British Trade and
The Opening of China 1800-42
BUSINESS MEN

By Ch'en Tzu-ang (A.D. 656-98)

Business men boast of their skill and cunning
But in philosophy they are like little children.
Bragging to each other of successful depredations
They neglect to consider the ultimate fate of the body.
What should they know of the Master of Dark Truth
Who saw the wide world in a jade cup:
By illumined conception got clear of heaven and earth:
On the chariot of mutation entered the gate of immutability?

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‘In this age of civilisation we are unwilling to see anything that can detract from that distinguished character which in former times gained to the Merchants the title of “Princes” and to traffickers that of the “Honourable of the Earth”.’

James Matheson in The Canton Register, 19 April, 1828.

‘Political Economy. A wish has been expressed in a respectable quarter to have the elements of the science translated into Chinese; and to this end the latest editions of Dr Adam Smith’s work on the Wealth of Nations, Malthus, McCulloch and Mill’s Principles, have been consulted. The impossibility of making such subjects understood to a cursory native reader is self-evident. The illustration of the great principles of Political Economy, applicable to the errors and abuses which may exist in China, would require a special book written for this purpose. We should be glad to see such an essay . . .’

Notice printed in The Canton Register, May, 1831, offering a prize of £50 for such an effort.
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CAMBRIDGE
AT THE UNIVERSITY PRESS
1951
REPRINTED
1969
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MONEY, WEIGHTS AND ABBREVIATIONS

1. Money
   The basic circulating coin in foreign commerce at Canton during this period was the Spanish dollar, with an intrinsic value of 4s. 2d. and an exchange value ranging from 3s. 11d. to 5s. The tael was a hypothetical coin of pure silver used only in the East India Company's accounts and in all cotton transactions. The equivalents generally used were:
   1 tael = 10 mace = $1.388 = 6s. 8d.
   $1 = 10.72 taels = 5s. = 2.5 current rupees.
   1 lac = 100,000.

2. Weights
   1 Picul = 133 1/3 lb. = 100 catties = 1,600 taels weight.
   The tael was a Chinese ounce weight as well as a unit of money.

3. Abbreviations
   L.B. = Letter Book.
   W.J. = William Jardine.
   J.M. = James Matheson.
   R.T. = Robert Taylor.
   M. & Co. = Magniac & Co.
   Y. & Co. = Yrissari & Co.
   C.I.C. = Canton Insurance Company.
   B.P.P. = British Parliamentary Papers.
   E.I.C. = East India Company.
   C. of D. = Court of Directors.
   F.Rs. = Factory Records of East India Company.
MONEY, WEIGHTS AND ABBREVIATIONS

Chronicles = Chronicles of the East India Company trading to China, 1635-1834, by H. B. Morse.
Corresp. = Correspondence relating to China, 1840 (Blue Book).
C.Reg. = Canton Register.
‘The Company’—is sometimes used to indicate the East India Company; ‘the firm’ refers to the variously styled Beale, Magniac, Jardine, Matheson concern. See Appendix II.
AUTHOR'S PREFACE

This study gives an account of the activities of the British merchants in China in the crucial years before the Treaty of Nanking (1842), which transformed the relations between the Celestial Empire and the Western ‘barbarians’ and placed them upon a footing that was to last for a hundred years. An historical epoch which is only now drawing to its end was inaugurated by the decisive pressures of an expanding British economy in the early 19th century.

A century ago, the West invaded China with commodities, guns, ideas. The economic conquest of China by the European invaders passed through three broad stages. First, the balance of trade changed in favour of the foreigners, the flow of silver reversing its direction from about 1826. In the second phase, British manufactures began to pour into China, so that the country which had for centuries been famous for its textiles was by the 1870s taking in Lancashire cotton goods to the extent of one-third of its entire imports. Thirdly, the inflow of foreign manufactures was followed by that of foreign capital, bringing with it railways, cotton mills and similar undertakings requiring a capital accumulation which China lacked. It is mainly with the first period of this development that we are concerned in this volume.

This period has been studied, hitherto, almost wholly from the standpoint of the diplomatic historian; which is here especially inadequate, both because—apart from three abortive embassies—there were then no direct governmental relations, and because what in fact brought British subjects into daily contact with Chinese was avowedly commerce. This commerce, ‘the China trade’, has indeed been much written upon, its picturesque character appealing to the litterateur as much as its acquisitive
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possibilities attracted the entrepreneur. The mass of contemporary Blue Books and statistical compilations on the subject, which reflects its importance, yields much quantitative information about the trade. But the operations of the traders are concealed rather than illuminated in the evidence collected by the many Commissioners and Parliamentary Committees which reported thereon.

More revealing are the *Chronicles of the East India Company trading to China, 1635-1834*, set forth in five volumes by Morse. This work is an abstract of documentary and statistical information, and as such is more of a source book than a finished study of British Trade with China. Moreover, analysis of the China trade from the side of the East India Company is misleading in our period for two reasons: first, because the business practice of the Company differed strongly in its content, mechanisms and animating spirit from that of the private British merchants at Canton; and secondly, because the emergence of the latter was clearly the determinant of the decisive events of the 1830s. Our meagre knowledge of these private merchants, gleaned from travellers’ tales and odd memoirs, could only be supplemented by information derived from economic documents, the records of the actual firms concerned. The discovery in a Hongkong godown of the old papers of Jardine Matheson & Co., the only firm of ‘pre-treaty days’ to survive, makes possible the following account.

These papers, displaying as they do the nature of ‘Agency business’, throw light on the second aspect of our theme—the China trade as part of the expansion of the British economy overseas. The creation of a world market was an integral part of Britain’s industrial development in the 19th century. Concentration by historians of the industrial revolution on internal changes in technology and organisation has tended to blur the fact that the export merchant was as significant a figure in the development of large-scale, power-driven industry as the manufacturer. True, the Eastern trade was only one field of export,
and not the largest at that. Its importance, from this point of view, lay not in the absolute volume of British manufactures it could absorb, but in its taking the surplus output necessary to keep the new machines running when the home market sagged. Hence the constant pressure of the British manufacturers to open the gates of China, despite the paradox which has puzzled some recent writers that China was a relatively small market.

The scope of this study is obviously determined by the character of the sources of information available. The main source used is the Jardine Matheson collection of manuscripts; though, of course, the evidence drawn from it is fitted with that derived from other sources new and old, the Minutes of the Manchester Chamber of Commerce, Blue Books, pamphlets, and newspapers, etc., which are listed in the bibliography. But one limiting factor is that all these sources are English, or at least European. The foreign merchants at Canton were in China, not of it; but few could speak even a smattering of the language. It is, therefore, impossible from their writings to answer certain historical questions about the precise economic and social impact of a technically superior ‘western’ economic invasion upon a semi-feudal ‘Asiatic economy’.

The value of the Jardine Matheson papers lies elsewhere. They shed an intimate light, from the inside as it were, on the operations of the foreign merchants in China. They display the inner workings. Since the outcome of business transactions depended upon a regular supply of exact knowledge, the correspondence of the firm is a mine of accurate information on everything that concerned the foreign traders during the period. The problem of Jardine Matheson & Co.’s being a ‘representative’ firm does not really arise. The magnitude of their trade, as James Matheson wrote in 1832, rendered the firm ‘a general focus or medium for the business of the port’ (of Canton). They were easily the largest of the handful of British firms established in China. Though the bulk of their letters are concerned with routine matters, yet in
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the aggregate their content is by no means narrow. They make possible a treatment of the China trade which avoids being a mere commentary on the ebb and flow of exports and imports, and which goes beyond the fetish of commodities, because it places in the foreground the actual people brought into relation with one another by the process of exchange. Unfortunately, the early account books are frequently defaced or eaten away by termites. On the other hand the letters provide very full statements of the nature of the business conducted; which is after all the heart of the matter, even if it does make some of the following pages rather technical.

It is now over twelve years since the late Sir John Clapham first told me of the existence of the Jardine Matheson papers in a cellar at the Cambridge University Library. It was under his direction that I carried out the original research. In the laborious task of sorting out the then unclassified mass of archive material I was helped by Dr B. F. Atkinson, Under-Librarian at the University Library. My first draft was already completed in the summer of 1939 before war compelled to less academic pursuits. Subsequent revision has been slight. For clarification of some problems in Chinese history I am indebted to Dr Chi Chao-ting, a former colleague at the Institute of Pacific Relations, and to Professor John K. Fairbank of Harvard University. Over many years I have benefited from the rare knowledge of my friend Victor Kiernan, a former Fellow of Trinity. I wish also to thank the General Editor, Professor Postan, for reading the typescript and offering points of criticism. Sir John Pratt also read the typescript and made several valuable suggestions. My last acknowledgment is to Trinity College, Cambridge, which, by nurturing me as Scholar, Research Student, and Fellow, made this research possible.

CAMBRIDGE

August 1948

M.G.