

Document 2.10: Excerpt from “On Merchants” essay by Zhang Han

Zhang Han was a court official in the late Ming dynasty from one of the great merchant families of Hangzhou. His position as merchant-cum-official and his ambivalence toward the merchant class reveal a society caught in flux, as a newly commercialized economy brought the social repercussions of growing wealth. Unlike many officials who shunned foreign trade outright, Zhang displayed a nuanced understanding of the differences among China’s foreign neighbors and trade partners; note his dislike of China’s nomadic neighbors in the northwest, his distrust of the Japanese and other maritime traders from China’s northeast, and his misplaced (in hindsight) praise of foreigners trading with China along its southeast coast.

Money and profit are of great importance to men. They seek profit, then suffer by it, yet they cannot forget it. They exhaust their bodies and spirits, run day and night, yet they still regard what they have gained as insufficient.

Those who become merchants eat fine food and wear elegant clothes. They ride on beautifully caparisoned, double-harnessed horses—dust flying as they race through the streets and the horses’ precious sweat falling like rain. Opportunistic persons attracted by their wealth offer to serve them. Pretty girls in beautiful long-sleeved dresses and delicate slippers play stringed and wind instruments for them and compete to please them.

Merchants boast that their wisdom and ability are such as to give them a free hand in affairs. They believe that they know all the possible transformations in the universe and therefore can calculate all the changes in the human world, and that the rise and fall of prices are under their command. They are confident that they will not make one mistake in a hundred in their calculations. These merchants do not know how insignificant their wisdom and ability really are. As Zhuangzi says, “Great understanding is broad and unhurried; little understanding is cramped and busy.”

Because I have traveled to many places during my career as an official, I am familiar with commercial activities and business conditions in various places. The capital is located in an area with mountains at its back and a great plain stretching in front. The region is rich in millet, grain, donkeys, horses, fruit, and vegetables, and has become a center where goods from distant places are brought. Those who engage in commerce, including the foot peddler, the cart peddler, and the shopkeeper, display not only clothing and fresh foods from the fields but also numerous luxury items such as priceless jade from Kunlun, pearls from the island of Hainan, gold from Yunnan, and coral from Vietnam. These precious items, coming from the mountains or the sea, are not found in central China. But people in remote areas and in other countries, unafraid of the dangers and difficulties of travel, transport these items step by step to the capital, making it the most prosperous place in the empire.

South of the capital is the province of Henan, the center of the empire. Going from Kaifeng, its capital, to Weizhong, one can reach the Yangzi and Han rivers. Thus, Kaifeng is a great transportation center; one can travel by either boat or carriage from this spot to all other places, which makes it a favorite gathering place for merchants. The area is rich in lacquer, hemp, sackcloth, fine linen, fine gloss silk, wax, and leather. In antiquity, the Zhou dynasty had its capital here. The land is broad and flat, the people are rich and prosperous, and the customs are refined and frugal....

In general, in the southeast area the greatest profits are to be had from fine gauze, thin silk, cheap silk, and sackcloth. Sanwu in particular is famous for them. My ancestors' fortunes were based solely on such textile businesses. At the present time, a great many people in Sanwu have become wealthy from the textile industry.

In the nation's northwest, profits are greatest in wool, coarse woolen serge, felt, and fur garments. Guanzhong is especially famous for these items. There is a family named Zhang in that area which has engaged in the animal-breeding business generation after generation. They claim to have ten thousand sheep. Their animal-breeding enterprise is the largest in the northwest and has made them the richest family in the area. In the

surrounding areas of Yan, Zhou, Qi, and Jin, many other people have also become rich from animal breeding. From there, merchants seeking great profits go west to Sichuan and south to Guangdong. Because of the nature of the special products from the latter area—fine and second-grade pearls, gold, jade, and precious woods—profits can be five- or tenfold or more.

The profits from the tea and salt trades are especially great, but only large-scale merchants can undertake these businesses. Furthermore, there are government regulations on their distribution, which prohibit the sale of tea in the northwest and salt in the southeast. Since tea is produced primarily in the southeast, prohibiting its sale to the non-Chinese on the northern border is wise and can be enforced. Selling privately produced salt where it is manufactured is also prohibited. This law is rigidly applied to all areas where salt is produced during the Ming dynasty. Yet there are so many private salt producers there now that the regulation seems too rigid and is hard to enforce.

Profits from selling tea and the officials' income from the tea tax are usually ten to twenty percent of the original investment. By contrast, merchants' profits from selling salt and official income from the salt tax can reach seventy to eighty percent of the original invested capital. In either case, the more the invested capital, the greater the profit; the less the invested capital, the less the profit. The profits from selling tea and salt enrich the nation as well as the merchants. Skillful merchants can make great profits for themselves while the inept ones suffer losses. This is the present state of the tea and salt business.

In our Zhejiang province it appears that most of the rich gain their wealth from engaging in the salt trade. But the Jia family in Wuling became rich from selling tea and have sustained their prosperity for generations. The [ancient] *Book of Zhou* says, "If farmers do not work, there will be an insufficiency of food; if craftsmen do not work, there will be an insufficiency of tools; if merchants do not work, circulation of the three necessities will be cut off, which will cause food and materials to be insufficient."

As to the foreign trade on the northwestern frontier and the foreign sea trade in the southeast, if we compare their advantages and disadvantages with respect to our nation's wealth and the people's well-being, we will discover that they are as different as black and white. But those who are in charge of state economic matters know only the benefits of the Northwest trade, ignoring the benefits of the sea trade. How can they be so blind?

In the early years of the frontier trade, China traded sackcloth and copper cash to the foreigners. Now we use silk and gold but the foreigners repay us only with thin horses. When we exchanged sackcloth and copper cash for their thin horses, the advantage of the trade was still with China and our national wealth was not endangered. But now we give away gold and silk, and the gold, at least, will never come back to us once it flows into foreign lands. Moreover, to use the silk that China needs for people's clothing to exchange for useless, inferior horses is clearly unwise.

Foreigners are recalcitrant and their greed knows no bounds. At the present time our nation spends over one million cash yearly from our treasury on these foreigners; still we cannot rid ourselves of their demands. What is more, the greedy heart is unpredictable. If one day these foreigners break the treaties and invade our frontiers, who will be able to defend us against them? I do not think our present trade with them will ensure us a century of peace.

As to the foreigners in the southeast, their goods are useful to us just as ours are to them. To use what one has to exchange for what one does not have is what trade is all about. Moreover, these foreigners trade with China under the name of tributary contributions. That means China's authority is established and the foreigners are submissive. Even if the gifts we grant them are great and the tribute they send us is small, our expense is still less than one ten-thousandth of the benefit we gain from trading with them. Moreover, the southeast sea foreigners are more concerned with trading with China than with gaining gifts from China. Even if they send a large tribute offering only to receive small gifts in return, they will still be content. In addition, trading with them can enrich our people. So why should we refrain from the trade?

Some people may say that the southeast sea foreigners have invaded us several times so they are not the kind of people with whom we should trade. But they should realize that the southeast sea foreigners need Chinese goods and the Chinese need their goods. If we prohibit the natural flow of this merchandise, how can we prevent them from invading us? I believe that if the sea trade were opened, the trouble with foreign pirates would cease. These southeast sea foreigners are simple people, not to be compared to the unpredictable northeast sea foreigners. Moreover, China's exports in the northwest trade come from the national treasury. Whereas the northwest foreign trade ensures only harm, the sea trade provides us with only gain. How could those in charge of the government fail to realize the distinction?

Turning to the taxes levied on China merchants, though these taxes are needed to fill the national treasury, excessive exploitation should be prohibited. Merchants from all areas are ordered to stop their carts and boats and have their bags and cases examined whenever they pass through a road or river checkpoint. Often the cargoes are overestimated and thus a falsely high duty is demanded. Usually merchants are taxed when they enter the checkpoint and are taxed again at the marketplace. When a piece of goods is taxed once, the merchant can still make some profit while complying with the state's regulations. But today's merchants often are stopped on the road for additional payments and also suffer extortions from the clerks. Such exploitation is hard and bitter enough but, in addition, the merchants are taxed twice. How can they avoid becoming more and more impoverished?

When I was vice-president of the Board of Public Works in Nanjing, I was also in charge of the customs duties on the upper and lower streams of the Black Dragon River. At that time I was working with the censor, Fang Keyong. I told him, "In antiquity, taxes on merchants were in the form of voluntary contributions based on official hints, not through levies. Levying taxes on merchants is a bad policy. We should tax people according to their degree of wealth or poverty. Who says we cannot have good government?" Fang agreed with me, so we lowered the taxes on the merchants some twenty percent. After the

taxes were lowered, merchants became willing to stop at the checkpoints. All boats now stop when they should and the total tax income received from merchants has increased fifty percent. From this example one can see that the people can be moved by benevolent policies.

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