied with the certain profits on the Company's business and did not covet other business very much . . . They [the bankrupt hongs] gave much better prices; too often (I suspect) they gave higher prices than they could afford to in the actual state of the market. . . . [He had contracted with them] constantly and in large sums entrusted money to them. . . . I knew they [i.e. the stronger hongs] had shares in the Company's business and I felt assured they would be able to pay me, which they were."[2]

With the EIC contracts terminated, such assumptions could no longer be made. Trade boomed, but under uncertain conditions as the terms of contracting and trading were being worked out on a daily basis. Credit was exceptionally tight. Domestic suppliers to the hong merchants were anxious about how they would be paid and were reluctant to extend more than modest credit. The struggle that ensued between suppliers and hong merchants brought on a number of hong failures, which occurred just as the Panic of 1837 ricocheted around the world from London through to China.

The crisis of 1836-7 exposed the Canton Guaranty System as irreparably damaged. Several hong merchants were found to be insolvent. Creditors wondered how the guild could possibly pay the enormous debts of these hongs. The surviving hongs offered no concrete reason to believe that they would be able to perform their promises to pay, and they sought long repayment terms to boot. In this crisis of confidence, foreign creditors increasingly looked to the Chinese government, which

Figure 8. The foreign factories at Canton in about 1825-1835.
Oil painting by a Chinese artist. (Private collection. Photograph by courtesy of the Martyn Gregory Gallery, London.)

had imposed and long enforced the collective guaranty, to pay these private debts. In a February 1838 letter to Lord Palmerston, Charles Elliot, British Superintendent of Trade at Canton, stated that the Chinese government had in effect guaranteed payment of the hong merchant foreign debts as the *quid pro quo* for the privations the foreigners were forced to suffer in abiding by the restrictive rules of the Canton System.[3] Private creditors expressed the fear that without Chinese government aid, the hong debts "will either never be paid, or else liquidated at so remote a period as to amount to a total loss of their immediate trading capital."[4] The failure to pay hong merchant debts -- which one pamphleteer spoke of as a transfer of British capital to Chinese citizens[5] -- became a bloody shirt that British traders waved as they sought war against China in 1839.

7A. The Hong Merchants, 1829-1842.

The pressing problem in 1829 was whether the hong merchants had the financial ability to conduct the trade that was being done. In the wake of the massive Manhop II failure of the year before (involving 1,054,600 taels -- $1,464,722 -- in debt owed to foreigners and the government), the guild had shrunk to seven merchants.[6] Of this number, only three -- Goqua II, Howqua II, and Puankhequa III -- were believed to be truly solvent.[7] Yet even Goqua had sought an EIC loan to pay taxes in June 1828, as he had done often before. He pleaded "deficient capital" and told the EIC that "no one will help me with a loan."[8] The hong of Chunqua III was on the edge, and that of Mowqua II was tottering.[9] Kinqua I and Fatqua II were known to be heavily in debt, but were believed to be able to meet current commitments.

The British EIC and other foreign traders feared that the imminent failures would reduce the number of hongs to the point that the survivors could easily control prices against EIC interest, i.e., that they would combine and exert monopoly force in opposition to its own. New foreign trade merchants were needed, but the EIC understood that the financial burdens of the collective guaranty and official exactions discouraged entry. Reform was therefore seen as badly needed, for without changes to the system itself qualified merchants would never enter the guild. The EIC could see that the officials had been unable to attract new merchants: "the Hoppo was said to have reduced his fee from 70,000 to 10,000 taels, the Viceroy had been authorized to waive the requirement that all the old Hong Merchants should jointly guarantee the new, the old Hongists all professed their eagerness to obtain new colleagues -- and yet none came forward."[10] These concerns generated intense debate within the Canton Committee of the EIC, which finally voted to withhold its trade and to press hard for an improvement of trading conditions at Canton.

The EIC sought sweeping free trade reforms in communications to the Canton officials which began in September 1829,[11] but it received nothing more than acceptance of some small changes in exchanges with Governor-General Li Hongbin over the following six months. All the while, the EIC kept its vessels and their inbound cargoes out of port. The Governor-General "issued a mandate to the merchants, expressing his surprise that they had not produced others to act as their colleagues, and offering to remit all fees payable in the interval before the arrival of the new Hoppo."[12] The Governor-General then ordered the hong merchants "to find out among their intimate friends substantial people to undertake the situation."[13] The EIC knew perfectly well that this would accomplish nothing. "It never can be expected while the obnoxious Regulations exist which make a Hong Merchant a slave for life to the Govt. and render him liable for debts incurred by others, and responsible for the conduct of men over whom he has no control, that any Person of Common Sense will expose himself to ignominy, and his Family and Property to Ruin, for the sake of at best a very precarious hope of advantage."[14] In its records for 1829, the EIC noted two concrete reasons no qualified candidate would come forward.

> "First, because the Hong Merchants are often subjected to insult, extortion and vexatious detentions at the Hoppo's office, by the King Ching [*Jingcheng*] Secretary, the attendants, the clerks, and to a degree that it is difficult for the human feelings to bear. Therefore people are unwilling to become Hong Merchants. A rich merchant's son[15] has been heard to say, '[*ningwei yizhi kou, buwei yangshang zhishou*]' (Shall rather be a dog than a Hong Head Merchant). Secondly, according to the old regulations, when once a man entered the Hong, he became a prisoner for life. Although by the toil and labor of many years, he had attained affluences, was now old and his health declining, and owed no one anything, he was not allowed to retire and return home. A Hong Merchant[16] has said: 'I would willing[ly] give eight tenths of my property to government, if they would allow me to retire, go home, and enjoy the remaining two tenths.' This being the case, how can an Invitation succeed in bringing any to purchase the hateful responsibility of a Hong Merchant?"[17]

Nonetheless, the EIC recognized that the "peremptory and urgent tone" of the mandate from the Governor-General "may possibly compel the merchants to induce their relatives and friends to enter into the foreign trade."[18]

The standoff between the EIC and the Canton officials further damaged the already weakened hongs. In a letter sent on 30 December 1829 the hong merchants reminded the EIC that they had contracted for black teas, and made advances on green teas, in reliance on promises to buy that the EIC had not performed. The Chinese New Year was imminent, no money was coming in, and the squeeze threatened to put them "in a deplorable position."[19] The EIC coldly replied that the merchants "must endure the consequences of the refusal of the Chinese authorities to admit the justice of the Committee's contention, and to remedy the grievances from which the Company's trade suffered."[20] Yet within two months, without any material change on the Chinese side, the EIC quietly folded, returning to Canton in February 1830 and bringing its vessels in to conduct the season's now long-delayed trade.[21]

The fulminating servants of the EIC realized in the end that the Company depended as much on the continuance of its enormous trade as did China, although the effects of the fruitless embargo fell most immediately and harshly on citizens of China. In November 1829, William Jardine noted the distress prevailing at Canton. The tea merchant and silk weaver suppliers, in particular, had become "very discontented."[22] The embargo improved nothing and, instead, unsettled the trading community. The alarm it raised among suppliers to the hongs, in particular, soon bore bitter fruit.

In 1829, the Hoppo sent a memorial to the throne which stated that the reason the foreigners were misbehaving was because there were too few hong merchants to control them. Liberalized rules for hong licensing were proposed and implemented on imperial approval. Under new rules effective in 1830, hong licenses became available on a one or two year provisional basis. If the new merchant proved able to "trade fairly, maintain good credit, pay all taxes, and not go bankrupt" within that period, then a permanent license would be issued for which only two incumbent hong merchants would be required to serve as financial guarantors.[23] The new rules provided a mechanism for admission of the weak candidates who came forward in response to the Governor-General's mandate.

Six merchants joined the outer seas guild in 1830. Four were admitted early in the year, timed to the period of British pressure,[24] and the last two in September. These admissions briefly brought the hong merchant body up to thirteen, but membership had fallen to ten by year end, after the August 1830 failure of the Dongsheng hong of Chunqua III and the near instant collapse of both of the September hongs.[25] The six new hong merchants, the first new merchants to join the guild in almost twenty years, were:[26] Mingqua (Minqua),[27] Hingtae, Saoqua,[28] Pwanhoyqua (Punhoyqua),[29] Chingqua and Tuckune. William Jardine grumbled in March 1830:

> "We have now four or five new Hongs, one conducted by a Tea merchant, one or two men from Macao, who have some money and some character but who have been engaged in the opium trade -- and one of them has visited the cold country passage free [i.e. been banished to Ili]. The others are mere adventurers without money and without character -- or rather with so very so-so character -- broken down opium brokers, dismissed Hoppo's pursers, etc. What is to become of this newfangled nonsense I know not."[30]

Although all the new hong merchants had thin backgrounds and thin capital, Hoppo Zhongxiang charged each handsomely for the privilege of entry. Minqua, Hingtae and Saoqua are said to have paid 42,024 taels ($58,367) each for their licenses.[31] Another source estimates that fees of from $30,000 to $50,000 per admission went to the Hoppo personally, plus another $30,000 to his subordinates.[32]

Of the new hongs, the Xingtai ("Hingtae") hong of the brothers Yan Qiqang (titular head) and Yan Qixiang (active manager) was the most important. Their new hong went up like a rocket over the Canton marketplace in the early 1830s but blew up spectacularly in the crisis of 1836-7.[33] The brothers were young, described as having been boys or adolescents at the time their father died in the late 1820s. The father, a shroff or goldsmith who did business under the prominent name Sunshing, left an inheritance of $50-$60,000 that his sons used to start the Xingtai hong. The firm was also known as Sunshing, due to its association with the father.[34] The brothers were hungry for business and enjoyed apparent success, transacting a fourth or a fifth part of Canton's entire legal foreign trade at their peak.[35] Beneath the veneer of success, however, the firm had no capital to fall back on. Its licensing fees, alone, had exhausted the Sunshing inheritance. As Yan Qixiang explained in a 19 April 1837 letter to William Jardine, his largest creditor:

> In 1830, I began business with a limited capital; after deducting expenses of hanging out my signboard, beginning business, and buying packing

> houses and furniture, not a *cash* remained to me. In that year on account of the English ladies coming up to Canton, I was confined to prison for more than a month and found myself minus a lac of dollars [$100,000]. In the fifth year happened Lord Napier's affair. I was detained several months in prison and did little business. My expenses at the offices of the Viceroy and the Hoppo and other places were not less than another lac [$100,000].[36]

Chingqua and Tuckune, the last two hong inductees of 1830, were especially weak and did not survive the year. Shortly after he opened the Maosheng Hong, Chingqua (Lin Yingkui) was appointed security merchant for a ship commanded by a Captain Yales. When Chingqua failed to pay the 2,500 taels ($3,472) in measurement and other fees that were due for that ship, his license was revoked and the other hong merchants were ordered to pay the customs debt. The other September admittee was the Tuckune (Teyuan) hong. Its licensed proprietor was Tam Hoanfun, who operated in partnership with a silk goods trader known as Lawune (Luo Yuan). A gift of three pairs of gold watches was made to the Hoppo on behalf of the Tuckune hong soon after it opened, but Lawune failed to inform the recipient that the valuable gift had not been paid for. When the vendor Mr. Just petitioned the Hoppo to compel the Tuckune hong to pay $990 due for the gift that the Hoppo had in his own hands, the embarrassed Hoppo immediately revoked the hong's license.[37]

The Canton authorities continued to try to rebuild the membership of the hong merchant body after 1830. Samqua and Tungqua (also known as Fuksune) (Wang Datong of the Fuquan hong)[38] were admitted in 1832, bringing the number of hongs up to twelve. Samqua (Wu Tianyuan), the proprietor of the Tongshun hong, had the local nickname of "Maiji Shuang" (chicken-seller Shuang) because he (Shuang) formerly sold chickens.[39] The 1835 admissions of Footae and Lamqua briefly brought membership to a 1780-1842 period high of fourteen. Footae (Yi Yuanchang) had been an outside shopman His Futai hong was effectively shut down within two years when foreign creditors seized its stock in trade, estimated to have been worth $10,000. The firm was revived by bringing in a partner, the son of a trader of birds and other goods with a less than pristine history ("Tommy Birdman"), and it survived as a minor hong.[40] Lamqua (Luo Futai), unrelated to the Canton artist who used the same business name, also suffered from inadequate capitalization. His Dongchang hong was sanctioned for a smuggling incident and quietly went out of business in 1837, with the arrears it owed to the Consoo Fund ordered assumed by the surviving hong merchants.[41] Takqua (Rung Yuguang), admitted as the proprietor of the Anchang hong in about 1836, has the distinction of being the last hong merchant ever licensed. His firm was ordered closed just three years later in 1839 by Lin Zexu for allowing outside merchants to sell tea to foreigners under its cover.[42] The new admissions did not improve the ability of the hong merchant body to handle the trade that was being done. Writing in May 1834, Joseph Coolidge of the American firm Russell & Co. rightly anticipated that "[m]any of the hongs must fail. Several . . . are not worth one cash."[43]

The Canton officials promulgated two new regulations concerning hong debts during this period. On 27 April 1830 the Hoppo issued a mandate to the hong merchants requiring the immediate disclosure of all debts due to foreigners, and stating that debts not so declared would not be recognized in Chinese debt proceedings.[44] Five years later, in 1835, Governor-General Lu Kun announced a new approach to hong debts. The hong merchants would be required to fully report all of their foreign debts as of the end of each trading season, and to pay such debts as far as practicable. Unreported debts would be treated as illegal loans and would not be enforceable or covered by the Consoo guaranty.[45] These regulations were not enforced and they had no effect on the payment of debts of hongs which failed after their promulgation.

Hong admission regulations were tightened in the international financial crisis year 1837 by Governor-General Deng Tingzhen. No new members would be allowed to come in except to replace retiring, insolvent or deceased hong merchants. When a new member was selected as qualified, all the incumbent hong merchants would be required to sign a financial guaranty bond, as in the old days. These regulations might be said to have had some effect. No new members thereafter joined the outer seas guild.[46]

7B. Trading Conditions, 1829-1842.

Difficult trading conditions continued to plague the hong merchants in the early 1830s. The market for imported cotton remained flat, as in the 1820s. In 1829 some hong merchants still held cotton they had purchased two years earlier.[47] Then a series of unusually cold years, beginning in 1831, destroyed the late harvests and reduced agricultural production. Guangdong and neighboring provinces experienced food shortages. As the regional economy suffered demand for imported goods fell in turn.[48]

The hong merchants were also sharply affected by changes which followed the abolition of the China trade monopoly of the British East India Company. The British trade, legal and illegal, was enormous. Much of it was illegal, with opium constituting two-thirds of the value of all British imports into China in the period 1833 through 1842.[49] The balance was legal, and had been conducted through 1834 on an orderly contractual basis with the licensed hong merchants. The Canton community learned quickly that the British Parliament had voted late in the Summer of 1833 to terminate the EIC monopoly effective as of the Spring of 1834. This major looming change and its consequences were warily anticipated by the market.[50]

With the huge EIC tea business thrown open, new British traders rushed in. There was a sharp increase in demand for teas for export, and prices soared. The EIC, withdrawn from direct involvement, still strongly influenced the trade. In England it held large quantities of its teas in warehouses, supporting high prices. At Canton it acted as a banker, with some $2 million in its treasury. Through its China Agency, the EIC financed tea purchases by the new entrants. The hong merchants happily received its cash, in preference to the Indian cotton or British manufactured goods brought in by the incumbent private traders and agency houses. Responding to high prices for tea, the hong merchants sent much of this cash upcountry to increase production. As the price of Chinese export goods rose, the price of imports -- other than opium -- fell. Competition forced these imports out onto the market and, as the Canton Agency recorded, "'the readiest buyers were the neediest Hong Merchants, who purchased them at long credits to resell them immediately among their countrymen for cash."[51] Much of the Hingtae debt was for credit purchases of this character.[52]

As the prices of export goods increased, domestic Chinese suppliers grew increasingly worried about the credit risks they were running. Suppliers of the black teas favored in England pressed the hong merchants for prompt payment. As of 1836 the "black tea men" refused to deliver even previously contracted teas without first receiving cash or some form of security in advance.[53] Similar pressure came from other suppliers, such as vendors of silk piece goods, the prices for which had tripled between 1833 and 1838.[54]

In 1835, Puankhequa III was suspended from trading for failing to pay 32,000 taels ($44,444) in duties.[55] The condition of the formerly eminent Guangli hong of Mowqua II (Lu Wenjin) sharply darkened the same year. The firm had barely survived crunches in 1829 and again in 1832, paying 12% interest on some $1.5 million in loans from Chinese and foreign creditors out of thin trading profits and the 6%-8% estimated annual return on its large landholdings.[56] Mowqua II lived well and put up a good front. Those appearances were over by 1835. He was imprisoned for debt in December 1835, and died soon after his release early in 1837, the result of judicial beatings and mistreatment while in prison. The Guangli hong was found to owe more than $600,000 to foreign creditors, and a larger amount to domestic creditors.[57]

The crisis of confidence of 1836-7 broke in this precarious context. Willing lenders could no longer be found, and credit was frozen. The hong merchants and certain foreign traders responded by trying to negotiate a program for the restoration of strictly short term credit with foreign suppliers. As agreed, hong purchasers would be able to discount the payment of imported goods at the rate of 1% per month plus a ten day grace period, after which the hong merchant could be petitioned against for debt. Domestic Chinese cotton dealers disrupted the new system by using inferior silver to pay for cotton imports the hong merchants sold them[58]

The credit crisis of 1836 broke the Xingtai (Hingtae) hong, against which foreign creditors submitted $2,738,768 in claims. The Tianbao hong of Kinqua (Kingqua) (Liang Chengxi) was also exposed as insolvent, owing foreigners $1 million.[59] Writing in February 1837, William Jardine described the bleak conditions at Canton and the danger that these failures could bring down all of the hong merchants.

> "I am convinced that not one of the recently made Hongs are free from debt, and except Howqua and Puankhequa there is now not one hong with $20,000. If we break one, we may break the whole; and if we do break the whole, the *Hoppo* will quickly make six or eight more, charging them 40,000 taels each for the privilege. These would of course be men of no property and little character who would in a few years break in their turn. This is a gloomy picture but it is a true one."[60]

The large number and size of claims made it impossible to offsets debts with credits. The balance of the Consoo Fund was inadequate, and there was no practical way to collect credit balances due to the fund from individual hong merchants. The EIC had formerly held such credits on its books on behalf of individual merchants,

Figure 9. The hong merchant Mowqua II (Lu Wenjin).
Oil portrait by Lamqua, painted in the 1830s. (Private collection. Photograph by courtesy of the Martyn Gregory Gallery, London.)

but those days were over.[61] The international financial crisis of 1837 made the rapid recovery of debts desirable, but there was little hope.

7C. The Collective Guaranty of Debt, 1829-1842.

The thirteen year period 1829 to 1842 saw massive hong failures and large amounts of debt thrown onto the hong merchant body. The hong merchants were ordered to assume and pay the largest foreign debts ever experienced by the guild, at a time when the guild collectively was in a very weak condition. The 1830 failure of the Dongsheng hong of Chunqua III produced a 418,000 tael ($580,555) charge, directed to be paid over three years. The 1837 failure of the Xingtai hong (Hingtae) produced a 1,656,000 tael ($2,261,439) charge, ordered to be paid over eight years. Last came the Kinqua (Kingqua) failure of 1838 and the 720,000 tael ($1,000,000) liability it exposed, which was ordered to be paid over ten years.[62]

The total collective guaranty liability that was charged to the hong merchant body between 1829 and 1842 was 2,794,000 taels ($3,880,555), which averages out to 186,266 taels ($258,703) annually over these thirteen years.[63] These assessments represent another forty percent (40%) increase from the prior period. The trend of large increases of the average annual hong merchant collective liability for foreign debts during the period 1780 through 1842 is summarized in the following table:

Time Period	Total Liability [Taels/(Dollars)]	[Taels/(Dollars)] Annual Average	Increase in Annual Average from Prior Period [Taels/(Dollars) (Percentage)]
1780-1799	1,621,000/(2,251,388)	81,050/(112,569)	(No prior period.)
1800-1814	1,706,000/(2,369,444)	113,733/(157,963)	32,683/(45,394) (40%)
1815-1828	1,725,000/(2,395,833)	123,214/(171,130)	9,481/(13,167) (8%)
1829-1842	2,794,000/(3,880,555)	186,266/(258,703)	63,052/(87,573) (40%)

This data is examined in two additional tables, attached as Tables One and Two. Table One, entitled "Hong Merchant Collective Guaranty Liabilities, 1780-1842," sets out the dates and amounts of the liabilities that were imposed. Table Two, entitled "Hong Merchant Annual Collective Guaranty Responsibility for Foreign Debt, 1780-1842," is a bar chart showing the average liability imposed annually over this sixty-two year period. Table Two, which is another treatment of the percentages of increase shown in the preceding summary table, demonstrates that the average annual burden increased significantly over the course of this period. Table One sets out the source data with which the summary table and Table Two were prepared. It also shows that the annual assumption burden on the hong merchants was even worse than is shown in those tables. In addition to defaulted foreign debt (the subject matter of Table Two), the hong merchants were also required to pay taxes left unpaid by failed colleagues, in full and immediately. Unfortunately, much of the tax assumption data has not survived. The fifth column of Table One sets out the amounts of tax debt ordered to be assumed, where that information is known. These three tables demonstrate that there were steady heavy

Table 1 Hong Merchant Collective Guaranty Liabilities, 1780-1842

Hong Merchant Collective Guaranty Liabilities, 1760-1842

Year of Failure	Name of Debtor	Foreign Debt Assumed (in Taels)*	No. (and Average Amount) of Annual Installments	Tax Debt Assumed (In Taels)
1780	Yngshaw and Kewshaw	600,000	10 (60,000)	Amount Unknown[1]
1784	Seunqua	166,000	10 (16,600)	None
1790	Eequa	255,000	6 (42,500)	None
1795	Gonqua	600,000	6 (100,000)	None
1809	Fonqua	259,000	3 (86,333)	None
1810	Ponqua and Gnewqua II	1,447,000	10 (144,700)	Amount Unknown[2]
1823	Conseequa	372,000	5 (74,400)	None
1826	Pacqua	475,000	5 (95,000)	None
1827	Poonequa	86,000	3 (28,667)	110,000[3]
1828	Manhop	792,000	6 (132,000)	262,600[4]
1830	Chunqua	418,000	3 (139,333)	$41,226[5]
1835	Fatqua II	None	None	300,000[6]
1837	Hingtae	1,656,000	8 (207,000)	Unknown[7]
1838	Kinqua	720,000	10 (72,000)	None

* Amounts given in round numbers.

Source of the data in the first four columns of this table: Ch'en, Insolvency, p. 96, Table 2.7, "Foreign Debts Assumed by the Body of Hong Merchants, 1760-1843.

[1] Kuo-tung Ch'en and Weng Eang Cheong agree that Yngshaw and Kewshaw had unpaid customs duties but disagree as to the amount and whether such debt was or was not satisfied from asset sales. Ch'en, Insolvency, p. 206 (150,000 taels, partially satisfied from asset sales, the balance paid by the hong merchants); Cheong, Hong Merchants, pp. 152 and 186 n.103 (175,000 taels [$243,055], recovered by the state from asset sales, information attributed to Henri Cordier without further citation).

[2] Ponqua owed 88,000 taels in duties, Gnewqua II 89,000 taels in duties, and the two jointly owed another 30,000 taels for piracy control at the time of their failure. It is unclear whether these debts were satisfied from asset sales. Morse, Chronicles, Vol. III, p. 150 and Vol. IV, p. 83; Cheong, Hong Merchants, pp. 92 and 123 n.49 (Ponqua owed 80,000 taels in duties and Gnewqua II owed $89,000 in duties).

[3] Ch'en, Insolvency, pp. 347-8.

[4] Ch'en, Insolvency, p. 351.

[5] Ch'en, Insolvency, p. 359.

[6] Ch'en, Insolvency, p. 364.

[7] The Xingtai hong owed customs and other tax debts, which the hong merchants were ordered to pay. Ch'en, Insolvency, p. 367.

Table 2 Bar Chart: Collective Guaranty Liability, 1780-1842, By Year

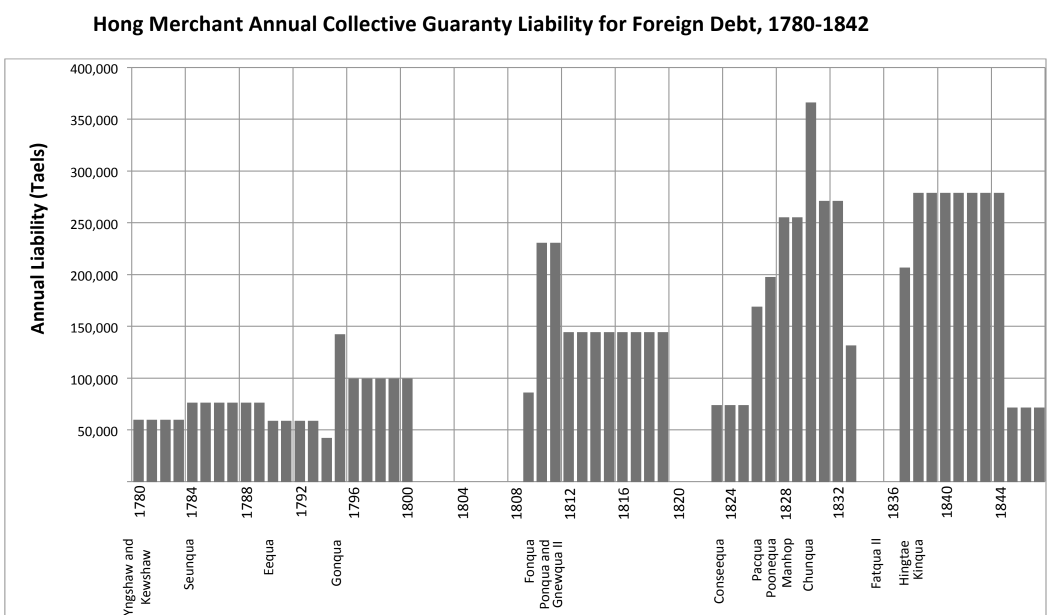

Table prepared by Shawn Smith, Ph.D., with data from table entitled "Hong Merchant Collective Guaranty Liabilities, 1760-1842."

increases over time in the average annual burden of collective liability. Table One indicates that tax debt was a significant -- if inadequately known -- part of this burden. The tables show that the liabilities that were charged to the hong merchants in the last years of the Canton System, 1829-1842, were unprecedentedly large. They placed a severe burden on the hong merchants at a time when they were struggling to survive.

Tax collections by the Chinese government from the hong merchants were also failing in the years after 1829. Extensions of tax obligations to the government dating back to 1819, and other current accommodations, are recorded in detail in a memorial presented jointly to the Emperor by Governor-General Deng Dingjin and Hoppo Yugun on 29 April 1839. As of that date, the total arrearage owed by the hong merchants to the government stood at 1,464,282.732 taels ($2,033,726).[64] The details in this memorial are especially important as information on the hong merchants becomes scarce in official records of the last years of the Canton System. The opium problem and its ramifications crowded out customary official recordkeeping.[65] On the Western side, the EIC had exited the trade and stopped its pen. As the Canton officials and their supervisors in Beijing had long paid close attention to hong finances and ability to pay, tax collection leniency and extensions, on approval from Beijing, provides strong proof that the hong merchants' diminished financial capacity was genuine. The entire hong merchant body was at the edge, and the officials at Canton and in Beijing knew it. Despite these conditions, there is no evidence of any attempt to measure foreign debt risk subject to the collective guaranty, or to adjust the amount of the *hangyong* tax on the trade in accordance with anticipated risk, during this or indeed in any earlier period.

The joint memorial sent to the Emperor on 29 April 1839 demonstrates that tax payment punctuality was no longer the rule as of 1839, and that it had not been for many years. An 1819 hong merchant commitment to advance 600,000 taels ($833,333) to pay for Yellow River works had been repeatedly deferred. As the hong merchants were unable to pay the pledge when it was made in 1819, the funds were drawn from the provincial treasury, subject to repayment by the hong merchants. Despite successive deadline extensions, all duly reported, some 136,151 taels ($189,098) of the original 1819 pledge remained to be repaid twenty years later in 1839.[66] The hong merchants made a further 600,000 tael ($833,333) pledge to support the war in Kashgar in 1826. Payment of that now thirteen year old promise had been deferred until after the 1819 Yellow River works obligation was paid in full.[67] That entire amount remained due in 1839. In 1835 the hong merchants were assessed 60,000 taels ($83,333) for reconstruction of the Bocca Tigris forts, of which sum 39,162 taels ($54,392) had not yet been paid.[68] They had also been ordered to pay 316,613 taels ($439,740) in tax and other obligations due to the government from the Maosheng (Chingqua) and Wanyuan (Fatqua II) hongs, which had failed in 1831 and 1835 respectively, on account of which nothing had been paid.[69] As of 1839, the hong merchants had recently been ordered to pay tribute and ginseng assessments due to the Court for the years 1836-9, and other debts, totaling another 534,978 taels ($743,025), but had failed to pay the full sum, leaving 372,357 taels ($517,162) still due.[70] The memorial details arrearages due from individual hong merchants, item by item. "We pray your Majesty to set them the limit of one year. If after the time limit they fail to pay up, they should all be sent to the district prison, as a warning."[71] The hong merchant Kinqua II was singled out for immediate punishment.

> "His failure to pay in spite of numerous pressings shows that he purposely plays with the matter. It is inconvenient to protract our leniency. We therefore pray for Imperial sanction to put Liang Chen-hsi of Tienpao Hong into the prison of Nanhai Hsien, and to allow him one more year for the payment of all that he owes to the Government. In case of failure after the time limit is up, he should be exiled and whatever debts remaining to be paid should be assigned to the other merchants of the Co-Hong on the pro-rata basis."[72]

The other hong merchants, however, needed more time to pay. The memorial states plainly that the time for payment of all of the listed debts -- save the deferred Kashgar war pledge of 1826 -- "has arrived. However, if we collect the debts together with the current revenue, it would be too heavy a burden for the merchants." The officials accordingly requested further extensions and deferrals.[73] Professor Chiang Ting-fu, who located and published this memorial in 1932, rightly observes that "the mere fact that such enormous debts existed and tended to increase was a sure sign that some disease was eating away the vitals of the Co-Hong not long before the Treaty of Nanking officially pronounced its demise."[74]

The first to fall in the final act of the Canton System drama was the Dongsheng hong of the Chunquas. This was a venerable firm by hong licensing standards. It had been founded in about 1787 by Chunqua I (Liu Dezhang) and was first licensed in 1794.[75] The founder had engaged in sharp practices and exploited his Beijing connections, which may explain why his firm lasted so long. When Chunqua I died in December 1824, management passed to Chunqua II (Liu Chengshu) who traded for three seasons, sold his interest to Inqua (a tea merchant) for 100,000 taels ($138,888), and left Canton. The firm became a three member partnership, with Liu Dung (Chunqua III), younger brother of Chunqua II), as its official head. Outside partner Inqua soon found that he had been defrauded. Assets had been exaggerated and large debts had been kept secret from him. In the summer of 1829 the hong's insolvency became public. Unable to pay its tea merchant suppliers, the firm surrendered title deeds to some of its property to them. Foreign creditor alarm about the insolvency of this important hong, and efforts to have Chunqua II brought back to Canton (rumor had it that he had made off with $600,000), form the backdrop to the five month EIC trade embargo of 1829-30. Debt proceedings were commenced and the Dongsheng hong was officially declared insolvent on 19 August 1830. Its debts were found to be slightly under 648,000 taels ($900,000), which was reduced to 418,000 taels ($579,193) through the liquidation of its remaining assets. The hong merchant body was directed to pay this sum in three annual installments, without interest, and also to pay $41,226 in customs duties due to the government. Chunqua III was imprisoned and beaten. He hanged himself in jail in 1831. In 1830 Chunqua II briefly returned to Canton, without any funds, and was gone again by the summer.[76] He thereafter remained at large, seeming to have achieved -- at the dear expense of Inqua -- as close to a secure retirement from the trade as had been achieved in many years.

The Wanyuan hong of the Fatquas, a chronically weak firm run by the son of its founder, failed in 1835. Licensed in 1808 by Fatqua I (Li Xiefa), the hong had long been in financial difficulty and is known to have borrowed money at very high interest rates. Fatqua I was assisted at times by loans from Mowqua II, a relative, and the British EIC. When the father died on 25 April 1822, Fatqua II (Li Yinggui) succeeded as head of the hong, but he found himself saddled both with unpaid customs duties and large fees the Hoppo charged for a successor license. Withdrawal of the EIC in 1834 posed a mortal challenge, as the hong had limited itself to EIC trade since about 1817. Foreign creditors had nothing to complain about in its failure, as the Wanyuan hong had no foreign debt. Its failure was a matter of great woe to the hong merchants, as the firm owed about 300,000 taels ($416,667) in unpaid customs duties. This arrearage was ordered to be assumed by the hong merchants and paid in two years, but, as of 1839, it had not been fully paid. There is no record of punishment of Fatqua II, if any.[77]

The crisis of confidence of 1836 brought on the most famous hong failure, the Xingtai (Hingtae) hong of Yan Qiqang and Yan Qixiang. The brothers had aggressively built up their business in the six year span of its existence, and were deeply involved in importations and other ventures with Jardine, Matheson & Co. Jardines was the hong's largest creditor, owed about $2 million.[78] Yan Qiqang said that his fall was the result of over-trading, market miscalculations, and excessive draw for family expenses, but the more true causes were undercapitalization of the firm and excessive payments taken by the Canton officials. The firm had overinvested in cotton supplied by Jardines, on which it was said to be losing $500,000 annually.[79] In the wake of the Xingtai failure, William Jardine reassured Hollingsworth Magniac in London as to the stability of their own firm by pointing out that the Consoo Fund was legally bound to pay the Xingtai debt. Michael Greenberg, the author of an invaluable study of early nineteenth century British trade with China, calls Jardine's appeal "to the despised laws of China . . . an ironic instance of the devil having a use for the Scriptures."[80]

Unable to extend or to refinance its enormous debt, the Xingtai hong stopped payment at the end of 1836. Debt proceedings were commenced by foreign creditors on 21 April 1837.[81] Governor-General Deng Tingzhen appointed a committee of three senior hong merchants and three foreigners, who met at the Consoo House, to examine and then administer the payment of claims against the insolvent hong. This procedure was revolutionary in at least two respects. For the first time, foreigners became involved together with Chinese in the evaluation of claims against a hong debtor. Second, also for the first time, the Cohong's account books were opened for review and inspection by foreign creditors.[82]

Of a total of $2,738,768 in submitted claims, the committee recommended their allowance in the reduced amount of $2,470,332 (90%) as claims against the debtor. Hard negotiations then ensued concerning payment, which took much of the year (amid worldwide depression, the Panic of 1837). The hong merchants initially proposed a twenty year repayment period, but the time allowed was gradually brought down to eight (effectively nine) years.[83] The committee was granted control of the assets of the Xingtai hong on 30 November 1837,[84] and on 3 December 1837 the hong merchant body was formally ordered to pay foreign debt in the assessed amount of 1,656,000 taels ($2,261,439) in eight annual installments without interest.[85] The joint Chinese-foreign committee for the administration of the Xingtai claims finally closed its account book in 1844, when the debts had been fully paid.[86]

During the 1837 proceedings before the Governor-General on the Xingtai debts, creditors demanded that their claims against the Tianbao hong of Kinqua (Kingqua) (Liang Chengxi) should be included. Founded in 1808 and able to support a large extended clan at its peak, the Tianbao hong had long since fallen on hard times and had become involved in high interest rate borrowing that worsened its problems.[87] In 1831, a British observer stated that "Kinqua has dipped deep into barter with Americans, parsees, and free-traders generally. He has been on the verge of ruin for years, and is only saved by the good management of an honest, intelligent, shopkeeper, whom he has taken into partnership.[88] The withdrawal of the EIC, the firm's lack of capital, and the credit crisis of 1836-7 left the Tianbao hong struggling to pay its debts, which were estimated at 720,000 taels ($1,000,000). As the hong was still able to do business, it was permitted to continue trading, but the hong merchant body was ordered to assist the Tianbao hong by paying its $1 million in old foreign debt over ten years, with six percent (6%) interest (an unprecedented concession).[89]

Foreign creditors also pressed Governor-General Deng Tingzhen for similar treatment of their overdue claims against the Guangli hong of Mowqua III (Lu Jiguang). Known as the most opulent of the hongs during the time of Mowqua I (Lu Guanheng) (1792-1812), the firm had been ruined in the following twenty years. Excessive debt and spending had been the subject of struggle within the Lu family.[90] A British observer stated in 1831 that "Mowqua [II], the hong merchant, is a debauchee. His brother, who conducts the business of the hong, is a respectable man; but his credit has not been good for some time past, and he is only kept up by Howqua's assistance."[91] Mowqua II was imprisoned for debt in December 1835, and died soon after his release early in 1837, as the result of judicial beatings and mistreatment in prison. He owed more than $600,000 to foreign creditors, and a larger amount to domestic creditors. Investigation showed that the assets of the Guangli hong exceeded its debts. The Canton officials arranged for the continuation of the hong under Mowqua III, a son or third brother.[92] While these debts remained unpaid in 1837, the officials were wary of the consequences of directing the hong merchants to pay the debts of another firm that was still able to transact business. Foreign creditor attempts to force the hong merchants to pay the accumulated debts of the Guangli hong were accordingly rebuffed.

Only a small part of the amounts due on account of the Xingtai and Kinqua (Kingqua) debts had been paid as of the outbreak of the Opium War. In accordance with the British Treaty of Nanking, $3 million in hong merchant debt repayment was delivered to the British consul at Canton on 23 July 1843. Of this sum, $1,266,102 was applied to Xingtai (Hingtae) debts, $922,432 went to Kinqua (Kingqua) debts, and $354,692 went to debts of the Guangli hong (Mowqua III).[93] It had taken a war for British private traders to get the foreign debts of the failed hong merchants paid in full.

The thirteen year period following its adoption as a model by the State of New York were the last years of the Canton Guaranty System. At the end of this final act, it was terminated, abolished together with the Canton System by the Treaty of Nanking in 1842. Ironically, in New York, the legislature observed the thirteen year anniversary of the Safety Fund – also battered by the worldwide depression of 1837 -- by amending the statute to limit liabilities of the fund.

Figure 10. “The Broken Hong Merchant or the Empty Tea Chest.” British print satirizing the professed financial plight of His Royal Highness the Duke of Sussex by reference to the financial condition of the hong merchants of Canton. A. Ducôté lithographer, published by T. M. McLean, London 18 November 1838. (Private collection. Photograph by permission.)

In its final scene, at Canton, the Consoo Fund stood silent. A series of massive debts were ordered paid out of the fund in the mid-1830s, but it did not have assets to pay any material part of these claims, nor *hangyong* tax revenue adequate to pay them for years to come. The fund had never had any independent existence, nor a disinterested defender, nor had any effort ever been made to anticipate, adjust premiums for, or to maintain reserves sufficient to pay claims. When the predictable storm hit, the fund failed. The imprudent activities that led to these claims were probably obvious to the other hong merchants who did business at Canton. The severe risks arising from this trading almost certainly would have been revealed had any independent scrutiny been carried out for the benefit of the Consoo Fund. Nothing was unforeseeable about the calamity, even if the timing of the final crisis was perhaps accelerated by financial difficulties worldwide in the period 1834 through 1837 and thereafter.

The hong merchant guild, as guarantors, were unwilling to commit to pay the collective liability for these huge losses except over many years, and there was doubt whether the hong merchants could meet even a negotiated payment schedule. War followed, and these liabilities presently became a demand obligation of the Chinese government as some private British creditors had demanded. Although China tendered the payment in July 1843, the final burden of a large part of these charges fell on the last few apparently successful hongs. They presumably raised the necessary funds by asset liquidations on a massive scale at a time of financial distress. It may not be pure coincidence that Howqua II (Wu Bingjian) died on 4 September 1843, just six weeks after the $3 million was delivered to the British.[94] In the last scene of the tragedy, not even "too big to fail" entities were spared from loss.

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1 White, "Hong Merchants," p. 120.

2 Greenberg, British Trade, pp. 70-1; Basu, "Asian Merchants and Western Trade," p. 348.

3 R. Randle Edwards, "Ch'ing Legal Jurisdiction," pp. 237-8.

4 Anonymous [Robert Harry Inglis], The Chinese Security Merchants in Canton and their Debts (London: J.M. Richardson, 1838), p. 4.

5 "These debts constitute a transfer of British capital to the Chinese Hong-merchants of about three millions of dollars, which the creditors require, surely not unreasonably, to be repaid within that time in which that capital would double itself by compound interest at the usual market rate of twelve per cent., which time is about six years; whereas the Chinese propose to liquidate the debts in nine years, beginning with next year, which, in the case of Hingtae, would be ten and a half years from the date of adjustment of account, and a still longer time in the case of Kinqua." Anonymous, Chinese Security Merchants, p. 43.

6 Ch'en, Insolvency, p. 17.

7 Greenberg, British Trade, p. 53; Morse, Chronicles, Vol. IV, pp. 166 and 209; White, "Hong Merchants," p. 116.

8 Basu, "Asian Merchants and Western Trade," pp. 351-2 ("I have hitherto been benefited by loans from your Company so that I was able to meet the payment of government duties . . . the Viceroy has ordered that all the Hongs no later than the

twentieth of this month remit the [gongjia] (tribute to the Court) and the [sengjia] (ginseng duty). The total ginseng duty of this year is 68,712.2 taels and my share is 6,247.2 taels. As for [gongjia] the total is 61,400 taels and my share is 2,707.8192 taels. My total remittance thus amounts to 8,955 taels. I thought it over and over but could not find a way to raise the sum. My business is small in scale and being often deficient in capital, no one will help me with a loan . . . normally since your Company already helped me several times to pay off my duties, I should not have made this appeal again. Although I think hard, I can find no way out. In recent years, I have been relying on your Company for loans to pay off my share of duties, I therefore appeal to you gentlemen once more . . . ").

9 Ch'en, Insolvency, p. 41.

10 Morse, Chronicles, Vol. IV, pp. 199 and 201-2; White, "Hong merchants," pp. 115-8.

11 Eight propositions, which "were calculated to upset the entire system under which the officials of Canton had battened on the foreign trade, and which had been developed during a century of exploitation," were presented by the EIC to the hong merchants on 5 October 1829 for transmittal to the Governor-General: "1st. The Tungsheng Hong (Chunqua) must not be allowed to fall; but Lew Chingshoo (the elder Chunqua) must return bringing money with him. 2nd. The new merchants for foreign trade, whether twenty or fifty houses, were not to be liable for the debts of others; this would restrict their credit since they could not be called upon to make good the deficiency of bankrupts' estates. 3rd. The old Hong Merchants would in future not be liable for the debts of others; they must at once liquidate their debts, or declare the amounts of those outstanding. 4th. The liquidation of bankrupt estates now proceeding should be continued, the money being collected from new and old Hong Merchants alike, and the instalments are to be paid as now arranged; when the present debts are paid off, no further sums shall be collected for the purpose. 5th. The import duties were to be assessed daily and paid within five days; the same with the export duties. 6th. Foreign merchants were to be free to hire warehouses and keep them under their own management; there need be no Security Merchant for the foreigners; and the foreigners must pay the duties in cash without the intervention of a Hong Merchant or a Linguist. 7th. None of the Hongs for Foreign Trade should be required to act as Security for foreign ships, the reason ceasing to exist when duties are paid in cash; and 'Since the Security Merchants really cannot control the actions of Foreigners, the Law requiring Security Merchants, only assists the Hoppo's office to make pretexts and extort money, so that both Natives and Foreigners are vexatiously hindered and distressed by minute interference.' Further the commanders of ships should be free to select their own compradors and to buy their supplies for ready money. 8th. 'For the entrance of Foreign Ships into the Port, the charges at present exacted by all sorts of Officers must be diminished, after which those remaining to be paid should be in proportion to the size of the Ship.' In the future the port might expect an influx of small ships, to which the present system was unfair." Morse, Chronicles, Vol. IV, pp. 206-7.

12 Ch'en, Insolvency, pp. 209-10; Morse, Chronicles, Vol. IV, pp 199-221 (quotation at p. 208). The incumbent Hoppo had died on 8 August 1829. The new Hoppo arrived on 18 December 1829, during the Embargo. Morse, Chronicles, Vol. IV, pp. 204 and 214.

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13 Ch'en, Insolvency, p. 257.
14 Morse, Chronicles, Vol. IV, p. 208.
15 Shinqua (Pan Zhengheng), the eldest son of Puankhequa II.
16 Wu Bingjian (Howqua II).
17 Ch'en, Insolvency, pp. 254-6 and 420.
18 Ch'en, Insolvency, p. 257.
19 Morse, Chronicles, Vol. IV, p. 215.
20 Morse, Chronicles, Vol. IV, pp. 215-6.
21 Morse, Chronicles, Vol. IV, pp. 220-1.
22 Greenberg, British Trade, p. 43.
23 Chang, Income of the Chinese Gentry, p. 161; Morse, Chronicles, Vol. IV, p. 208; White, "Hong Merchants," p. 117.
24 Morse, Chronicles, Vol. IV, pp. 219 and 221.
25 Ch'en, Insolvency, p. 17.
26 Ch'en, Insolvency, p. 40 (Table 1.6).
27 Pan Wentao, proprietor of the Zhonghe hong, was known as Minqua (or Mingqua). Ch'en, Insolvency, pp. 17-8, 21 and 40 (Table 1.6). He is said to have been the son of a tea merchant, Ch'en, p. 154 (Table 4.6), and to have been a brother of the Renhe hong merchant Pan Wenhai. White, "Hong Merchants," p. 151.
28 Ma Zuoliang, proprietor of the Shuntai hong, was known as Saoqua. He had traded with foreigners in Macao, and his partner was an opium dealer. Ch'en, Insolvency, pp. 17-8, 21, 40 (Table 1.6) and 154 (Table 4.6).
29 Pan Wenhai, proprietor of the Renhe hong, was known as Pwanhoyqua (or Punhoyqua). Ch'en, Insolvency, pp. 17-8, 21 and 40 (Table 1.6). He is said to have been the son of a clerk in the Hoppo's office, Ch'en, p. 154 (Table 4.6), and to have been a brother of the Zhonghe hong merchant Pan Wentao. White, "Hong Merchants," p. 151.
30 Greenberg, British Trade, p. 66.
31 Ch'en, Insolvency, pp. 123, 159 and 366; Morse, Chronicles, Vol. IV, p. 372 (detailed list of fees for opening a new hong in 1829).
32 Basu, "Asian Merchants and Western Trade," p. 341.
33 Ch'en, Insolvency, pp. 17-18, 20, 37 (Table 1.4), 40 (Table 1.6) and 365-7.
34 Basu, "Asian Merchants and Western Trade," p. 340; Ch'en, Insolvency, pp. 154 (Table 4.6), 157 and 365-7; Chinese Repository, Vol. 3, p. 440 (Jan. 1835) ("Journal of Occurrences . . . liberation of Sunshing").
35 Basu, "Asian Merchants and Western Trade," p. 341; Ch'en, Insolvency, p. 366.
36 Greenberg, British Trade, pp. 66-7; Ch'en, Insolvency, p. 159.
37 Ch'en, Insolvency, pp. 359-61.
38 Ch'en, Insolvency, pp. 17-8, 21, 37 (Table 1.4), 40 (Table 1.6), 154 (Table 4.6) and 361-2.
39 Ch'en, Insolvency, pp. 17-8, 21 and 40 (Table 1.6); Sung, "A Study of the Thirteen Hongs," p. 28. Samqua was the brother of a compradore employed by Magniac & Co., and his partner was a tea merchant. Ch'en, p. 154 (Table 4.6).
40 Ch'en, Insolvency, pp. 18-9, 40 (Table 1.6), 154 (Table 4.6) and 161-2; Basu, "Asian Merchants and Western Trade," p. 342.

41 Ch'en, Insolvency, pp. 18, 20, 40 (Table 1.6), 153, 154 (Table 4.6) and 365. This merchant is unconnected with the well-known artist who produced portraits and paintings at Canton in the same period and used the same business name.

42 Ch'en, Insolvency, pp. 18, 21, 37 (Table 1.4), 40 (Table 1.6), 154 (Table 4.6) and 367-8; White, "Hong Merchants," pp. 144-5.

43 White, "Hong Merchants," p. 122.

44 Morse, Chronicles, Vol. IV, p. 230.

45 Basu, "Asian Merchants and Western Trade," pp. 335-6; White, "Hong Merchants," p. 123.

46 White, "Hong Merchants," p. 143.

47 Morse, Chronicles, Vol. IV, p. 186.

48 Marks, Tigers, Rice, Silk, and Silt, pp. 217-9.

49 Greenberg, British Trade, p. 50.

50 Peter Ward Fay, The Opium War 1840-1842 (Chapel Hill: Univ. of North Carolina Press, 1975), p. 67.

51 Basu, "Asian Merchants and Western Trade," pp. 337 and 340.

52 Basu, "Asian Merchants and Western Trade," pp. 337 and 340.

53 Weng Eang Cheong, Mandarins and Merchants: Jardine Matheson & Co., a China Agency of the Early Nineteenth Century (London: Curzon Press Ltd., 1979), p. 197; Greenberg, British Trade, pp. 189 and 197.

54 Cheong, Mandarins and Merchants, p. 196.

55 Cheong, Mandarins and Merchants, p. 196.

56 Ch'en, Insolvency, pp. 20 and 116-7; Greenberg, British Trade, p. 63.

57 Cheong, Mandarins and Merchants, pp. 196-7 and 251.

58 Cheong, Mandarins and Merchants, p. 199.

59 Cheong, Mandarins and Merchants, p. 198.

60 Greenberg, British Trade, p. 190. Cheong provides a slightly different quotation: "if we break one, we may break the whole; and if we break the whole, the Hoppo will quickly make up 6 or 8 more charging them 30,000 to 40,000 taels each for the privilege. They will be non-propertied and will use the first assignment of order to pay off the Hoppo and in a few years, they in turn will be broke" Cheong, Mandarins and Merchants, p. 198.

61 Cheong, Mandarins and Merchants, p. 198.

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

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

64 Tsiang, "Government and Co-Hong," pp. 602-7.

65 White, "Hong Merchants," pp. 121-2.

66 Tsiang, "Government and Co-Hong," pp. 603 and 606.

67 Tsiang, "Government and Co-Hong," pp. 605 and 606.

68 Tsiang, "Government and Co-Hong," pp. 605-6.

69 Tsiang, "Government and Co-Hong," pp. 605-6; Ch'en, Insolvency, p. 37 (Table 1.4).

70 Tsiang, "Government and Co-Hong," pp. 603 and 606.

71 Tsiang, "Government and Co-Hong," pp. 604-5.

72 Tsiang, "Government and Co-Hong," p. 604.

73 Tsiang, "Government and Co-Hong," p. 606 ("May we pray for the grace of Your Majesty to allow them to pay first the debts with a one year time limit, and

afterwards the contributions and assigned debts according to the agreed schedules – the Bocca Tigris forts contribution of Taels thirty-nine thousand and the Kashgar War contribution of Taels six hundred thousand first, then the assigned debt of Taels 316,612.865? No further delay should be allowed so that all sums would be paid step by step.").

74 Tsiang, "Government and Co-Hong," pp. 606-7.

75 Ch'en, Insolvency, pp. 15, 19-21 and 352.

76 Ch'en, Insolvency, pp. 119, 122 and 352-9; Morse, Chronicles, Vol. IV, pp. 221, 230 and 255-6; The Asiatic Journal and Monthly Register for British and Foreign India, China, and Australasia, Vol. 6 (New Series) (Sept.-Dec. 1831) (London: Parbury, Allen and Co., 1831), p. 71.

77 Ch'en, Insolvency, pp. 16-9, 37 (Table 1.4), 40 (Table 1.6), 122 (Table 3.1), 154 (Table 4.6), 176 and 363-4; Tsiang, "Government and Co-Hong," pp. 605-6.

78 Cheong, Mandarins and Merchants, pp. 198 and 251; Greenberg, British Trade, p. 66.

79 Greenberg, British Trade, p. 66; White, "Hong Merchants," p. 124.

80 Greenberg, British Trade, p. 70.

81 Ch'en, Insolvency, pp. 96 (Table 2.7), 210-1 and 367; Cheong, Mandarins and Merchants, p. 251.

82 Basu, "Asian Merchants and Western Trade," p. 346; Ch'en, Insolvency, pp. 210-1.

83 Basu, "Asian Merchants and Western Trade," p. 344; Ch'en, Insolvency, pp. 366-7; Cheong, Mandarins and Merchants, pp. 198-9.

84 Basu, "Asian Merchants and Western Trade," p. 347; White, "Hong Merchants," p. 126 ("as late as October of 1837, all that was known in Peking of the Hsing-t'ai Hong was that its owner was behind in the payments on a contribution for public works. The emperor ordered that Yen Ch'i-ch'ang's rank and title be temporarily removed, to be granted again only after he had paid the required amount.").

85 Ch'en, Insolvency, pp. 96 (Table 2.7), 210-1 and 366-7.

86 Basu, "Asian Merchants and Western Trade," p. 347.

87 Ch'en, Insolvency, pp. 16-8, 20, 25, 38, 40 (Table 1.6), 41, 122 (Table 3.1),154 (Table 4.6), 158-9, 176 and 210-1; Hummel, Eminent Chinese, pp. 501-2; Mazumdar, Sugar and Society in China, p. 116; White, "Hong Merchants," pp. 144-5.

88 The Asiatic Journal and Monthly Register for British and Foreign India, China, and Australasia, Vol. 6 (New Series) (Sept.-Dec. 1831) (London: Parbury, Allen and Co., 1831), p. 71.

89 Ch'en, Insolvency, pp. 16-8, 20, 25, 38, 40 (Table 1.6), 41, 122 (Table 3.1),154 (Table 4.6), 158-9 and 210-1; White, "Hong Merchants," pp. 144-5.

90 Ch'en, Insolvency, pp. 15-8, 20, 41, 116, 122 (Table 3.1), and 210-1.

91 The Asiatic Journal and Monthly Register for British and Foreign India, China, and Australasia, Vol. 6 (New Series) (Sept.-Dec. 1831) (London: Parbury, Allen and Co., 1831), p. 71.

92 Cheong, Mandarins and Merchants, pp. 196-7 and 251.

93 Ch'en, Insolvency, pp. 96 (Table 2.7), 210-1 and 367; Hosea Ballou Morse, The International Relations of the Chinese Empire, Vol. 1, The Period of Conflict, 1834–1860 (London: Longmans, Green, 1910), p. 165 n. 81 ("To this settlement Howqua

contributed $1,000,000; Footae, $90,000; Mowqua, $60,000; Pwankhequa, $130,000; Kinqua, $70,000; Samqua and Gouqua, $100,000 each; Punhoyqua, $70,000; Mingqua, $20,000; Saoqua about $20,000. The balance it is supposed came out of the Consoo fund. -- Chin. Rep., Aug. 1843.")

94 Hummel, Eminent Chinese, p. 877.