

## The Chinese Firm: Between the Worlds of Formal and Informal

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In the field of Chinese business and economic history, there persists a centuries-long impression that informal enforcement mechanisms have traditionally been more popular than the pursuit of business disputes in court. Many explanations have been offered for this preference, with the vast majority centered on either cultural/social preferences or on the state's failure to provide sufficient forums for enforcement. Recently, Rosenthal & Wong have offered a new hypothesis:<sup>1</sup>

1. That different types of exchange will produce a demand for either formal or informal enforcement of contracts depending on combinations of distance and frequency of exchange
2. That preferences for different forms of enforcement are thus predicated upon the types of trade being practiced and the institutional range of options available to economic actors (depending on how often different types of trade are practiced and which institutions have evolved to serve merchants in the jurisdiction.
3. That long-distance trading networks tend to favor informal enforcement mechanisms throughout the early modern globe; and
4. That the bulk of commerce in China was long-distance, and therefore impressions of the predominance of informal enforcement in China may be attributed to the scale and duration of long-distance trade practices and the sophistication of institutions that emerged from them (rather than any persistent or universal preference).<sup>2</sup>

But the intuitive conclusion that informal enforcement of contracts may have been preferred by Chinese businessmen for exchange in general is somewhat at odds with recent arguments about the litigiousness of local society in the Qing<sup>3</sup> and fits uncomfortably with the recent findings of Kuroda Akinobu, whose work on the regional markets linking peasant producers in China to consumers in cities and market towns suggests that compared to both Japan and England, the “cash-dependent” nature of Chinese exchange led to more opportunities for rural producers to exchange cash for goods in person at regional market fairs.<sup>4</sup> In contrast to Tokugawa Japan, where small-denomination currencies failed to facilitate the rapid and

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<sup>1</sup> B&B; x, 72-79.

<sup>2</sup> B&B, 90.

<sup>3</sup> Fuma Sussumu

<sup>4</sup> Kuroda contrasts China's "cash-dependent" markets with Japan and other “credit-dependent” societies in which the lack of abundant small-denomination currencies for everyday use curtails anonymous exchange and favors large-scale mediation by merchants with established local ties (often operating on different forms of credit). See Akinobu Kuroda, “Anonymous currencies or named debts? Comparison of currencies, local credits and units of account between China, Japan and England in the pre-industrial era,” *Socio-Economic Review* (2013) 11, 57–80; 58.

anonymous circulation of everyday items and trading barriers between *daimyo* domains led to the rise of an intermediary merchant class with special permissions (and access to internal forms of domain credit) to conduct large-scale transactions linking countryside producers to consumers in more urban environments, the readiness of cash and notes in small denominations in China combined with the absence of strong barriers to trade between administrative jurisdictions to allow for direct spot transactions between buyers and consumers.

Kuroda argues that these conditions led to the growth of regional markets in China that:

1. Favored anonymous exchange
2. Favored a high frequency of exchange (in contrast to fixed cycles)
3. Favored a diversity of exchange practices

He further demonstrates that, while these traits fostered a *growth* of regional and local markets from the eighteenth to the early twentieth centuries in China,<sup>5</sup> the same period in Japan witnessed a sharp decline in local markets as the circulation of goods fell increasingly into the hands of a specialized class of merchant intermediaries (possessed of special permissions and credit instruments allowing them to conduct business within and between domains.)<sup>6</sup>

This divergence leads Kuroda to propose that it might have been the “narrowing [of] peasants’ market access” in the Tokugawa that led to the growth of specialized instruments of credit and exchange and that, contrary to the established wisdom, the very preference for anonymous exchange in China’s regional markets might have delayed the development of certain credit mechanisms that later proved important to industrial capitalism.<sup>7</sup> Interestingly, this divergence between modes of rural/regional transaction that Kuroda argues was so pivotal in determining the fate of early modern China and Japan falls exactly into the one category of exchange from Rosenthal & Wong’s model that is not associated with an automatic preference for formal or informal enforcement: that of frequent and local transaction.<sup>8</sup>

This paper fills the gap between the pictures offered by Rosenthal & Wong on the one hand – emphasizing the institutions of long-distance commercial circuits – and Kuroda – focusing on peasant/producer sale of goods in regional markets – on the other by offering evidence of how the local Chinese firm evolved to link the two. It suggests that the Chinese firm evolved in a fashion that was specifically designed to overcome the gap between frequent and anonymous local exchange, on the one

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<sup>5</sup> 64

<sup>6</sup> 68

<sup>7</sup> Kuroda 75-76.

<sup>8</sup> B&B, 83.

hand, and long-distance high-stakes trade on the other. It demonstrates how the firm provided both an administrative and a legal link between these two types of markets, and shows how the state played a critical role in bridging the gap between these two systems by holding individuals associated with firms accountable for transactions conducted on the accounts of a particular business. It suggests that firms played an important role in fixing responsibility for economic actors operating at the intersection of regional production markets and long-distance trading circuits by serving as a node between different circuits.

*From Broker to Firm: Long-distance and Regional Trade in Qing Chongqing*

Chongqing was a riverine hub connecting merchants from the developed commercial centers of the east coast (who traveled up and down the Yangzi River) to the production centers and regional markets in the fertile, forested region of the southwest – including Tibet, Gansu, Sichuan, Yunnan, and Guizhou. The city's market was famous for trading in precious natural resources and wild produce that were particularly rich and sometimes unique to the area: lumber, pelts, and medicinal herbs were some of the most important exports of the southwest. In return, merchants from the east coast brought finished products for sale in Chongqing, where merchants from the southwest could purchase them for sale and distribution in the region. Peddlars, regional merchants, and producers gathered in Chongqing to offer goods from the surrounding regions for sale to traders that would ship them downriver, and would purchase goods from faraway markets in the city for use or sale in the region.

Chongqing serves as an excellent case study for our purposes for two reasons. First of all, since the population of the city was more or less completely destroyed in the course of the Ming-Qing transition and several rebellions that followed, in the Qing it was a city without a native merchant base. Few of the merchants operating in the port were native to the city (or even its home province of Sichuan), and were instead short-term sojourners or sons sent out to operate shops for several years by merchant families in other provinces. This meant that individuals doing business in Chongqing were forced to operate outside of strict same-province networks, and employ techniques of exchange that were effective for interacting with traders from across the empire. Furthermore, it means that historians have in Chongqing an excellent opportunity to observe merchant networks building across the divide between trans-regional and local trade.

Second, the county magistrate's archives from the port city have been preserved. They currently constitute the largest known local-level documentation of administrative and legal documents, and thus provide insight into how merchants resolved their disputes in a range of circumstances. These archives, which begin with spotty coverage in the middle of the eighteenth century, contain cases and

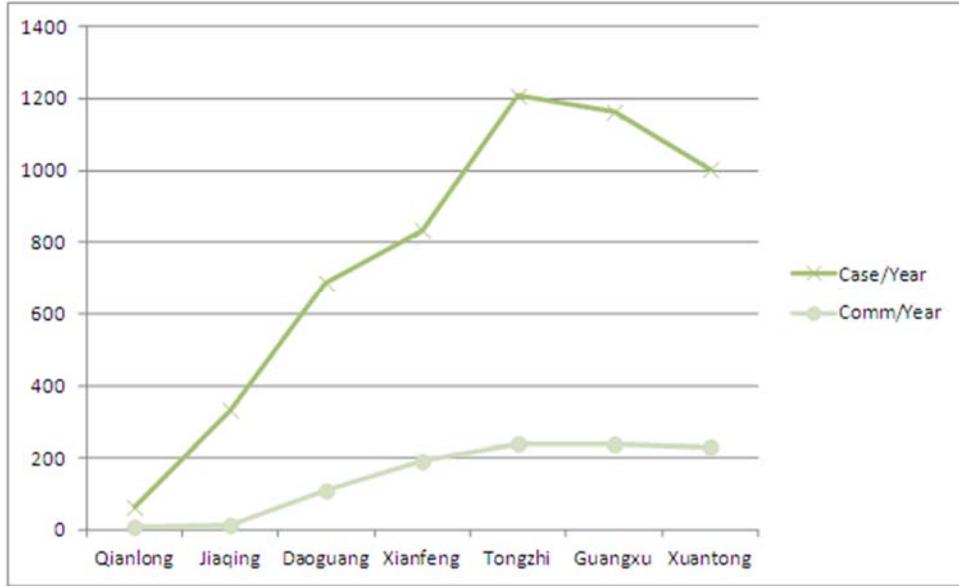
administrative communiques all the way up to the last year of the Qing dynasty. Commercial cases comprised a significant portion of the disputes heard by the magistrate (consistently comprising between 15 and 20 percent of the total case load, even without counting other types of disputes involving money, such as land, rent, and loan disputes). The number of commercial disputes per year in Chongqing climbed steadily in the Qing, reaching a peak of between 230 and 240 from 1861 onwards:

Table 1: Total number of cases preserved, number of commercial cases preserved for Qing Ba county<sup>9</sup>

Reign	Cases	Comm	Years	Case/Year	Comm/Case	Comm/Year
Qianlong (to 1796)	3827	545	60	63.78333333	0.142409198	9.083333333
Jiaqing (to 1820)	8304	354	25	332.16	0.042630058	14.16
Daoguang (to 1850)	20642	3296	30	688.0666667	0.15967445	109.8666667
Xianfeng (to 1861)	9183	2104	11	834.8181818	0.229119024	191.2727273
Tongzhi (to 1875)	15700	3120	13	1207.692308	0.198726115	240
Guangxu (to 1909)	39549	8104	34	1163.205882	0.204910364	238.3529412
Xuantong (to 1911)	3010	693	3	1003.333333	0.230232558	231

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<sup>9</sup> Source: Ba Xian Qing Archives official index. (Commercial includes fraud [over-counting] and commerce/trade and shipment, and bang cases (Xuantong only), NOT including land, loans, or mining). NOTE: The cases for the Qianlong reign are mainly from the last two decades of this 60-year reign, so the figures for that reign cannot be considered representative.



The information presented here is based on a survey of over 300 legal and administrative dockets relating to commerce and economic disputes, which range anywhere from one to one hundred and seventy-eight pages. The initial observations leading to the thesis offered here began with a set of perplexing observations first made during my dissertation research. While tabulating information on cases between people engaged in commerce in Chongqing, I first noticed that, as time increased, litigants were increasingly likely to present themselves to the court as long-term resident of Chongqing or another city in the province of Sichuan:

**Number and Percent of Cases involving Disputes within and across Provincial Boundaries**

Cases	Years	Inter-Province	Cross-Province	Unk.
16	1770-1800	7 (44%)	7 (44%)	2
13	1801-1850	9 (69%)	3 (23%)	1
20	1851-1875	17 (85%)	2 (10%)	1
29	1876-1890	24 (83%)	4 (14%)	1
23	1891-1904	23 (100%)	0 (0%)	0
101	Total	80	16	5

The trend of increasing numbers of Sichuan residents appearing in Chongqing’s court is not surprising in light of the slow regrowth of Sichuan’s population and penetration of commercial networks into the southwest from the eighteenth century forward. Furthermore, it is in keeping with another observation about a fundamental shift in the organization of Chongqing’s market: a shift away from licensed brokers

as intermediaries in long-distance trade.<sup>10</sup> The important thing to note is that this does not indicate a shift toward increased native manufacturing (as Chongqing remains a hub of wholesale trade in the goods of the southwest for distribution in other markets throughout the empire), and cannot be explained solely by an increase in native Chongqing people conducting business (since many of those operating firms maintain registration and their permanent residence outside of the province).

But it can be understood in part as a substantive shift in the way that merchants operating in Chongqing organized their ventures. A sample survey of 101 cases shows the basic outlines of a fundamental shift in the organization of Chongqing's regional and trans-regional markets and their connections. If one charts litigation between individual buyers and sellers (1v1), individual buyers/sellers and intermediaries (1vM), individual buyers/sellers and firms located in Chongqing (1vF), intermediaries and firms (MvF), firms and firms (FvF), and individuals within the same firm (F(Int)), a very pronounced tendency away from intermediaries and toward firms appears:

**Profiles of Litigants in Chongqing Commercial Cases:**

Cases	Years	1v1	1vM	1vF	MvF	FvF	F(Int)
16	1770-1800	2 (13%)	5 (31%)	4 (25%)	2 (13%)	1 (6%)	2 (13%)
13	1801-1850	0 (0%)	2 (15%)	3 (23%)	3 (23%)	1 (8%)	4 (31%)
20	1851-1875	3 (15%)	2 (10%)	2 (10%)	1 (5%)	2 (10%)	10 (50%)
29	1876-1890	1 (3%)	3 (10%)	8 (28%)	3 (10%)	4 (14%)	10 (34%)
23	1891-1904	0 (0%)	0 (0%)	4 (17%)	2 (9%)	11 (48%)	6 (26%)
101	Total	6 (6%)	12 (12%)	21 (21%)	11 (11%)	19 (19%)	32 (32%)

But given the standing consensus that Chinese businessmen preferred informal enforcement mechanisms, even if Chinese firms were increasing in number, how can the high occurrence of disputes between firms located in the same place (and frequently doing business with many others in the city) be explained? By the final period, every case involves a firm of some kind. Previously, we see individuals transacting in different ways and with different institutions. This shift toward a firm-centered mediation is actually part of a broader expansion of the firm as a unit of sharing responsibility or bestowing agency.

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<sup>10</sup> The intermediaries employed by long-distance and local merchants/producers in the earlier period are remarked in Rosenthal & Wong as important in facilitating long-distance exchange. These figures are dealt with at length in the third chapter of my dissertation.

## The Broker in Chongqing's Late Eighteenth-Century Trade

Official brokers (牙行 *yahang*) were a regulated and licensed population of economic intermediaries in the Qing dynasty.<sup>11</sup> The merchants who possessed *yahang* licenses were the only individuals in the empire permitted to tax cross-provincial trade. Their licensing was handled by the local administration, and regulated by the provincial and central bureaucracies from the early eighteenth century forward. The institution of licensed brokerage developed as part of a central government campaign to facilitate trans-regional trade by investing legal responsibility for transactions in the brokerages operated by licensed intermediaries while at the same time eradicating widespread illicit taxation by removing the power of local officials to tax commerce. Although no licensed broker was given a monopoly over any specific commodity, all individuals bringing taxable commodities into the jurisdiction first had to report to a broker and pay taxes on their goods before putting them up for sale on the market (which many of them chose to do through the brokerages). Licensed brokers conducted this taxation and monitoring on behalf of the local state and reported directly to the county government, which was not allowed to demand levies from merchants traveling through the empire's jurisdictions.

Regulated licenses were first approved by the central ministries of the state and issued at the local level during the reign of the Yongzheng Emperor (1722-1735). The range of licenses requested by and allotted to the Chongqing market document the city's status as a hub for finished materials from the east and raw or agricultural produce from the southwest. In the middle of the eighteenth century the city's brokered trades included: 55 licenses for mountain goods (*shan huo* 山貨 – herbs harvested from the high-altitude plains of the southwest and the pelts, teeth, or bones of animals hunted in the forested wilds), 27 licenses for southern goods (*guang huo* 廣貨 – products from the Guangdong region, such as metal implements, porcelain, fruit, and fish), 12 licenses for various grains (*za liang* 雜糧), 8 licenses for medicinal materials (*yaocai* 藥材 – collected from the unique ecological environment of the southwest and sold throughout the empire), 8 licenses for indigo (*qingdian* 靛), 7 licenses for iron pots and pans (*tie guo* 鐵鍋), 6 licenses for bamboo and lumber (*zhumu* 竹木), 4 licenses for cloth (*bu* 布), 3 licenses each for ceramic items (*ciqu* 磁器), oil (*you* 油), and alcohol (*jiu* 酒), and 1 or 2 licenses each for hemp (*jiang ma* 薑麻), pork (*zhu* 豬), silk (*si* 絲), “western goods” (*xi huo* 西貨), bristles and fur (*mao huo* 毛貨), tea bushes (*da hong* 大紅), carved wooden screens (*shan ban* 衫板), and boats (*chuan hang* 船行), satin (*sha duan* 紗

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<sup>11</sup> For more specific information on the legal and market institutions related to licensed brokers in the late imperial period, see Maura Dykstra “Cross-Jurisdictional Trade, Intermediaries, and Transitive Responsibility in Late Imperial China”

緞), finished cloth from Guangdong (*guang huo bupi* 廣貨布疋), oiled hemp (*youma* 油麻), piranha (*guang yu* 廣魚), and copper/lead (*tongqian* 銅鉛).<sup>12</sup>

Many of the *yahang* licenses issued in Chongqing were held by long-term sojourners, who maintained their registration in another province but established residence in the city for decades at a time.<sup>13</sup> The *yahang* of the city played a critical role in facilitating exchange between regional and long-distance circuits of production and trade. They kept accounts with both regional producers and out-of-province traders who stored, commissioned, and purchased large stores of goods moving in and out of the region. In the eighteenth century, as I have documented elsewhere, *yahang* frequently appeared in court on behalf of clients due to the *transitive nature* of legal responsibility for transaction in Qing China. According to the legal conventions and court practices of the period, brokers were held responsible for the successful completion of any deal they had mediated even when the transaction was threatened by circumstances not under the control of the broker himself. Courts consistently held brokers responsible for payment on behalf of delaying or defaulting customers, and furthermore consistently backed brokers' claims against delaying or defaulting customers as part of a larger attempt to protect merchants in strange markets from predation by locals and to prevent delay in the circulation of goods.

Brokers were convenient figures in which to invest the power and responsibility of litigation: local, knowledgeable about their trade, and both party and witness to the transactions they brokered. They were also the ones in the best legal position to pursue a case, being accountable to both parties in each transaction and, by definition, local to the jurisdiction in which the exchange had taken place. Since brokers were able to act as agents on both sides of a transaction, they were compelled to bear the majority of the cost of bad information. In order to keep brokers motivated to bear such responsibility, the court supported their quests to recover funds that had been paid out on behalf of others.

But it appears that, as knowledge about and connections to regional circuits of distribution and production spread over the course of the development of Chongqing's market, licensed brokers lost their central role as mediators between long-distance traders and regional markets. The record demonstrates that from the middle of the nineteenth century forward the notion of transitive responsibility for transaction was increasingly invoked in cases involving both unlicensed brokers<sup>14</sup> and, eventually, firms themselves.

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<sup>12</sup> BXZQL *juan* 3, "Taxes."

<sup>13</sup> Of the 109 *yahang* licenses being operated in Chongqing at the beginning of the Jiaqing era, only two were registered to Sichuan natives. See QJDBXXB, 253-256.

<sup>14</sup> This is documented in Market Paper and Diss Chapter What??

### *Firms as Nodes in Networks of Agency in Qing-era Chongqing*

The rest of this paper outlines some of the basic features of the creation and maintenance of responsibility for transaction as linked to the firm in nineteenth-century and early twentieth-century Chongqing. This exploration is broken down into three parts. First comes an explanation of how the creation and maintenance of firm accounts was central to forging and documenting responsibility for transaction both within and beyond the firm. This is followed by an explanation of how the firm's connection to local institutions made knowledge about transactions and investments part of a network of information accessible to both the state and interested economic parties, and how these connections and the responsibility they implied was framed within an explicitly local context. The final section explains how these two features (the firm as multiple accounts and as a local unit of responsibility) allowed Chongqing merchants to create a wide range of partnerships and ventures by the second half of the nineteenth century.

### *Firms as Account*

In the last two decades scholars' understanding of Chinese businesses was radically altered by several discoveries about the importance of written contracts to late imperial merchants. But apart from disputes about whether or not a partnership existed, the majority of questions about responsibility for transactions both within and beyond the firm were settled using firm accounts. The practice of creating and maintaining these accounts, and the direct relationship between account maintenance and responsibility for transaction, is one of the defining features of the late imperial Chinese firm. This section will outline some of the basic account-keeping practices of the late imperial firm and illustrate this process using two partnership contracts from a Chongqing cotton yarn shop that was established in 1900.

From the moment that a partnership was created, the account books for documenting the venture would be established. After partners contracted to pool their resources for a particular venture, they would authorize an account book for the firm, which was usually annotated (*pi*) with information about the partnership. While daily books were kept in the shop for the maintenance of everyday affairs, the firm investors would usually keep their own "partnership accounts (*huo zhang*)" for keeping track of obligations between the firm and its partners. This account would often record the basic distribution of assets and responsibility associated with each partner or employee, and would contain information from

the yearly reckonings of the firm. Any shift in the investment, profit-sharing, or liability arrangements would be recorded in the firm books.<sup>15</sup>

The following partnership agreement between Wang Yongzhi (王用之), Chen Huaixuan (陳槐軒), Zhou Liangchen (周良臣), and Zhou Gongwei (周貢維) to form the Ji Yi Gong (集義公) cotton yarn shop in the year 1900 was actually copied into evidence from the partnership account book (夥簿).<sup>16</sup> Before the formation of this firm, the first three partners had joined together to found De Fu Xiang (東福祥) textiles shop but, encountering a treacherous manager, took a loss on their investments and decided to change the name of the shop and add Zhou Gongwei as a partner. The partnership contract (presumably a version copied from Chen Huaixuan's copy of the accounts) read:

It is said that in commerce the matter of first importance is trust and fidelity, which must at all times be fostered. Today Chen Huaixuan has offered a silver note of 500 taels in profit-earning capital, bringing total investments of both silver and cash notes in profit-earning capital up to 2,500 taels. There are altogether 5 shares. Each individual possesses one share and it is agreed that each month each shall accrue interest and dividends according to the one-*fen* standard. The partners agreed on the firm name "Ji Yi Gong" for their shop selling cotton yarn. Zhou Gongwei will be the general manager (總管) and therefore all decisions about employment, expenditures, and sales will be handled by him and Zhou Liangchen. Their salaries will be separately managed for in an annotated expenses account (二人辛俸以另批支帳). At the end of each year the reckoning shall determine profits and losses, which will be split evenly according to shares. The members in the partnership all agree to these terms, and agree to pool their energies for future profits. Zhu Taofu and Xian Shicong selected an auspicious date, and with willing and joyful hearts the partners have *authorized the account books with their signatures* in the presence of witnesses and handed them over to the manager as enduring evidence. [This text is followed by a list of witnesses, the list of partners, and the date of the ceremony]<sup>17</sup>

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<sup>15</sup> Sometimes new agreements about firm structure or amendments to them could be recorded directly into the firm accounts. See, for example, one man's account of how, upon exiting a partnership, an agreement was struck about repayment of his capital (over six years) and then recorded by a third-party witness into the firm accounts (十三年結算，除各支用，職存本銀 1,000 兩零，時職父子回籍，舖系王中麟承開，經”張文漢“批明帳簿，作六年還職銀 1,200 兩，外王中麟每年給職父插果（plus 草字頭）銀 48 兩，後不言利）Sichuan Provincial Archives 清 6-05-4775; 1. See also the account of how one individual serving as a guarantor for a relative about to enter a shop personally recorded his guarantee in the firm accounts (鄭從善等挺耽伊弟樹林幫職舖櫃工從善親筆批簿) Sichuan Provincial Archives 清 6-42-22341

<sup>16</sup>清 6-44-27507

<sup>17</sup> GX26, 3/24 清 6-44-27507; 7 照抄夥簿：蓋聞貿易之道首重乎規信義之端莫期善守今有陳槐軒出鴻本銀平票銀 500 兩正共計鴻本錢平票銀 2,500 兩正共計生意 5 股每人各占一股其本銀議定每月以一分照算關息夥等協同籌商議取招牌曰集義公開舖夥買棉紗生意眾議周貢維總管用人及進出銀

As this record of the partnership contract indicates, in addition to partners each obtaining a copy of the contract and at least one partner maintaining a copy of the partnership accounts, upon the occasion of creating and announcing the firm each of the partners signed the shop's daily accounts. Both the shop accounts and the partnership accounts were fully reckoned on a yearly cycle, in accordance with standard practice.

Other aspects of the regular maintenance of firm obligations were also committed to dedicated accounting books or cycles. As briefly alluded to above, accounts also served as the documentary basis of the salaries and obligations particular to individuals within the firm, such as the managers whose wages were kept in separate expense books. Employees' salaries were frequently managed through accounts – either because they were listed as “dry shareholders” in the general accounting books of the firm,<sup>18</sup> because their salaries were calculated based on commissions derived from their own books, or because in shops that required employee deposits wages were reckoned as interest. Employees who had access to shop accounts (or maintained their own account books with a roster of regular clients) were held directly responsible by the owners of a firm for the accounts that they maintained.<sup>19</sup> Business transacted through employees was considered to have been “brokered (*jingshou*)” by the individual handling the exchange, in imitation of the logics of transitive agency as first fixed upon the character of the licensed broker.<sup>20</sup> An employee was expected to collect debts according to a standard seasonal/ritual calendar of reckoning, and could not leave the firm until the accounts he managed were settled in full.<sup>21</sup> Distinct accounting cycles thus accompanied every type of agency that comprised the firm itself, and could be dedicated to employee obligations, partnership obligations, customer transactions, and even the responsibility of intermediaries.

At the first major reckoning one year after the Ji Yi Gong firm was established, it was found that the firm was deeply in debt. Having sustained losses for yet another round, the partners decided to call together the creditors and negotiate payments for outstanding obligations as a prelude to shuttering the firm. When a firm was closed, its accounts were reckoned and all outstanding debts were distributed

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錢買賣一切等件良臣協同幫辦二人辛俸以另批支帳為憑至今生意以年終結算盈虧照股均分均派夥眾皆無異言但願同心協力將來利勝朱陶富羨石崇指日亦可期也此系心甘意悅特此憑眾批簿書押交執事人收存永遠？據憑：劉時中，連佑章，連春君，陳槐三，許蘭軒，周子雲

夥眾：王用之？？？？？？？？

光緒二十六年三月二十四日？？？？

<sup>18</sup> Zelin, *Zigong*

<sup>19</sup> In one example, an employee was dismissed from a Chongqing shop because he had brokered a very large deal that went bad. See 清 6-27-8767.

<sup>20</sup> On transitive responsibility and its expansion to non-*yahang* agents, see “????”

<sup>21</sup> For an example over a dispute between an employee and a shop owner about collecting brokered accounts before leaving the firm, see 清 6-44-27515

among the partnership. Signed by witnesses, after meeting with creditors, copies kept by each party, altering the responsibility for the accounts. When a firm encountered problems with creditors or debtors, or when partners decided to split or shutter a firm, the account books served as the basis of these processes.<sup>22</sup> If and when a firm's general accounts were totaled up and its obligations cleared by all creditors, the books may be annotated (*pi*) and, as a result of this act, the firm would cease to exist.<sup>23</sup> Agreements about the division of responsibility after the firm ceased to exist could also be recorded in the partnership registers.<sup>24</sup>

Often, as in the example below from the same firm, responsibility for any unknown or yet-remaining obligations would be invested in a single individual associated with the firm after the other partners had made payments totaling their responsibility over to the remaining member. In exchange for these partnership-ending payments, former partners received a copy of a partnership-ending contract. The one below was given to Chen Huaixuan:

Partnership-ending contract established by Zhou Gongwei, Zhou Liangchen, Chen Jinjiang, Chen Huaixuan and Wang Yongzhi [eight characters missing] ... month 3 at Chongqing's Chong Shan Hall formed a partnership: the Ji Yi Gong cotton yarn business, originally agreeing to establish five shares, according to which profits and losses would be equally distributed. Today in Month 3 Chen Huaixuan has collected through family connections and other firms the 650 taels he owes as his share of the debts, and has paid the money owed over in full to Zhou Gongwei, who will in turn repay the creditors. Henceforth Chen Huaixuan will remove himself from the partnership. All external obligations and the money owed through them and all affairs of the partnership will be managed entirely by Zhou Gongwei and Zhou Liangchen, who guarantee that (the firm's affairs) shall hereafter have nothing to do with Chen Huaixuan. There is no extortion or compulsion. It is only that we fear that men's hearts are not as they were in days of old, so we have written down this contract dispersing the partnership. [This text is followed by a list of witnesses, the list of partners, and the date of the ceremony]<sup>25</sup>

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<sup>2222</sup> This principle can even be demonstrated in the methods that litigants sometimes used in attempts to cheat: see, for example the case at 清 6-40-18605 in which two partners of a bankrupt firm attempted to foist some of their responsibility off on an employee by entering his name into the partnership accounts.

<sup>23</sup> On this process, see Dykstra, "Beyond the Shadow of the Law,"

<sup>24</sup> See an interesting example at 清 6-41-20236, in which one partner's promise to repay another was recorded in the debtor partner's own hand in the accounts: 次年追收，憑幫郭鑑泰等算明以該銀七十四兩，羅樹生筆此帳  
<sup>25</sup>照抄徹夥約

立出撒夥字據人周貢惟周良臣陳錦江陳槐軒王用之??????? 三月在渝城崇善堂夥貿集義公棉紗生意原議5股賺折照派今三月? 650兩三(?)今陳槐軒當經族戚客號願將己身所派折項如數付楚交給執事周貢惟轉付客號陳槐軒自徹夥之後所有外面來往一切應交應付並夥內諸事客號統歸周貢維周良臣挺身承當概不與陳槐軒相涉其中並無勒逼等情今恐人心不古特立徹夥字為據  
憑：朱平之，余鶴軒，戴仲三，陳德宣，劉南溪，劉香泉同日  
光緒二十七年三月初八日立出徹夥人：周貢維有押，周良臣親筆" (GX27 3/8)

Both of these agreements – one to restructure the firm and one to end it – were made directly after the firm’s accounting cycles. After a full reckoning of both the firm’s obligations to its creditors and a reckoning of each partners’ responsibility for the total debt, each partner was able to negotiate a settlement for his portion of the obligation as a final settlement ending his relationship with the firm. Since the firm would continue to exist until all accounts were collected and settled, full responsibility for those relationships were vested in the two men who had managed the shop previously.

With an agreement like this, the nature of the accounts themselves were modified as a direct result of negotiations about internal and external firm obligations. Every accounting register managed by every group or individual within the firm represented a cycle of reckoning that represented the networks of agency united in the enterprise. In particularly complicated firms, this could lead to very complex arrangements. In general, conflicts over unsettled internal and external firm obligations were handled by insisting upon the separateness of each obligation and a fixed priority in handling conflicting commitments. Like the writing of a Chinese character, the Chongqing court regularly insisted upon debt mediation proceeding according to a certain order: external obligations should be settled before internal ones, and liability flowed from the top to the bottom. Since arguments about the internal structure of partner liabilities could be used to delay payment to outside creditors, magistrates could and did demand that outside commitments be settled before internal obligations were made clear in order to prevent internal firm problems from producing delay and bad faith in the city’s market. Although the court recognized the terms of business contracts that charged each firm investor with responsibility for a certain number of shares, these terms could be temporarily encroached upon when a creditor of the firm demanded payment. Owners could always be temporarily held responsible for the actions of employees (or the other way around), on the logic that the internal accounting process that followed the fulfillment of external obligations could then balance out the difference. Since these commands often resulted in one firm representative paying more than his fair share, the internal accounting process would then settle the debts between firm members.<sup>26</sup>

### *Firm as Local Unit of Responsibility*

The accounting cycles linked to firms articulated what were often very complex networks of obligations operating simultaneously. They were reckoned in tandem at regular (but not frequent) intervals, operating independently within their own cycles and on their own scale at the quotidian level in ways that

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<sup>26</sup> Maura Dykstra, “Liability, Fraud, Litigation, and Everyday Injustice in the Hu Wan Chang Remittance House Bankruptcy”

intersected with one another occasionally. The interlocking nature of firm accounts meant that many operations could be grouped together under the name of a single entity, but could lead to problems of coordination and commitment. When problems of responsibility within the wide network of firm agents arose, they were curtailed by and connected to a jurisdictional framing of firm life at the local (county) level.

This framing was first and foremost the result of the Ming and Qing states' assertion from the fifteenth century forward that court disputes about transaction be handled within the jurisdiction in which the disputed trade was conducted. The initial impetus behind this clarification court jurisdiction was to reduce conflicts between county-level authorities and to curtail opportunities for "harm through litigation" by disallowing merchants from bringing suit in jurisdictions where they possessed some advantage over their counterparts. This decision to relegate disputes about commerce to the place of their transaction had profound implications for handling responsibility in cases where firms operated across jurisdictions.

#### The Local Firm as Public Record

First, from the state's perspective, it meant that each firm was linked with a particular set of local institutions for recording facts about subjects and obligations. The firm was such a fixture of legal and economic responsibility that the names of Chongqing shops could even appear as parties to a law suit in the place of the name of an individual, or taken together with the surname of an owner in a four-character compound. In one suit by Huo Rongtai (霍榮泰) against two employees of the Hong Xing brokerage (鴻興行) from 1870, for example, although the two defendants were listed by name, the name of the business was added as a defendant to the final suit.<sup>27</sup> When the owner of the shop was mentioned by his two employees, his full name was not used or recorded. Instead, he was simply referred to as "Mr. Sun of the Hong Xing Brokerage" (孫鴻興行).<sup>28</sup>

With even as little information as a shop name, however, the court was consistently able to track down the individuals mentioned in suits. This is because *yamen* runners worked together with local collective responsibility delegates – who were held accountable for maintaining up-to-date information about the residents and businesses in their districts – to track down individuals required for testimony in court. Since every firm was known locally (many even began with a very public gala announcing the firm's

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<sup>27</sup> TZ 欺詐清 6-25-5855; 2

<sup>28</sup> TZ 欺詐清 6-25-5855; 4

owners and backers)<sup>29</sup> and part of these networks of collective responsibility, individuals entering upon a transaction with an established shop did not need to know any information about the identities of individuals associated with the business; this information was easily accessed by local networks if and when it was necessary.

This practice of referring to individuals and the firms they represented in portmanteau form is a testament to the centrality of firm location and identity in fixing responsibility for legal suits. An example of just such a use and abuse of a firm name is found in one 1882 case featuring the Hu Wan Chang (胡萬昌信局) remittance house. This suit began with an accusation of false representation when, on July 21, 1882, Hu Weizhou had filed suit against Zhang Huanting (張煥亭) and Hu Youjiao (胡友交). His forms noted that he was 50 *sui* and a registered native of Hunan province, but that he resided in a shop that he owned in the Cuiwei (翠微) ward of Chongqing's urban district. He explained that he had opened the "Wanchang Remittance House (萬昌信局)," which received letters from downriver to Chongqing, and that he had "operated for years without incident (歷年無異)."<sup>30</sup> Recently, however, his cashier Hu Youjiao had been convinced by Zhang Huanting to leave the shop and open up remittance houses in Neijiang and Chengdu falsely using the Wanchang brand. Hu requested that the Ba County *yamen* keep his complaint on file "in order to prevent further disaster (杜患)." The Ba County magistrate merely responded: "If Hu Youjia et al. did open another remittance house... and did use the Hu Wan Chang shop name, you should write to the Neijiang and Chengdu remittance houses and order them to change their sign, so as to not confuse between the real and the false (以別真偽). There is no need to keep this suit on file."

The day after Hu filed this request, 250 miles up the Yangzi and Tuo Rivers (沱江) from Chongqing towards Chengdu in the town of Neijiang (內江), a clerk in the county *yamen* named Fang Youxian (方友賢) filed a new suit. In his official communication to Ba County, the magistrate of Neijiang explained that Fang had entrusted a note for 36 taels and some change to the owner of a remittance house (信局) that had opened in the winter of 1881, which was owned by a man named Hu Wanchang (胡萬昌). When the money Fang sent to Tongcheng County (桐城縣) in Anhui province never arrived, the plaintiff discovered that the managers of the shop had recently closed up the office and fled. Fang asked the magistrate to intercede and, on the logic that Hu Wanchang was a resident of Chongqing (查該信號胡萬

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<sup>29</sup> For an example of how one such event was a critical piece of evidence in determining one particular individual's relationship with a firm, see Dykstra, "Everyday Injustice"

<sup>30</sup> (1882) 244: GX 欺詐清 6-40-19113; 57

昌系貴治民籍) whose offense had been committed in Neijiang, the Neijiang County magistrate wrote to Ba County to request a transfer of the defendant (移關) for trial on July 22, 1882.<sup>31</sup> The request arrived six days later, on the 28<sup>th</sup>.

One day before the request arrived, on the 27<sup>th</sup>, a suit from one Huang Rongfa (黃榮發) against an individual named Hu Wanchang (clearly referring to the firm, but mistaking Hu's personal name for his business name) arrived at the Ba County magistrate's office. In it, he claimed that he was a resident of Chongqing's Xuanhua ward (宣化坊) who shipped Suzhou goods and silks up the river to Neijiang for trade, and that he had "had the misfortune to encounter a silver and goods remittance bureau for the upper reaches of the Yangzi operated by one Hu Wanchang (害遭胡萬昌承領上游銀貨信局)," who cheated him of a transfer of just over 41 *taels* of silver.<sup>32</sup> He reported that, when his employee in Neijiang had told him to collect the funds from the Chongqing branch of the remittance house, he went to receive his payment but "unexpectedly Wanchang treacherously delayed, and even dared to humiliate and scold me (詎萬昌奸推支吾，反為詈辱)," forcing Huang first to demand mediation with a local street committee and, when Hu refused to participate, to finally file suit demanding satisfaction.

The next day – the same day that the summons from Neijiang arrived in Chongqing – Zhang Huanting filed his own account of what had happened in the failed Hu Wan Chang branches of Neijiang and Chengdu. He claimed that the owner Hu had actually commanded the cashier Hu Youjiao – who was Hu Weizhou's nephew – to open upriver branches of his remittance house, and that Hu Youjiao had invited him to contribute 50 *taels* to the startup capital in order to join as a partner. They had hired another relative – Hu Tingzhi (胡廷之) – as the manager (管事) of the new branches, and Hu Tingzhi in turn recommended his elder brother Hu Jizhi (胡記之) to work in the new shops. According to Zhang, however, the two Hu brothers had colluded with a letter runner to embezzle goods and funds entrusted to the remittance house, causing the firm to go bust. Zhang insisted that he had invited the Hu brothers to mediate, and that in exchange for paying a settlement to cover the debt of the Hu Wan Chang branches he had exited the partnership and changed his own firm to another brand, but before long Hu Tingzhi and Hu Jizhi had absconded with hundreds of *taels* in goods and cash entrusted to the letter house.

This suit triggered a series of counter-accusations between Hu and Zhang regarding responsibility for the failed Neijiang and Chengdu branches of the letterhouse (or, as Hu would have it, the fraudulently-opened firms). The state's reliance on local networks to retrieve information about responsibility for firms, in this

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<sup>31</sup> (1882) 243: GX 內政清 6-32-03825; 2

<sup>32</sup> (1882) 242: GX 其他清 6-52-43534; 2

case, led to a detailed discussion about the agents responsible for the errant branch of the letter house. From this date forward a series of cross-accusations were filed about which of the firm's Chongqing residents were responsible for the actions of the shop's agents in the Chengdu plain. But as long as shops in Neijiang and surrounding areas were making demands for payment, and as long as the Neijiang *yamen* runners sent to detain "Hu Wanchang" were still waiting for a response from Ba County, the external obligations of the firm took precedence over questions of internal liability.

### The Firm as a Series of Transitive Agent Relations at the Local Level

Both merchants and magistrates of the Qing recognized that the independent nature of accounting activities associated with each firm could lead to conflicts and delay in attempts to fix responsibility within a business for an immediate, pressing, or local demand for satisfaction. Courts in the Qing resolved this basic tension of interlocking firm accounts by asserting that responsibility for any given transaction was *most directly* linked to those involved in it but *could be demanded of* any individual within the larger network of firm relations. In order to satisfy pressing local demands for satisfaction when firm resources were often spread out and independent accounting cycles could entail serious delay, courts thus regularly demanded immediate (even if partial) satisfaction of obligations from any members in a firm's network of agents<sup>33</sup> to summon local resources needed to resolve a dispute quickly, in recognition of the fact that later negotiations about repayment for such expenses could happen within the larger series of internal firm reckonings.

In the example above, before this issue of responsibility for the Hu Wan Chang brand in Neijiang was settled, more creditors began to demand satisfaction after the failure of the Chongqing-Chengdu stretch of the route. Hu's attempts to receive official recognition of his disavowals was too late; the magistrate's rescript on his first counter-suit read: "Several permitted complaints from the Neijiang County *yamen* have now arrived, saying that your remittance houses cheated customers... Now you claim that Zhang Huanting fraudulently operated under your brand. It must be determined if you are connected in any way to the fraud perpetrated in the communications from Neijiang. Answer the summons so that there can be a thorough investigation." In spite expressing his suspicions, the Ba County magistrate issued a summons

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<sup>33</sup> Although brokers are not discussed in detail here and although they appear less frequently in litigation over time, they continued to play an important role in creating a wider network of responsibility for transactions (especially those not involving an established firm). For one example of a case involving claims against the sellers, broker, and guarantor to a particular transaction, see 清 6-44-26870.

several days later based on Hu Weizhou's original suit, naming Zhang Huanting and Hu Youjiao as the defendants.<sup>34</sup>

On August 8, two days after the summons linked to this suit was issued, Li Xiangnan – listed as a witness in Hu Weizhou's original complaint – was taken into custody. He had arrived presumably to register and testify in the lawsuit brought by Hu Wanchang, but had been detained by the Neijiang clerks under the name of “Hu Wanchang.” Li Nanxiang (李南湘 whose name the Sichuanese runners rendered incorrectly as 李蘭香 on their report, perhaps as a result of Li's Hunanese pronunciation of his own name)<sup>35</sup>, protesting the fact that he – a former cashier of the HWC remittance house – had been taken into custody to answer for the wrongdoings in Neijiang.<sup>36</sup> The runners, in their own account, refused to let their suspect go and insisted either that Li return with them to Neijiang or that “Hu Wanchang” himself be handed over (飭伊交出萬昌點解回縣歸案).<sup>37</sup>

In spite of protesting the fact that his name was not on the summons held by the Neijiang clerks, in a court session held the very same day the Ba County magistrate ruled that Li's long-term stint as a cashier in charge of the remittance house during the tenure of Hu Jizhi (胡記之) made him the most directly answerable of individuals yet tracked down, and commanded him to the custody of the Neijiang runners for transfer to the other county.<sup>38</sup> Two days later, on August 10, Li was officially remanded to the custody of the four Neijiang clerks.<sup>39</sup>

The insistence by courts that outside obligations be prioritized over internal firm accounts thus made responsibility for businesses transitive within the firm's network of agents. In this particular case, a manager from the Chongqing branch was required to follow the Neijiang runners to another jurisdiction to answer for the claims against the firm after all of its agents had fled the county where transactions had originally occurred.

Once an individual brought to court for a commercial dispute was found responsible for at least some part of a transaction, they would be held accountable by the court for either producing a satisfactory settlement or finding the means to do so. This might entail the adding of new guarantors to the case, the search for

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<sup>34</sup> (1882) 244: GX 欺詐清 6-40-19113; 53

<sup>35</sup> (1882) 243: GX 內政清 6-32-03825; 6

<sup>36</sup> (1882) 243: GX 內政清 6-32-03825; 5

<sup>37</sup> (1882) 243: GX 內政清 6-32-03825; 6

<sup>38</sup> (1882) 243: GX 內政清 6-32-03825; 7

<sup>39</sup> (1882) 243: GX 內政清 6-32-03825; 10

someone with more direct responsibility for debts owed, or the negotiation of long-term settlements outside of court.

Employees responsible for brokering a transaction as a representative of a firm could also be brought to court directly because of their role as primary nodes of accountability.<sup>40</sup> In cases involving large amounts or an absconded debtor, creditors could bring employees of a firm to court to demand partial satisfaction, or even a family member (if their household had not been split) to demand that the defendant be made to appear. In these cases, employees could be required to take out loans or scrape together payments, and family members could be required to sell off property belonging to the defendant in order to provide quick results when a firm defaulted on its debts.<sup>41</sup> A similar logic operated for disputes within the firm; recommenders of employees, for example, could be brought to court for pursuit of payment of damages incurred through the (in)action of the employees for whom they had vouchsafed.<sup>42</sup> The key was that any court presiding over a jurisdiction within which a transaction had occurred could demand any subject under its authority (or any subject under the authority of another jurisdiction which had transferred custody) to find some means of settling a dispute on behalf of the firm he represented.

#### Firm as Locus of Responsibility for Local Transaction

The simultaneous separateness of firm accounts and the recognition that disputes could be made the responsibility (at least provisionally) of any representative meant that firm obligations could be assessed in different locations at the same time. This is what happened in the case of the Hu Wan Chang letter house. After Li Nanxiang was taken to Neijiang to answer for the Hu Wan Chang firm, Hu Weizhou, Zhang Huanting, and Hu Jiaoyou (who claimed, like Zhang, that Hu Tingzhi and Hu Jizhi hadembezzled funds from the firm), continued to file suits at the Ba County *yamen* asserting their own answers to the question of who ought to be held responsible for the failed Hu Wan Chang branches (if, indeed, they could be rightly considered such).

On September 9, 1882, the issue was brought before the court. By the time that Hu Weizhou described his position in testimony on that court day, he had been forced to take responsibility for the shops opened

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<sup>40</sup> For an example of a customer bringing two employees of a firm to court for payment (and arguments over their involvement in the transaction at stake) see SPABX: 25-5855. This case is discussed in detail in Dykstra, "Cross-Jurisdictional Trade, Intermediaries, and Transitive Responsibility in Late Imperial China"34-37.

<sup>41</sup> See, for example the case at 清 6-55-02681, in which both employees and a brother of a fled firm owner are held accountable for producing payment or the defendant.

<sup>42</sup> See one example at 清 6-12-10668, in which a firm owner brought the recommender of an employee who stole items to court.

with is firm's name, and had already spent 600 taels to reimburse the customers whose goods and cash had been embezzled by the men associated with the Neijiang and Chengdu remittance houses, to settle the claims that had come to rest at his door (and for which his former employee Li Nanxiang had been arrested). The magistrate ruled that, since Hu had settled with the customers, it was now time for Zhang Huanting and Hu Jiaoyou to reckon with the man who had been forced – fairly or not – to settle on their behalf. The rest of the record details the court's attempts to exact payment from the errant employees and those associated with them. The case docket in Chongqing thus ended with the court's efforts to satisfy Hu's demand for repayment from his errant employees for the debts that he had been forced to cover on their behalf in other jurisdictions.

As this case demonstrates, the separateness of linked firm accounts allowed obligations considered priorities by the courts to be put ahead of the reckoning of internal firm accounts. This gave jilted creditors a chance at satisfaction even when they were unable to bring the highest-placed firm agents to court, as firms could be required to shift their assets to cover an exigent need and sort out the balance within their wider network later. The clear dividing up and apportioning of responsibility to multiple parties even *within* firms was an important strategy for creating a clear chain of accountability in case of disaster. The obligations undertaken by the firm and the assets with which it was entrusted were, under this logic of employee-as-broker, accounted for based upon the personal involvement of any given individual associated with the firm. The firm was responsible to its creditors for any debts undertaken by an employee, and the employee was responsible to the firm for any debts or accounts that he managed on the firm's behalf. This responsibility spread to guarantors, of whom employees were often required to have more than one.<sup>43</sup> Creditors could bring any representative of an established shop before the *yamen* for satisfaction, on the logic that any individual associated with a venture could be made to pay on behalf of the others, and then seek satisfaction on his own in turn.

This does not mean, however, that individuals from any location could make demands of any agent in a firm: throughout the Qing, claimants were consistently required to adhere to the rule about litigation only within the jurisdiction of transaction. This means that, in cases where firms spanned several jurisdictions, responsibility for transaction was confined to the local courts. In cases involving massive firms operating over long distances, only transactions brokered locally were handled by the court, which minimized multiple claims, distributed responsibility, reduced court costs, and reduced the problem of competing claims in multiple jurisdictions. The local network of responsibility forged by firm transactions was both

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<sup>43</sup> For an example of a firm being held responsible for the non-approved expenditures of an employee, and the owners of that firm seeking satisfaction from a guarantor of that employee in his absence, see the 1905 case of Tong De Hou (同德厚) versus Guo Haoran (郭浩然) at BXDAG 商貿清 6-44-27683.

a boundary and a link vis-à-vis any other business transacted under the firm's name in any other jurisdiction.

The logic of the firm as a node of local responsibility was especially important in cases involving firms with branches in many cities. When an owner resided in another county or province and could not easily be brought to terms, each local iteration of the firm (usually as represented by the general manager or franchise owner) could be held responsible for the business undertaken in the given jurisdiction. This logic both aided local magistrates, merchants, and agents in recovering funds owed by a shop in any district and imposed administrative restrictions on the way that debts were recognized and pursued by the state. Thus, while the owners of a firm would continue to be held accountable for losses of any franchise, it required the cooperation of multiple jurisdictions to pursue assets held in other provinces for large merchants with multiple holdings, and there was an important jurisdictional distinction between the assets of each branch that naturally divided up claims of creditors, in order to prevent cheating.

Examples of cases large and complicated enough to highlight these distinctions are uncommon, and due to their nature often only partially illuminated in any county archive. But one glimpse at how such cases were handled can be seen in the case of the Yuan Xing Shun chain of cotton shops, which operated in a chain all the way from Hankou to Chongqing. When the Sha City branch of the firm went bankrupt, creditors came to demand over 20,000 taels from the Chongqing shop. When word of the firm's failure arrived in Chongqing after the first creditor firm of Yuan Xing Shun filed suit, the Ba County magistrate sent a request to the official presiding of the home jurisdiction of the firm's owners Lu Shaoyu (祿紹裕) and Lu Shaowu (祿紹五) in Shaanxi's Xianning County (陝西咸寧縣) to request that the goods in their shops in Xianning be sealed and an investigation into their properties be undertaken. A province-wide warrant for the owners of the firms was issued by the Governor-General of the province, with a bounty attached.

In an attempt to assess the amount of goods and funds available to repay creditors in the city, the Ba County magistrate ordered the heads of the cotton merchants organization to report on the amount of goods stored by the firm in the city. The manager of the Chongqing shop was captured on the eve of his attempted flight from the city, and kept in custody to answer for the mounting claims on the city's branch of the firm.<sup>44</sup>

At the same time that the local and provincial state was making moves to resolve the crisis of the Yuan Shun Xing firm collapse, the firm's individual creditors were also making their own plans. Individuals

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<sup>44</sup> Those bringing suit in Chongqing filed suit against “源興順 即李葆元” as the defendant

representing both shops from Chongqing and Sha City came to Ba county to file court. From early on, the Ba County magistrate warned litigants that amounts borrowed or owed by the Sha City firm could not be settled in Chongqing (although remittances made from Sha City to Chongqing were valid).

Those who had received notes from the Sha City firm that were due in Chongqing were added directly to the case. Money shops who had given loans to the Sha City firm that were supposed to be repaid to a Chongqing branch were added to the case. Those with businesses in Sha City but no proof of being owed in Chongqing were told to await a later decision about being added to the case ( 源興順在沙市借尔等各號銀兩是否均約渝號兌收應否併追府 ( ? ) 集訊驗票察奪粘單附)<sup>45</sup> or ( 源興順在沙市借欠尔等為號銀兩是否均約渝號兌收應否併追? 集訊驗票察奪粘單附 )<sup>46</sup>

Although the owners of the firm were captured and their property confiscated, it became clear that the assets of the business and its owners were far from sufficient to repay the money owed. To coordinate a series of negotiations involving merchant associations, local courts, and the provincial officials now involved in the case, the docket was handed up to the Chongqing prefectural office (and thus the conclusion is not on the record).

### *Firm as Node*

The limits of local court enforcement, the often concentric or overlapping cycles of trade and accounting that occurred under the umbrella of single firms, and the sometimes immediate demands for a resolution to delay or default by merchants detained in faraway market towns pending payment all combined to create a highly disarticulated and complicated vision of firm relations in Qing Chongqing. The cost of this perspective on the organization of commercial ventures was a sometimes confusing arrangement of priorities and relationships between those within a firm, those representing a firm as intermediaries, and those doing business with a firm. But the advantage of this complexity was access to local courts and at least partial immediate settlements in any jurisdiction throughout the empire where a transaction had occurred.

The tendency toward complexity of firm relations and toward increasing reliance on the firm as a node of local responsibility explains the spike in lawsuits involving firms in the second half of the nineteenth century: in many ways, one of the main function of the firm seems to have been to serve as a tangible node of responsibility in what were otherwise rather ephemeral and diverse contractual relationships. By the last decades of the 1800s, firms in the city of Chongqing were established to represent many forms of

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<sup>45</sup>清 6-44-26509; 19

<sup>46</sup>清 6-44-26509; 20

economic agency. The very structure of firms in the city evolving into explicit and experimental forms of multi-partner agency.

This section will review examples from a range of firms found in nineteenth-century Chongqing legal documents. They ranged from large-scale agency structures of a business like the Yuan Xing Shun cotton sales firm discussed above, with several branches, multiple managers, and tens of thousands of taels in assets, to much smaller ventures dedicated to narrow, small-scale, or part-time endeavors. By the second half of the nineteenth century, many “firms” mentioned in Ba County legal records were little more than agreements by various commercial agents to pool their own resources for endeavors in both the short- and long-term. The resulting ventures could be rather small scale, essentially saving on transaction costs by piggy-backing on the preexisting infrastructure of trade in Chongqing. Take, for example the Hong Tai He (洪泰和) “mountain goods” (山貨) partnership formed by Tang Jingxuan (唐經軒), Chen Zihe (陳子鶴), and Chen Zizhen (陳子貞) in 1907. Tang worked at the Tianyuan (天元) pelts and furs shop in Chongqing, and was invited by Chen Zihe – who ran a glue workshop (膠房) in the city – and his brother Chen Zizhen – who operated a procurement branch in Luzhou (瀘州坐莊) to set up a small firm. They each contributed 80 taels starting capital, and agreed that Zizhen would purchase goods in Luzhou for shipment back to Chongqing.<sup>47</sup>

These ventures were often managed by a single partner familiar with the trade (whose labor could be taken as his sole investment) at the same time that the capital-investing partners continued to pursue other means of making a living. In these cases, partners’ pooled access to their existing connections in the Chongqing market both sharply reduced the transaction costs of these small-scale ventures and made their commitments to one another more secure, since default was less likely to result in flight if each partner’s main source of livelihood was linked to a business in the city. Shops, traders, and even artisans or apprentices in Chongqing often combined their money to purchase goods from local producers for sale to out-of-town traders or to other businesses in the city, either hiring their own purchasing agents or establishing branch purchasing offices in areas where a particular good was produced to make large purchases at reduced cost.

As one Xuan Jingqi (宣敬齋)’s complaint demonstrates, sometimes a partnership venture simply entailed the combination of Chongqing-based capital with the labor of an agent. In his suit, he describes how Wang and Shi (partners in a silver smelting shop) put up the capital for a venture to buy duck feathers in the

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<sup>47</sup> GX 商質清 6-45-28096; 2, 5, and 8.

region around Chengdu (roughly 200 miles to the west of Chongqing) and sell them downriver thousands of miles away in Shanghai:

In a previous year Wang and Shi invited me to partner with them. The partnership contract is annotated with a note that they would put up the capital and I the labor. If funds ran short we would all be responsible for borrowing. We were in business for three years, and when we reckoned accounts the profits were split evenly...<sup>48</sup>

The partnership contract:

Three individuals – Wang Heng Zu Sheng (王恒足生 a firm name), Shi Xizhi (石錫之), and Xuan Jingqi – have agreed to establish a Partnership-establishing Contract to conduct trade in duck feathers and related commodities along the Four Easterly Chengdu Routes (成都東四路) as the “Yong Ji” firm (以永記為號). The capital funds are derived from loans of 2,000 taels taken out by Wang and Shi, with the agreement to a monthly interest of 1 *qian* and 5 *li* per tael. If the goods purchased exceed the amount available, they have agreed that any loans will be commonly borne and returned together. The money and commodity accounts will be managed by Wang Heng Zu Sheng alone. The cash and commodities accounts for outside purchases will be brokered by Xuan Jingqi [two characters missing] who, although he did not put up capital, is considered capable at purchasing items. This is the heart’s wish of all three individuals, who have agreed to [three characters missing]. If there is profit or loss depends on the will of heaven. The three men will evenly split their responsibility. The goods will be shipped to Shanghai for [two characters missing]. If there is income the accounts will be reckoned fully after three years and the profits split, after the exclusion of the interest for each year and [two characters missing] then will be evenly dispensed and shared. If it is found that any of the three have illicitly used petty funds to return home or [three characters missing] embezzling from accounts and it is discovered, a fine will be issued at a public mediation. The three individuals have joined their minds and energies to the task, and no wages will be calculated [three characters missing] so that there is no dispute between the terms. Fearing that there is no evidence of oral agreements, they have taken the pains to write out this partnership agreement in triplicate, and each will maintain his own copy. [signed by witnesses, dated, with the names of the partnership members]<sup>49</sup>

In this particular example, the agent sent to procure items for a partnered venture could be entrusted with the accounts and held directly responsible for managing the firm, but would be backed by an agreement that all debts or losses incurred would be shared by the partners.

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<sup>48</sup>清 6-44-27239; 2

<sup>49</sup>清 6-44-27239; 7 照抄合夥約

立合夥文約人王恒足生石錫之宣敬齋三人商議貿易成都東四路鴨毛各貨生理以永記為號其本銀石錫之王恒足生？借兌立本銀 2,000 兩正公認關息每月每兩 1 錢 5 厘行息？算如買貨不敷同商借貸公借公還銀錢貨賬概歸王恒足生一人經管外面買貨銀錢帳務事問經手至於宣敬齋？雖未出銀買貨稱為能手此系三人心甘意願同做？？或有利或折本聽天安命三人均分認貨運上海發？若有進益俟三年結帳算明分利除每年關息度支而？然後均派均分倘為算帳彼此三人或私行支用回家或？？賬吞謀查明憑眾受罰三人同心協力並無身價彼？？勿得異言恐口無憑特立合夥文約三紙各執一紙？？

憑證：泰霞軒，黃獻橋，黃輔臣，鄧？？，陳品三，張連成，趙少甫，汪炳權  
光緒丁酉二十三年冬月初六日立合夥貿易文約人？？？

Other ventures designed to profit from the purchase or sale of goods directly in distant markets (usually on China's economically developed east coast) involved assigning responsibility for a single long-distance trade to one member of the partnership, who could be authorized to act as an agent for one to three years before returning for a reckoning of the venture. See, for example, the terms of the partnership from an 1880 contract for a fan shop:

The individuals establishing a partnership contract, Zheng Shaochen, Chen Defu, Wang Xianting, Qian Tai Chang, Gong Fuchen, because they're forming a partnership venture [夥貿] to trade southern [character missing] Shanghai to purchase all manner of fans with which to do business in Chongqing, hereby establish a firm called Hui Lan Xuan to sell them. We agreed that Wang Xianting would put up 1,000 taels in capital, and Chen Defu 1,000 taels, and Qian Tai Chang 1,600, and Zheng Shaochen 400 taels. Each of the partners will earn 1 *fen* of interest per tael per month off of the invested capital, and apart from the monthly profit and expenses the excess interest will be divided into 13 shares. Zheng Shaochen's investment entitles him to one share, and has labor purchasing goods in Nanjing to another share. In addition he will earn a wage of 50 taels yearly. Wang Xianting two [three characters missing]; Qian Taichang four shares; Long Fuchen will manage the sale of the goods in Chongqing, and receive 1 share for his labor in addition to a wage of 50 taels. [Two characters missing] one share as the capital reinvested in the shop [confirm this translation]. The purchase of goods in Nanjing and Shanghai will be the sole responsibility of Zheng Shaochen, who will both purchase and accept delivery of the goods. If there is any error in the management of these external accounts, he alone shall repay them. The sales and accounts and obligations of the Chongqing shop will be managed by Gong Fuchen, who will take responsibility for any errors. If any individual illicitly deals on the side [confirm this translation] and the partnership finds out, each instance will result in a fee of 400 taels. The affairs of the Chongqing firm will be managed by Wang Xianting, with a salary of 50 taels. If the firm accounts are unclear, he is responsible for the amount.. if a partner takes advantage, the spirits will know it. [Signed by witnesses, dated, with the names of the partnership members]<sup>50</sup>

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<sup>50</sup>清 6-44-26750 2 立出合夥約人鄭紹臣，德孚王廷乾泰昌龔輔臣情因意氣相投夥貿南上海採辦各樣扇子生意在渝開設牌名繪蘭軒發售面議王顯廷出本銀 1,000 兩正，陳德孚出本銀 1,000 兩正，乾泰昌出本銀 1,600 兩正，鄭紹臣出本銀 400 兩正各夥本銀每月每兩 1 分行息除月息開支外所長鴻息(sic?)與 13 股均分?? 臣本銀 1 股南京辦貨心勞 1 股外辛捧銀每年 50 兩正，王顯廷 2?? 德孚 2 股千(?) 乾泰昌 4 股龔輔臣在渝經理發售事件人力 1 股辛捧每年銀 50 兩正，?? 1 股作為舖中花紅其南京上海採辦貨件鄭紹臣專主? 石(?) 買貨收貨並外賬一切等事倘有疎虞自憑賠償渝城售貨賬務歸龔輔臣? 理如有疎虞亦認賠還如私帶小貨者眾夥查出每次罰銀 400 兩正渝? 號事王顯廷經理辛捧銀 50 兩正號事不清亦認賠還但願情同? 鮑利勝陶朱如有私心神天鑒察

憑證：陳寶清，吳廷璋

光緒六年五月十九日立合夥文約人：龔輔臣，王顯廷，鄭紹臣，陳德孚，乾泰昌" 6/26/1880

In large-scale and long term or repeated long-distance trade ventures, responsibility for other aspects of the management of the firm could also be invested in single partners, such as those made responsible for the Chongqing accounts and Chongqing business in the example above.

Partnerships engaged in regional or long-distance commerce could also simply end after the first and only transaction, or when the opportunity being seized dried up, or the capital was spent.<sup>51</sup> Furthermore, to add complexity to the range of options available to those undertaking regional or long-distance ventures, agents using the capital of a firm could be hired for their services without ever being incorporated into the partnership, and treated either as employees or as customers operating on commission.<sup>52</sup>

The existence of options both about how to organize firms or partnered ventures, or whether or not to conduct a venture under a partnership, could lead to machinations of all sorts in the courtroom. An excellent example of such is the 1850 case of Huang Qingfeng (黃慶豐) versus Chen Yishun (陳益順), which first appeared as a simple case of default:

I run a hemp brokerage in Chongqing, selling and buying on customers' behalf. I have never violated any of the tax or local obligations on my business. Onn Day 20 of last Month 8 Chen Yishun cunningly sweet-talked me into purchasing some black (green?) hemp that he didn't actually have in his possession. He took 400 liang from me and originally agreed to deliver everything in Month 9. Sun Wuyou is a living witness to the agreement and payment (憑孫武佑過銀活質). But who knew? Chen's heart is treacherous, and as soon as the money was in his hands he went into hiding and passed the deadline. He fails to deliver the hemp and refuses to return the payment, instead prevaricating and delaying without end. I've tried to collect several times, but Chen is a wicked bully who abused my simplicity in trade...<sup>53</sup>

The magistrate agreed to hear the case, but in response to Huang's complaint Chen filed a counter-suit characterizing their relationship in a very different light. In it, Chen claimed that he had been an employee of another shop in Qu County (蟻原幫渠縣王元盛舖) who he had left his position in the previous year and come to Chongqing. There, he had encountered the hemp broker Huang who "knew that I was familiar with the blue/green/black hemp business, and was willing to put up the capital to become a

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<sup>51</sup> See, for example, the 1862 suit involving two men who pooled 1,600 taels for the purchase of medicinal herbs in Chongqing for sale by one of the partners in Hunan (the profit from which was supposed to go toward the purchase of goods in Hunan for sale in Chongqing) 清 6-27-8591; 2

<sup>52</sup> See, for example, the 1889 case involving the miscellaneous goods shop Lan Xuan (蘭軒) which entrusted (託) Chengdu resident Gou Rongsheng (苟榮生) to buy goods on behalf of the shop in the capital city. 清 6-41-20236. In this case, the agent Guo filed suit against the owners of the firm that requested goods through him

<sup>53</sup>清 6-20-5793; 2

partner so that we could participate in a partnership venture (有治城開麻行黃慶豐知蟻熟識青麻生意，伊願給本作東，提攜夥買).”<sup>54</sup> He claimed that in Month 4 of the previous year Chen made a three-part investment of 1,800 taels and agreed to an interest on his investment of 1 *fen* and 2 *li* per tael, “ordering me to return to Qu to purchase hemp and ship it to him for sale (令蟻至渠邑辦麻，運伊行賣).” Ultimately, because of a draught in the area, the profits from their venture fell several hundred taels before the investment, and Chen claimed that Huang was now trying to conceal their partnership in an effort to deny him his reimbursement for the losses (on expenses).

At trial, the magistrate judged that the issue could only be resolved after examining the accounts held by each party, and ordered them to do so. Before another trial was held and the question of whether Huang was acting in his capacity as a broker and Chen as a seller or both as partners, the two reported that their accounts had been reckoned and an agreement reached out of court.

But in other cases, detailed examinations of accounts and receipts could sometimes be involved in the effort to establish the relationship between transacting parties. An example of this sort of process is seen in the case of Zhu Jiaxun versus Yang Yutai. The case began with a plaint by Zhu Jiaxun (朱加訓) in the winter of 1878:

I work at the Qing Shunhe firm in my hometown [朝邑縣 in the bordering province of Shaanxi], and last fall I undertook a joint venture after Yan Hengfeng's recommendation that a fellow senior apprentice [with whom he worked] Yang Yutai might undertake a partnership venture with my firm under the name Tong Tai He to purchase bones and pelts [薦伊師兄“楊裕泰”與民號夥買同泰和買股皮]. First I put up capital to purchase the goods, pending Yang's remittance of 800 liang on two occasions to Shaanxi. But the price of the goods was inflated so we didn't purchase them. Last winter goods were shipped from my hometown on a journey of over 50 days. They arrived in Chongqing in Month 12. The worth of the goods (as reported on the) *lijin* was approximately 800 taels. Both the letters and the accounts are clear proof. But Yang took the goods, and taking of advantage of the fact that Hengfeng (the recommender) had died, and that Chongqing prices were inflated, bullied me by taking both the goods and the accounts and hiding them away, refusing to admit the partnership (欺民異孤，掣匿貨簿，瞞夥不認). He has embezzled over 1,000 taels in profit. I submitted to the guest *bang* for mediation on several occasions, and they ordered him to split the capital and the interest into two even shares. I should have 500 taels of the profit, but Yang and his son have swallowed it up and won't hand over a thing.<sup>55</sup>

The magistrate summoned the case. Before the trial was raised, Yang Yutai presented his own version of events:

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<sup>54</sup>清 6-20-5793; 3

<sup>55</sup>清 6-40-18220; 2

I work in the bones and pelts business. Last autumn the business was depressed in the city of Chongqing, and Yan Hengfeng suggested that Shaanxi's Qing Shun He firm could procure the goods. There are letters between us [as evidence]. I entrusted Hengfeng to purchase them on my behalf (生托恒豐代買). In months 8 and 9 a total of 800 taels was exchanged. In Month 12 Zhu Jiaxun of Qing Shun He came to Chongqing to collect the accounts from Hengfeng, and on his way he brought 1,000 bone/pelts (股皮 1,000 張). I spent a total of 60 taels on them. In Month 3 of this year the goods were shipped in full. Including the cost of shipment, they were worth 790 taels. The receipts are in evidence. After that, there were truly no more things shipped to me. I demanded the 70 taels in petty expenses owed to me from him on several occasions but he never paid me back, and instead falsely accused me of being partners with him (顛謂與生合夥) and appropriating the profits. I submitted to group mediation. They all proclaimed: there is no evidence of a partnership with someone far away in a neighboring province, and the goods that have arrived match perfectly the capital I put forth, and there are no excess goods. Furthermore, where is his capital in the firm? How should he be entitled to profits? But he refused to reason with the group and instead chose to harass me by making a ruckus before my home. This has resulted in my father contracting a severe illness and become unable to rise from bed. Under such duress I am compelled to plead that you make an example of this wickedness.<sup>56</sup>

In response, the magistrate replied: “Magistrate: Partnership ventures must have contracts (夥販生理必有合同約). If this is true, then you have only to submit to mediation and avoid litigation.”

When the case was brought to trial, Zhu Jiaxun presented the disputed contract into evidence, but it was found that the agreement “truly did not contain the word ‘partnership’ (字據並無合夥字樣).”

Furthermore, the receipts of exchange presented by Yang Yutai all bore the name of Qing Shun He, rather than the name of his alleged venture with Zhu (Tong Tai He). In the face of this evidence, Zhu’s accusations were ruled as false allegations. He was slapped as punishment and forced to sign a settlement disavowing any future claims on Yang.

As the brief review of firm organization presented here suggests, one of the most important questions often facing magistrates overseeing disputes about regional and long-distance trade in Chongqing was exactly how the individuals involved in any given transaction were related. Although partnerships associated with physical shops were uniformly expected to have written partnership contracts, the wide array of more ephemeral forms of partnered ventures could blur the line between customer and partner, employee and investor, agent and intermediary, and so on.

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<sup>56</sup>清 6-40-18220; 4 生股皮生理，去秋渝城股皮歉乏，有“燕恒豐”稱說現陝西慶順和辦有股皮出售，與伊有信，生托恒豐代買，去八九兩月，共兌銀 800 兩，於去臘月底，慶順和著朱加訓來渝，收恒豐帳目，順帶股皮 1,000 張，陸續又用去銀 60 兩，今三月，貨齊，連腳價在內，實值銀 790 兩，帳單審呈，後並無貨至生向伊算明長用生銀 70 兩迭索不償，顛謂與生合夥，估分鴻息，生憑眾理剖，僉謂隔省穹遠合夥無憑，且來貨恰符生本，並無餘貨，伊號本在何處，何得估分鴻息，殊伊橫不由理，到生家肆鬧，致生父急病不起，為此迫懇做刁伏乞

### *Conclusion*

Firms were useful because they were flexible, in order to connect far-flung and complicated ventures to a local place (often very far from the home place of the merchant) where satisfaction could be sought from any individual associated with the firm in the local court.

The utility of the firm as a node of responsibility placed it on the same spectrum of other relationships of economic agency (esp. intermediaries), and sometimes could be difficult to distinguish, especially as firms could group together accounts that, although they intersected at major moments, operated quite independent of one another.

Which perhaps is a function of the firm in the imperial context that we should consider as an important factor in shaping what Chinese firms – notorious for not being governed uniformly or transparently – were actually intended to do.