

Cover Page



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**Title:** The Chinese cornerstone of modern banking : the Canton guaranty system and the origins of bank deposit insurance 1780-1933

Date: 2012-10-24

**THE CHINESE CORNERSTONE OF MODERN BANKING:  
THE CANTON GUARANTY SYSTEM AND THE  
ORIGINS OF BANK DEPOSIT INSURANCE 1780-1933**

**PROPOSITIONS**

1. The legislature of the State of New York was not provided complete and accurate information about the experience of collective liability for debt among the hong merchants of Canton, China (the "Canton Guaranty System") when it considered the practice as inspiration for the first bank deposit insurance statute in 1829.
2. The Canton Guaranty System (1780-1842), which avoided disruptions of China's maritime foreign trade by providing a system for the orderly determination and payment of foreign debts, helped build the appearance of collective financial strength that made the "hong merchant" one of the first great international brands.
3. The unlimited guaranty that was extended to foreign creditors under the Canton Guaranty System was both a significant added business expense and a leading cause of the failure of the Canton System and of many individual hong merchant firms.
4. The history of the Canton Guaranty System offers striking parallels to and useful lessons for modern financial guaranty programs.
5. Irregular exactions, taken from the Consoo Fund and the hong merchants by the Chinese government and officials, cut sharply into profits and discouraged entry into the hong merchant guild.
6. The Canton Guaranty System, which began with gunboat diplomacy (1779-1780) and ended with the Opium War (1839-1842), illustrates the connection between unpaid debt and the prospect of violence that is familiar to lawyers who handle debt cases.
7. It is a duty of the historian to draw lessons from human experience. As individuals often learn from their own errors, society also benefits from understanding lessons found in the record of the past.
8. In the study of the history of business regulation, as in the study of law, the records of disruptions often provide the best evidence as to how given regulatory systems actually functioned.
9. To the extent that the collective guaranty of foreign debt was intended to maintain Confucian harmony in the maritime foreign trade of the port of Canton between 1780 and 1842, it failed to accomplish this goal.
10. In order for collective responsibility to work on an involuntary basis, both tight government regulation and careful supervision are required.

11. History repeats itself. It also transplants itself.
12. There is little that is amusing in the history of the enforcement of unpaid debt or of unlimited financial guarantees of debt.