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Abstract*:*

This paper reviews recent revisionist studies of imperialism that demonstrate the complexities behind the late Qing state's strategy to accommodate to new challenges born out of foreign conflicts exacerbated by domestic crises. These publications have pointed scholars away from the exclusivity of external agency to the making of modern China. But looking at the role of globalization adds another dimension to understanding how imperialism engaged late Qing China's public finance system and indigenous banking institutions. China's centuries-old experience with global trade previous to the nineteenth century did not prepare the country for world-wide recession, and consequently, foreign banks acquiring a hold on the government's purse by the last decades of that century. From a 'broad-brush' perspective, the paper argues state-sponsored attempts at reform of public finance came too late, and in the long-term had grave repercussions.

Imperialism and China: Old Views and New Perspectives

If one were to make a checklist registering visible differences between China in the early nineteenth century and one hundred years later, one might begin with the panorama of the modern urban landscape that dominated treaty port cities, the great number of steamships that ploughed along the Yangzi River linking the hinterland with the littoral, and not least, the burgeoning railway lines that extended communication lines further into

the countryside. The installation of telephone and telegraph cables, the creation of public utilities (including electricity), and the building of macadamised roads were further evidence of the late Qing government's efforts to confront new realities, and to endure in a changing world.

Until recently, for many modern historians the nineteenth century transformation of China's physical landscape was a matter of controversy and debate. More than thirty years ago, it was fashionable among some China experts and developmental economists to argue that such modernization, even if under the aegis of the Chinese state or local private initiative, was a facet of a greater 'imperialist' design to exploit and to subordinate pre-capitalist societies. This view was reinforced by Chinese Marxist historians who characterized the nineteenth century and the first decades of the twentieth as one of transition: China was partly a colonial society undergoing the passage from feudalism to capitalism during which time Western imperialism reinforced feudal institutions (thereby inhibiting change) and undermined the handicraft basis of the 'natural' economy. Neo-Marxists also postulated modern China was a case for the 'development of underdevelopment' thesis. Nowadays, scholars are more likely to endorse Paul Cohen's argument that imperialism was 'multiple and layered'. 'China was a Manchu colony, and only a "semi-colony" of the European powers' (Cohen 1984). Like Ottoman Turkey, Qing China was too large to make conquest thinkable.

Cohen's 1984 book asserted that historians should aim to understand Chinese history in its own terms, what he called a 'China-centred history' rather than according to a set of expectations derived from Western history. By advocating that scholars reject Western-centric assumptions about China's long-term development, Cohen's argument also conformed to a vogue that was well underway. In the 1980s, as a series of archives in the

People's Republic of China, and in Taiwan, opened their holdings to a wider public, scholars had the opportunity to access hitherto unavailable documentation and began to consider China 'in parts'; as Cohen advocated, they saw the value in framing analyses on a regional basis with the focus on the variables of time, space, and culture. During that decade too, the trend of tracing China's long-term development in a framework freed from lineal evolution derived from European models gained further endorsement with the growing interest in G.W. Skinner's macro-regional approach. Skinner situated China's heterogenous topographical divisions into riverine cores and relatively less advanced peripheries, and correlated them to long-term regional cycles of growth and decline (Skinner 1985).

Although Cohen did not recommend that China scholarship confine itself exclusively to small-scale, focused studies, at the neglect of broader, analytical and interpretive issues, he was well aware, in response to his critics, that it might be difficult to reconcile the autonomy of Chinese history for the nineteenth and twentieth centuries without losing perspective of the significance of exogenous factors. One of his principal concerns was that historians under the influence of John Fairbank had perceived Qing China incapable of making its own history and that it needed the West to do so. In other words, according to Cohen, they had neglected to identify those factors and forces that prompted change in nineteenth century China, but which were *not* under the direct influence of the Western intrusion. By the early 1990s it was clear that his challenge had been met by a series of excellent publications that did eliminate the exclusivity of the role of external agency to the making of modern China. Studies on fiscal reform (Zelin 1984; Mann 1987), nineteenth century urbanization (Rowe 1984, 1989) rural commercialization (Bernhardt 1992), and the critical changes in intellectual discourse (Elman 1984, 1990) demonstrated China's own brand of internal

development. And as R. Bin Wong argued in his 1997 book, the Qing state acted as an effective organization that shared with local elites a common agenda to promote public order, moral leadership, and popular welfare. Moreover, several studies did tackle the problems directly ensued by the changes to the coastal economy in the late Qing and early Republic era (Mann 1992, Pomeranz 1993).

Parallel to this historiographical shift in late twentieth century American scholarship on China was another that gained a number of adherents in Asia, principally in Japan. They contested the centrality of the West in any evaluation of China's recent past from an entirely different perspective, and argued the primacy of interaction among Asian countries and cultures over universal, much less Western, paths of historical development. The seven volume series 'Thinking from an Asian Perspective', under the editorship of Mizoguchi Yūzō, has stimulated a total reassessment of China's role within Asia, before and during the Western intrusion, especially with regard to maritime parameters. According to one of these 'revisionists', Hamashita Takeshi, East Asia was a historically constituted region with its own hegemonic structure. East Asia entered the modern era not because of the coming of European powers but because of the dynamism inherent in the Chinese tribute system. For Hamashita, the tribute system did not function exclusively in a single dimension: a country paid tribute to China while it also expected tribute from its neighbours. For example, Vietnam and Korea while both close tributary states to China had other tributary relations as well; Vietnam demanded tribute from Laos, and Korea also sent tribute missions to Japan. In this way, the tribute system operated as a loose system of political integration embracing maritime Asia, from Northeast Asia to East Asia, and from there to Southeast Asia and Oceania.

The tribute system also functioned as a network for commercial relations: Chinese merchants penetrated Southeast Asia along with labourers from South China which interconnected to other trade contacts. Here one thinks of the 'tribute rice' that Siam owed China and how it became the basis of a dynamic transaction in which merchants from Siam shipped large quantities of the grain to Guangzhou and Xiamen until it became unprofitable in the eighteenth century. Thereafter, these traders shifted the majority of their export to Japan and the Ryukyu Islands while the Siamese government officially continued to pay the ritual sum of rice owed the Chinese court. One should also not underestimate the dominance of China in large-scale intra-Asian networks. Even during the 1665-84 era when the Qing government banned international commerce, Chinese junks wielded their trade to Batavia and Manila and continued to do so long after the prohibition was lifted.

For Hamashita, the European powers' entrance into this multi-lateral tribute system was a late occurrence to a trading order that had long been in place, and with its own dynamism. At the same time, it is probably also true as Chris Bayly has shown, that during the era of 'Archaic--Proto Globalization' as Europeans made their way to East Asia via Islamic, Indian, and Southeast Asian spheres, they absorbed elements from each arena and deployed them to their advantage (Bayly 2002). Since the sixteenth century, Portugal and the Netherlands took the profits of their trade *within* the Asian arena to purchase goods in Europe and other regions of the globe. Britain, too, from the seventeenth century was a carrier of Asian goods, even shipping rice to China, and using the profits of its sale to purchase porcelain, silk, and tea. The British also created new exchanges within Asia; in the eighteenth century they traded Bombay cotton for Cantonese-processed sugar and Fujianese tea. In this way, they participated in what Bayly

considers one of the primary characteristics of archaic globalization: they bought and brought 'the special products and qualities of distant realms'.

China and Globalization

China played a significant role in the global economy since at least the sixteenth century, if not earlier (Atwell 2002). The discovery of huge amounts of silver in the New World inaugurated the age of proto-globalization: silver flowed into China (and India) and Asian silks, spices, and porcelains streamed into Europe and the New World (Frank 1998). China became a huge 'silver sink', as most of the world's silver ended up there, and China became the central hub of a highly profitable arbitrage commerce. European traders risked the journey to Asia because the ratio of exchange between gold and silver in Europe was 1:12, while in China it was 1:4. For Hamashita, China was at the centre of a silver circulating zone that bounded the Asian tribute-trade; prices of commodities inside and outside that sector were tied to China's silver supply at any given moment.

China's 'leap' from proto-globalization to modern globalization criss-crossed two parallel paths of development. On the one hand, as Britain - and eventually other European powers - extended their military might into the Chinese sub-continent, the Qing government found itself forced to initiate fiscal reforms to contend with the crises ensued by these confrontations, as well as a number of domestic uprisings (e.g. Taiping Rebellion 1851-64). Large-scale indemnity payments, underwriting modern rearmament programs such as those associated with the 1860/70s Self-strengthening Movement (which forged the creation of arsenals, military academies, foreign language schools, telegraph administration, a steamship company, and a coal mine), and not least, coping with the consequences of the

tremendous amount of silver outflow used to that pay for opium imports, were direct consequences of foreign imperialism, and burdened the amount of resources that might have otherwise contributed to more national income.

On the other hand, there is also evidence to show that domestic commerce in nineteenth century China flourished and that direct Western influence was marginal, especially in the hinterland (Li 1981; Rowe 1984; Zurndorfer 1994). Imported manufactured goods hardly penetrated local markets: 'they were either uncompetitive in terms of quality and price (cotton goods), irrelevant (cutlery, pianos, etc.), or unaffordable to the vast majority of the population' (Richardson 1999). Moreover, as Rowe has emphasized, China's indigenous repertoire of organizational skills and social institutions lent a certain dynamic to late Qing society and economy. For example, if one counts the number of private enterprises, such as silk reeling, paper-making, flour milling, match-making, machine repair and so on, which began to appear one after another from the 1870s on, or if one regards the new innovative credit instruments available to native bankers and guild members by the 1880s, then the reassessment of the imperialism's impact on China's internal development may need further scrutiny.

The shifting tides of China's global trade adds a third dimension to these two parallel developments. At the beginning of the nineteenth century, China's three major export industries were tea, silk, and sugar, but by that century's close none of these products was in demand on the same scale. Chinese tea, which had been a leading commodity in world trade for centuries, declined in favour of Assam and Chinese tea grown on British plantations, and to Japanese-processed green tea for the American market. The demand for Chinese silk also lost out to Japanese raw silk. Japan offered a higher quality raw silk product that gained rapid preference in the European and American markets. Foreign competition was also the reason

why the demand for Chinese sugar cane declined; Hong Kong refiners turned to Java and to the Philippines for their supplies of this product. It would seem that before the beginning of the twentieth century the export supremacy of Chinese tea, silk, and sugar gave way to the general stream of internationalizing specialization in commodity exports that endorsed South Asian tea, along with Egyptian cotton, Argentine beef and wheat, Brazilian coffee, Malayan rubber, West African palm oil and cocoa, and Burmese and Thai rice (Amsden 2001).

One may attribute the demise of the tea and silk industries to simple price and quality differentials, but closer analysis of the history of these two commodities ties their fate to cycles of global recession and recovery long before the close of the nineteenth century. As is well-known, British merchants since the last decades of the eighteenth century had deliberately used opium 'to barter' for silk and tea whose profitable sales were applied in part to sustain the government of India, and to purchase American cotton for the Lancashire textile mills. Instead of buying tea and silk with silver, they found it more lucrative to smuggle the opium narcotic into China for which they received specie payment. As the massive inflow of silver, which had sustained China's balance-of-trade surplus through the eighteenth century, suddenly became a trickle by 1820, the Chinese economy went into reverse. Prices dropped, commercial enterprises faltered, and market demand slackened. The rising value of silver (because of its scarcity) also increased the hardship of taxation, because peasants were compelled to relinquish more of their crops in order to meet their tax requisitions that were still assessed in silver. The depreciating copper-silver exchange rate also exacerbated peasant purchasing power.

What may be less familiar is what role world-wide movements to money supply had in this scenario. The decline of silver and gold production

in Latin America in the early nineteenth century set in motion a set of chain reactions that caused economic recession in Britain and Europe, culminating in the years 1847-49 as the worst financial crisis of the century (Vilar 1984). It is certain that the collapse of the *ancien regime* in Europe, bringing an end of the Spanish empire, aggravated the silver supply problem in China. Moreover, until the discovery of gold in California (1848-50) and in Australia (1851-56), and the revitalization of Latin American silver production, Britain, Europe, and China floundered in economic crises affecting wages, unemployment, and prices. But the 1850s which witnessed Britain and Europe enter a recovery phase, and even the eventual renewal of both the tea and silk industries, did not see China's own economic recuperation. Domestic rebellion, among other matters, countered any chance of a real economic recovery. The amount of opium import into China continued to increase, while British, American, European, as well as Asian traders bought tea and silk, but not necessarily with cash. By then, the use of credit mechanisms in the hands of British and other foreign traders as well as native compradores had penetrated local banking institutions. However, it would take some time before Self-strengthening reformers would realize the significance of this situation for the empire's decentralized public finance administration, a regime based on the collection of land taxes (until mid-century, accounting for eighty percent of the state's revenue) deposited in provincial treasuries.

Banks and the Reform of Public Finance

During the second half of the nineteenth century, British banks had a certain hold on Chinese commercial transactions, but their involvement in China's finance was not exclusive. Foreign banks functioned beside two

native forms of banking: *piaohao* (or Shanxi banks because the people of Shanxi in northern China owned most of these institutions), and *qianzhuang* (or *yinhao*, as they were known in north China) (Lien-sheng Yang 1952). The *piaohao*, already in existence long before the nineteenth century, served essentially as remittance organizations for both private and government institutions. They specialized in inter-provincial remittances, transferring funds of large sums from one market to another through their drafts, which were important credit instruments; they also conducted government services, including collecting and conveying taxes to regional depots, and arranging loans for provincial governments. As a consolidated system with head offices in Shanxi and with nearly 500 branches in all of China's eighteen provinces, the *piaohao* were the closest institution Qing China had to a 'state bank' (Huang Jianhui 1992, 1994). From the mid-nineteenth century when the central government began to turn to new sources of revenue such as transit taxes, the sale of offices and licenses for extra funding, the role of the *piaohao* became ever more important.

The *qianzhuang*, originating in the second half of the eighteenth century, controlled most of the commercial lending and domestic monetary exchange. Unlike *piaohao*, *qianzhuang* had no branch system disseminated over the empire--they were concentrated in southern China. Focusing on local services, they conducted local money exchange, accepted deposits, issued private banknotes, lent money--and most frequently, without a security clause--to partnerships among kin or fellow regionals with limited assets (Zhou Yumin 2000). *Qianzhuang* were owned by individuals or a small number of partners (related either by kin or native place) with unlimited liability. It is noteworthy that the two Chinese banking institutions did not compete with one another; *piaohao* were known to deposit cash in local *qianzhuang*. In the treaty ports of Shanghai, Guangzhou, Hankou, Nanjing,

Suzhou, Fuzhou, and Xiamen, *qianzhuang* regularly received two to three million taels of silver from *piaohao*. By the 1890s it is estimated there were around 10,000 *qianzhuang*, but most of them had no more than 5,000 taels of silver at their disposal at any given time.

As for foreign banks, until the end of the nineteenth century, British-owned establishments had a virtual monopoly of modern style banking in China, with the Chartered Bank of India, Australia, and China (first opened in 1857), and the Hong Kong Shanghai Banking Corporation (founded in 1865) being the most important (Zhou Yumin 2000). Because foreign banks enjoyed extra-territorial rights and were not subject to Chinese government regulations, they could (and did) easily control the foreign exchange market. Since it was through these foreign institutions that the flow of silver to and from China took place, they also determined the fluctuating gold price of silver. The expansion in the number of *qianzhuang* during the nineteenth century was firmly tied to foreign trade and Western banks. Foreign banks granted 'chop loans' (or in Chinese, *caipiao*) of short duration--usually two to ten days--to *qianzhuang* through compradores who tended to deal with those *qianzhuang* in which they had a financial interest, or which were owned by family or fellow regionals. The expression 'chop' refers to the compradore's seal, which he always put on his loan.

The question arises to what extent did foreign banks reinforce China's developing financial crises over the nineteenth century? One recent study argues that foreign banks with their power over chop loans directly influenced the price of Chinese commodities for the foreign market. When the foreign banks' own money was 'tight', they could call in chop loans, say at the height of the tea and silk markets, as in the 1860s, and the *qianzhuang* in response had to collect money owed from customers who, in turn, had to sell their goods at reduced prices to meet their obligations (Chen

Zengnian 1993). In this way, the foreign institutions could force down the prices of tea and silk and other trade commodities. Unfortunately, it is not yet possible to quantify the total extent to which foreign institutions, and by implication, *qianzhuang*, were involved in such practices (McElderry 1995). Research on Chinese accounting practices (Gardella 1992) and the nineteenth century records of leading foreign banks, which did not necessarily list chop loans among their assets and liabilities (King 1987), has hardly begun. While chop loans may have helped expand credit facilities for Chinese commercial enterprises--it is estimated that at any one time the total amount of chop loans was anywhere from three to ten million taels--there was little to no regulation of credit markets, and the risks were high. The volatility of exchange rates, which reflected global monetary markets, tended to increase that risk even further.

All three kinds of these banks loaned money to the state which by the 1860s was in heavy debt, but which had no single financial institution to redress this situation. Already in the aftermath of the first Opium War (1839-42) leading Chinese statesmen and scholars had recognized the need for state centralized reform of the financial system if China was to avoid escalating its financial liabilities. Wei Yuan (1794-1857), probably the most influential political thinker of his time, reported to Chinese readers of the significance of the Bank of England (founded in 1684) in managing that government's borrowing (Yao Sui 1994). Utilizing translations from Western periodicals and selections from missionary publications in Chinese, Wei pursued understanding the ways Great Britain and other Western countries had become so mighty. However, it is unlikely that Wei knew in detail of the Bank of England's system of a national debt, funded through the Stock Exchange where long-term bonds could easily be bought and sold, that had allowed the British government to borrow significantly at low rates and

ultimately, to afford large-scale projects like wars. But at least one other nineteenth century Chinese reformer did propose the idea of a modern 'Western-style' central bank. Hong Rengan (1812-64), one of the Taiping Rebellion leaders, in 1859 discussed in a treatise 'A New Financial Policy' the advantages of founding a centralized bank which could issue bank notes and serve as a lending institution (Peng Xinwei 1958).

The need for government-sponsored reform of public finance, including the monetary system was also recognized among some of the leaders of the Self-strengthening movement. They saw the solutions the government had employed at the height of the 1850s crises, i.e. money supply expansion with the issue of "big" copper coins (worth ten of the old) and paper money, and the enactment of a tax on goods in transit (*lijin*), as short-term only, and inflationary. They also recognized that the Maritime Customs administration had regularized the collection of duties on foreign trade and channeled the receipts to the Beijing central government rather than to the provinces, and that it had become a certain source of cash for escalating military expenses. But the money system itself was chaotic and much too diffuse. The combination of government-minted copper coins, privately minted silver ingots, foreign silver dollars, and paper bills issued by *piaohao* resulted in a complex and somewhat turbulent monetary system that needed individuals with expertise to manage the exchange between the various forms of money and the monetary standards that varied from one region to another (King 1965).

It was under these circumstances during the 1870s and 1880s, that the Qing government official Li Hongzhang (1823-1901) negotiated with a group of American financiers to establish a Sino-American bank. Not surprisingly, the proposal was vehemently opposed by the other foreign powers, but also by Chinese indigenous bankers, and other Qing

administrators: they objected to the powerful combination of an individual Chinese government official and foreign capital within the framework of a modern bank (Yao Sui 1994). One might also add that even at this point in China's history the government officially continued to pursue the goals of an agrarian political economy committed to the welfare of the people in a well-run Confucian state. 'The central government normally confined its economic role to claiming its share of a relatively fixed economic product and to providing the internal order and external defences which would permit that product to be reproduced from one year to the next' (Feuerwerker 1995).

It would take at least another decade before scholars and officials would publicly acknowledge that the Qing government's inability to mobilize funds on a large scale may have actually harmed the people because it deprived them of a sense of financial security. Such an admission may be viewed in the writings of the official Zheng Guanying (1841-1918), one of the primary advocates for a state-administered central bank. In 1892, Zheng wrote in two chapters of his work 'Words of Warning to a Flourishing Generation' of the need for such an institution (Peng Xinwei 1958). Acquainted with how central banks functioned in Western countries, he saw them as organizations for 'bringing good' to the state and the people, and emphasized the positive role of banking in state affairs, including currency issues. Zheng expounded on reforming China's chaotic money system through the issue of paper money supported by the government treasury. Noting how one of the methods of foreign banks was to hold specie reserve to back up the value of paper currency, he concluded that it was essential for the state to stabilize the financial market in order to gain the trust of the people.

In 1897, the first Chinese-owned bank based on foreign models was established in Shanghai. Known as the Imperial Bank of China (IBC), and

under the leadership of Sheng Xuanhuai (1849-1916), an industrialist, it had a short history. Sheng avoided Li Hongzhang's earlier plan to petition funds from foreign sources, and attempted to solicit capital from merchants in south China and merchant-officials. Although the IBC received a government charter, the Bank lacked total support from the Ministry of Finance, and it did not gain the lucrative rights to handle government deposits and tax remittances (Yao Sui 1994). Consequently, the IBC never really achieved the status of a state bank, and it remained on the margins of Chinese finance in the early twentieth century, consequently becoming the pet project of the gangster and opium dealer, Du Yuesheng.

The Last Decade of Qing Rule and Legislation for Fiscal Reform

The founding of the IBC may have seemed an innovation at the time, but during the decade of the 1890s, China entered an entirely new phase of its political and financial problems with imperialism. As a result of China's defeat in the Sino-Japanese war 1894-95, foreign powers secured the legal privilege of manufacturing in the treaty ports, and of railroad building and mining in one part of the country after another (known as the 'Scramble for Concessions'). In addition, China found itself in great debt to Japan: the indemnity China paid was so huge, it enabled Japan to go on to the gold standard (Tamaki Norio 1995).

Because the Chinese government lacked the means to finance the indemnity, it had to turn to foreign sources, and so there was now an even greater scale of debit owed to foreign banks (Zhou Yumin 2000). Although estimates vary, it would seem that at least one third to one-half of all of China's central revenue was spent on its financial obligations to foreign countries. The debt increased even more several years later when in the aftermath of the Boxer uprising (1900), new indemnities were levied by the

foreign powers, and China was forced to pledge some of its most important revenue sources, including maritime customs and salt taxes, to guarantee payment.

The Boxer disaster also propelled the Qing government to reassess the strength of its military. Defeat by Japan, and the 'Scramble for Concessions' gave further impetus to establish a modern military with proponents urging a program on the scale of that Germany, with some thirty-six divisions. The money for such military revitalization incurred further borrowing (and hence, debt) from British banks as well as banking consortia dominated by Westerners and Japanese (Cheng 2003). In order to meet the cost of these loans, the central government was forced to demand ever more revenue controlled by provincial authorities. Legislation enacted in the aftermath of the Boxer debacle aimed to increase central government income, and to limit the power of provincial purse strings held by county magistrates, local elites, and regional military and civilian officials. Reluctant to hand over this licence, and even more anxious to retain whatever strength their local military divisions offered, provincial authorities clashed with Beijing. Tensions mounted, and eventually came to a head resulting in the downfall of the Qing government in 1911. Thus, what the Qing government had begun in the interest of military efficiency and fiscal reform had brought about its own demise, and eventually, military satraps controlling most of China.

Although one may consider here a certain analogy between late Qing China and present-day conditions in a number of developing countries where military fragmentation and weak state finance (despite vast injections of foreign capital) become bedfellows, the comparison may not be exactly apropos. In China's long history, there have been several instances in which military pressures actually helped propel fiscal reform. For example, in the Han dynasty, the state established government

monopolies on salt and iron in order to finance its defence against raids by nomad groups on its northwest borders. And one may also remember the proposed fiscal reforms by the eleventh century statesman Wang Anshi made in response to increasing military problems with China's northern neighbours. In the sixteenth century, the well-known minister Zhang Juzheng centralized government finances and reorganized the system of tax assessments in the aftermath of decades of Mongol incursions on China's northern borders and pirate raids on the coast. His fiscal reforms were so successful that by the 1590s, China had enough wealth to fight wars on three fronts plus subsidize the lavish lifestyle of the emperor and his vast family (Zurndorfer, forthcoming). In sum, while the Qing government had at its disposal a certain precedent for carrying out changes to state finance out of military necessity, it did not heed these examples. And when it did attempt to reform during the first decade of the twentieth century, it was too late. By then, imperialism and globalization had reduced China's status and power, and the government had become a client to the whims of international finance and local military adventurers.

Reflections

China's long-term experience with global trade previous to the nineteenth century, either within Asian tribute networks or with Europeans within Asia, did not prepare the country for the onslaught of imperialism. For centuries, China had enjoyed the benefits of vast amounts of silver inflow that contributed to the vitality of its economy, and that of its Asian neighbours. The export of its two most important commodities, i.e. tea and silk, was firmly embedded in the success of silver reaching global locations. Moreover, while the Qing state may have remained committed to the ideals of an agrarian political economy that insured a certain level of

social stability and military security, it was not opposed to monetization and credit expansion.

But once global recession (and illegal opium imports) denied China easy access to silver, new conditions prevailed and China's decentralized public financial regime was never to regain the authority it had once possessed. The recession reduced local purchasing power, and even after global recovery in the 1850s, foreign banks and local credit institutions could claim a certain hold over the government's purse. China's increasing need for cash to repay indemnities and loans, and to foster rearmament programs went way beyond what available income it had at its disposal through the land tax, and even from new excises such as *lijin* and the maritime customs. Lacking a centralized institution to mobilize funds on a large scale, China's economy became ever more vulnerable to the volatility of exchange markets and the influence of foreign banks on local financial institutions.

By the century's close, the context in which the Chinese state operated had entirely changed. Although foreign capital helped change the face of China (hence, the new panorama of modern institutions listed at the beginning of this paper), the body was stuck in its own repertoire of statecraft policies. It was either unwilling or unable to consider the advantages of centralized public finance as once suggested by Wei Yuan or Zheng Guanying. The capital's loss of authority, particularly with regard to provincial military institutions, was the final step leading inexorably to the emergence of modern warlordism. And it would take several decades well into the twentieth century before the centralized state had the means to promote public economic development.

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