Warfare and Public Debts
A review of the Rise of the capital market in Song China

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Research Issues

1. What is the relationship between the state and the market economy in pre-industrial China?

The Song state as a mercantile state:

1. Why and how could the Song court know the market?

It was forced to learn—commercialization of warfare during the Tang-Song transition (Miyazaki Ichisada)

Professionalization and centralization in the Song fiscal administration (Twitchett, Hartwell, Paul Smith)

Developmentally-oriented policies

2. The reinforced relationship between military mobilization and financial mechanism
Ruzhong and Instrument of Credit

1. Jiaozi 交子 and the private financial market in Sichuan
   a. The needs for credits
   b. The limits of private needs: limited size; problems in supervision and enforcement of the contract

2. Ruzhong 入中 and state intervention at the financial market
   Ruzhong and the military campaigns at the northern border in Taizong reign (976-97)
   Voucher 引 and the rise of the financial market at Kaifeng
   The Renzong reign (1022-63) as the key period
Lessons learned from Ruzhong in the Northern Song

• 1. Risks brought by speculation at the voucher market
• 2. Risk-management:
  • a. Facilitate the circulation of voucher & jiaozi
  • b. establishment of back-up fund;
  • c. centralized procedure in cost control;
  • d. Franchise in monopolized goods to attract merchants

• 2. Wang Anshi’s conservative concern wins: Wang’s calculation of profits and loss led his preference to monopoly management
  • a. The monopoly revenue is much stable
  • b. The military expenses are still manageable
  • c. Cai Jing’s reform paved the way for the Southern Song public debts
Public debts in the Southern Song Sichuan

• 1. Siege warfare made the war much more expensive than ever before;
• 2. The normal taxation (including indirect taxes & monopolies) could no longer afford
• 3. The Cai Jing’s influence: though Cai Jing became the scapegoat for the fall of Kaifeng, the majority of Southern Song financial officials were trained in the Cai Jing administration in the period of 1200-1220, and thus followed the Cai reforms.
• What is difference between Cai Jing and Wang Anshi
• Wang aimed to reform the government and society to achieve his Confucian ideal; Wang did not know the economy very much and his influence has been overestimated among modern researchers
• Cai was a capitalistic minister and knew how to accumulate wealth via the financial market
Warfare, market and capitalism in Sichuan

• Zhao Kai and his reform
• Zhao’s reform shifted the financial structure, and the government bonds became the chief means for meeting military expenditure.
• This new fiscal-military relationship should be called capitalism if we follow the very tradition of political economy highlighted by the German historical school (Schmoller, Sombart, Braudel, Miyazaki), and Miyazaki used this concept in his study of the Tang-Song transition no later than Bruadel in the study of early modern Europe.