

# THE CHINESE MERCHANT THEN AND NOW: EMERGENCE AND SOCIAL POSITION IN AND OUTSIDE CHINA\*

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## 摘要

本文旨在探讨商人阶级的地位问题：一方面商人是中国传统社会阶层里最卑微的阶级；另一方面，在海外华人社会里他们却享有着崇高的社会地位。本文的论点将锁定在探讨商人如何在中国内外的社会和历史处境里头运作。商人会在中国和海外各遭遇不同的“命运”，其中必有一些潜在的因素或过程在起着作用。那即是，中国的传统社会和它以外的移民华人社会，所各处的环境底下的差异。在中国，政治的意识形态和出自“阶级”利益强迫性的把商人定位在社会阶级的最末端。在中国以外，移民华人社会却在外来统治的条件下运作，其中经济利益的考量远比政治上的来得重要。在这许多因素的综合下，造成了海外的华人普遍都投身于商界，若和中国的境况相比，无疑是一种强烈的对照。

本文的第一部分，旨在探讨主要造成商人在中国传统社会里卑微形象的历史背景，着重点将在儒家思想和其他各种阻遏商人阶级发展的势力上。第二部分将会探讨现代华人在商场上的地位，而海外华人将是其中的焦点。最后的一部分是以几个特定的因素为准，论述中国以外从商的华人所占有的优势。

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## INTRODUCTION

The rate of economic progress in Pacific Asia from the 1960s was unprecedented in the history of the region and the most dramatic in the world. Rapid development occurred first in Japan and subsequently in several neighbouring countries/economies. Three principal groups of people were leading players in the development process, namely, the Japanese, Koreans and overseas Chinese.<sup>1</sup> In 1990, the 50 million Chinese outside Mainland China commanded an estimated GDP of US\$450 billion, compared with China's own GDP of about US\$500 billion (*The Economist* 18 July 1992, quoted by Department of Foreign Affairs and Trade, Australia 1995). The aggregate wealth commanded by the Chinese business community outside China is therefore considerable. The absence of global Chinese business corporations is compensated by the volume of individual fortune. In each year in the 1995-99 period, up to as many as four of the world's top ten billionaires were Chinese (*Forbes Global* July 5, 1999, quoted by Yu 2000). In 2002, 27 of the world's 476 billionaires were non-Mainland Chinese business tycoons (*Forbes Global* March 17, 2003).

However, the rise of the Chinese in business belies the fact that the merchant was placed at the lowest rung of traditional Chinese society. Yet he is seen today as the epitome of success, especially among Chinese overseas and increasingly so in China. While the age-old social pecking order of scholar-bureaucrat, farmer, craftsman, and merchant is a legacy of the past, the rise of the merchant is largely a relatively recent phenomenon, and even then more so outside rather than in China. The role of the Chinese merchant as an economic actor, and trade or commerce as an economic activity, was subjected to vicissitudes of political treatment, intellectual sanction, and social perception by rulers and the mandarins, philosophers, and society in general. Despite all odds, that the merchant had commanded wealth is undeniable. It is the rise of the merchants as a social class of standing that has not followed a smooth path of development.

For centuries, the merchant in China was deprived of social respectability and power. In reality, the rigid social stratification that was enforced to serve the needs of the feudal structure of power was constantly subjected to challenge by the merchant class. Among the "official" social classes in traditional Chinese society, the "struggle" by the merchant to enhance the social perception of his status in society has been the hardest and most intriguing. Even during the contemporary period, communist orthodoxy in the 1960s and 1970s marginalized commerce and consumption and discredited wealth as a symbol of decadence. Nevertheless, from

the Ming dynasty (1368-1644), processes were at work that provided the impetus to the growth of business and trade. From the 1980s when Deng Xiao Ping endorsed the glorification of wealth, the release of the entrepreneurial spirit in China has been spontaneous and enthusiastic. In fact, Little (2003) claimed that it was Deng, rather than Bill Gates, who was seen to represent the spirit of entrepreneurship. The concept of "glory" was traditionally interpreted in the context of the family or clan<sup>2</sup> based on achievements in fields of endeavour or contributions other than in business. Deng's exhortation was therefore of historic significance as it signalled an unequivocal support from the highest level of authority of a hitherto "unglorified" profession. From the 1980s onwards, wealth acquisition through business enterprise was shorn of its "profiteering" image and conferred legitimacy through official blessings. But away from China, the Chinese living overseas have flourished as a business community, unfettered by the constraints that stifled the release of entrepreneurial initiatives in China itself. The contrasting circumstances applying to the same group of people point to the operation of some over-riding influences that could have left their differential impacts on Chinese societies in China and outside.

This paper is concerned with the historical contradiction concerning the merchant in Chinese society. It will examine primarily the question concerning the position of the merchant class at the foot of traditional society in China on the one hand, and its association with high social standing among Chinese communities overseas on the other. In short, why was the growth of commerce and the merchant class so completely stifled in traditional China and why was commerce so prevalent, or as least seen to be so, among overseas Chinese?

In order to seek an understanding of this contradiction, the paper will locate this issue within the social and historical milieu under which the Chinese merchant had to operate inside China and outside it. In contemporary discourse on Chinese business enterprise, it seems that mention of Confucianism is unavoidable. Indeed, if there are "overarching" considerations that weave their influence on Chinese behaviour, one inevitably turns to Confucianism. If there is a code of conduct by which Chinese society is guided, consciously or unconsciously, a code that is analogous to the role of religion in non-Chinese societies, then Confucianism would most probably fulfill this role. Confucianism has enjoyed a historical currency that few religions or schools of philosophy could rival. Moreover, for over 2000 years, it had served as the "official" code of conduct, propagated through education and state examinations, implemented as state "ideology", and practised as family and personal ethics. Its durability and viability lie in its ability to satisfy the needs of both emperors and citizens. Underpinning the differential "fate" of the merchant both in

China and among overseas Chinese, there would seem to be an underlying thread of influence or behaviour that operated differently under contrasting situations. Two distinctive situations would require consideration, namely, the context of traditional Chinese society in China and the context of immigrant Chinese societies outside it.

I will first examine the traditional society in China especially in the context of Confucian and other influences that gave rise to the unequal treatment accorded to the merchant and other social classes, followed by a second section on the emergence of the merchant class in China from a historical perspective. The final section will discuss the Chinese in business outside China focusing on several broad issues that have contributed to the seemingly widespread presence of the Chinese in the modern period.

### **Traditional Society in China**

In traditional Chinese society, the system of government and political ideology were built on a rigid hierarchical structure in which economic interests were subsumed under those of political exigencies and control. It was Guan Zhong (管仲 c. 730-645 B.C.), living almost 200 years before Confucius (551-479 B.C.), who introduced the concept of "class" in his theory of the settlement of the people according to their occupations. The people were divided into four categories comprising, in the order of declining status, the gentry or scholar-administrators, peasants, artisans, and merchants.<sup>3</sup> The gentry were originally conceived to serve also as professional warriors and were discouraged from engaging in other occupations. The peasants would live in the countryside, the craftsmen in their appointed workshops, and the merchants in the market places (He *et al.* 1991).

The peasant's elevated status was derived from his role as a purveyor of food as well as his ideological purity according to ancient preaching. Politically, only two classes mattered, namely, the influential scholar-administrators who dominated urban society, and the peasantry that formed the backbone of the economy and the rural population.<sup>4</sup> This ideology was founded on Confucian teachings and Confucianism as a system of thought was a product of the agricultural economy in the continental setting of the Chinese state (see Cai Degui 蔡德贵 2003). The Han dynasty adopted Confucianism as its "official" ideology soon after it won control of China. This was in contrast with its short-lived predecessor, the Qin dynasty, which had instead adopted the doctrines of the Legalist school (see Chan 1996). Ever since then, Confucianism has become a template for the practice of the principles of

government in which politics held effective hegemony over economics. The paradigmatic role of Confucianism as state ideology derived its source in the two dimensions of Confucianism itself. Tu (1984) identified these as "politicized" Confucianism and family ethic.

The rigid social stratification was clearly to acknowledge the sanctity of learning, primarily in the Confucian classics, and the favoured position of the literati. Class limitations could be removed by attainments in learning and achievements in state examinations. The Confucian doctrine was that "a good scholar should become an official" (*Analects* XIX:13).<sup>5</sup> One of the practical ideals of the Confucian "gentleman" or *junzi* (君子) was "cultivation of self-perfection" (*xiu shen* 修身) as opposed to the market-oriented ideal of specialization for a vocation.<sup>6</sup> Self-perfection was regarded as the pre-requisite to the gentleman's mission to enter the bureaucracy to "administer the country" (*zhi guo* 治国) and thus to bring peace to all under Heaven (*ping tian xia* 平天下). The Confucian "gentlemen" would only labour with their brains, while physical work should be left to the "little-minded" men or *xiaoren* (小人). With his learning, the former would become well-paid officials and govern as well as fed by others. Those who engaged in physical labour were governed by and to feed others (He *et al.* 1991).

Education not only conferred special privileges and immunities (such as exemption from corvee labour and physical punishment) but was the only route to wealth, power and status. High social standing or *gui* (贵) and humbleness or *jian* (贱) were determined not by wealth but by the power one enjoyed. Ultimately, power was the objective of education, and power naturally led to wealth. Education was the key to the door of officialdom and passing the imperial examinations was likened to passing through the "dragon gate" when one's "worth" would literally multiply a hundredfold. Hence the traditional and approved channel to power was thus (Tang Lixing 唐力行 1993):

scholar (*shi* 士) → power (*quan* 权) → wealth (*fu* 富) → social rank (*gui* 贵)

The concept of entry into the bureaucracy to gain power and wealth is a time-honoured ideal as encapsulated in the phrase of *sheng guan fa cai* (升官发财) with its attendant outcome of "honour, splendour, wealth and rank" or *rong hua fu gui* (荣华富贵) in life. But education was a time-consuming and competitive process with a high attrition rate. The odds against success were high. It was estimated that in the eighteenth and nineteenth centuries, the scholar-gentry (those who had passed some examinations) could not have exceeded 2 per cent of the total population, and the officials among them could be about 2 per cent of this class

(King 1965). According to Perkins (1975), at any one time, there were not more than 20,000 scholar-officials in China.

**"Emphasize the 'Root' and Suppress the 'Branch' "**  
**(*zhong ben yi mo* 重本抑末)**

In ancient Chinese economic thought, there was a distinction between the primary and essential (*ben* 本) and the subsidiary or incidental (*mo* 末). The former referred to agriculture or the "root" and the latter to commerce or the "branch". The "root" was concerned with food production whereas the "branch" dealt with exchange. Production was all important while exchange was incidental. Hence classical economic theories advocated the policy of "emphasize the root and slight the branch" (Fung 1948).

The exalted standing of the peasantry was supported by a well-founded theoretical formulation of the political and economic structure of the state. The Legalist school in the Warring States period (475-221 B.C.) advocated the doctrine of farming and warring. This idea was developed by Shang Yang (商鞅 c. 390-338 B.C.) who, while serving as the prime minister in the Qin state, argued that farming-warring would make a nation secure and prosperous and its sovereign respected. His assessment of the peasants was that they were simple, more trustworthy than those engaged in other occupations, valued their land and bound to it, and would faithfully watch over banished nobles living in their midst (He *et al.* 1991; Hu Jichuang 胡寄窗 1997). These ideas were later formalized by Han Fei (韩非 280-233 B.C.), a student of the Confucianist Xun Zi (荀子 298-238 B.C.), in the late Warring States period, in his theoretical conceptualization that incorporated the distinction between the "root" and the "branch". The view that agriculture was an essential activity, and handicrafts and commerce were incidental, had wielded an immense influence on traditional Chinese thought ever since its enunciation (Hu Jichuang 胡寄窗 1997). The *Lu-shih Chun-Qiu* (吕氏春秋), a compendium of various schools of thought of the third century B.C., echoed this view and highlighted the value of agriculture in more than the economic sense. By virtue of being engaged in the "root" occupation, farmers were reliable and always ready to accept commands, childlike and innocent and therefore unselfish. Being tied to the land, they would not abandon their country in times of danger (Fung 1948).

To the Confucianists, agriculture was the basis of the economy. Mencius (孟子 372-289 BC), traditionally regarded as the Second Sage by the Chinese, advocated

humane government according to the moral qualities of benevolence or *ren* (仁) and righteousness, justice or the "public good" or *yi* (义). He held that the ruler was enjoined to provide the conditions by which people could live adequately. Land left idle was a sign of the failure of the monarch. His principles of social welfare were based on the equal distribution of land and the promotion of agriculture under the "well-field" system.<sup>7</sup> Like Confucius, he held that the role of the gentleman was to administer the country, and that of the farmer was to feed the gentleman (King 1965; He *et al.* 1991).

Hence the traditional society that persisted in China for centuries was agrarian in character and there was a political agenda in the priority placed on agriculture. To symbolize the importance and dignity of farming, emperors throughout the ages had personally performed the ritual of ploughing at a temple devoted to the fertility of the Earth. The peasantry was bound to the earth, self-sufficient, and operating in a closed economy. In an environment where there was little competition and few innovations, the peasant was largely conservative and imbued with such age-old habits of accepting the circumstances of his life (*sui yi er an* 随意而安), submitting himself to the will of Heaven and resigning to his fate (*ting tian you ming* 听天由命), accepting impoverishment yet contented and peaceful (*an pin le dao* 安贫乐道), be law-abiding and knowing one's place in society (*an fen shou ji* 安分守己), and desiring nothing from the outside world (*yu shi wu zheng* 与世无争) (Zheng Xueyi 郑学益 1997).

Similarly, the inferior position of the merchant was as much political as it was social. Confucianism advocated morality as an essential element in the life of the gentleman and in the relationships that underlay social cohesion and an orderly state. In contrast, commerce was linked to moral decadence. The "petty man" would pursue self-interest, and this preoccupation would result in conflicts of interest and lead to instability and disorder (Gentzler 1988). The Confucian view was that "the gentleman cherishes virtue, the petty man cherishes his native place; the gentleman cherishes the law, the petty man cherishes his self interests" (*Analecets* IV: 11).<sup>8</sup> And if "one acts only for self-interest, one will incur ill-will" (*Analecets* IV: 12)<sup>9</sup> and the "gentleman values righteousness; the petty man values profit" (*Analecets* IV: 16).<sup>10</sup> The weight of sanction against commerce from other schools of thought such as the Mohist, Taoist, and Legalist enforced the perpetuation of the lowly position of the merchant. Commerce was associated with luxury, lack of virtue, arrogance and artificiality (Gernet 1982). The *Lu-shih Chun-Qiu* also portrayed merchants as corrupt and therefore not obedient, they were treacherous and therefore selfish. As they possessed simple properties which were easily moved, they would abandon

their country when it was in danger (Fung 1948). Through the ages, the image of the merchant was one who was unloving and uncaring and who valued profit above all else.<sup>11</sup>

During the Former Han dynasty (206 B.C.- A.D. 8), the merchant class was subjected to imperial sanction through the imposition of restrictions and heavy taxations. Up until the Tang dynasty (618-907), commerce was highly regulated, trading being confined to demarcated areas outside the main administrative centres for ease of state supervision. The extent of control was such that during the Former Han dynasty, merchants and artisans in the capital who were not officially registered ran the risk of death (Elvin 1973).

Merchants were also blamed for problems caused by economic disparity. Inequality was attributed to the exploitation of the rich and the root causes of which were commerce and the currency system. Indeed, Wang Mang (王莽) who toppled the earlier Han and ruled briefly (AD 8-23), decreed the abolition of the currency system as well as imposed a tax on merchants for the right to keep slaves at a rate 30 times more than that paid by ordinary people (Qian Mu 钱穆 1993). During the Former Han period, various prohibitions were imposed on the merchants "to put them in their place". Bureaucrats were banned from engaging in commerce, and while merchants might become rich, they belonged to the humble class and were forbidden to display opulence in their dress, houses, and even the tombs they could be buried in (Qian Mu 钱穆 1993).

Hence imperial power was consolidated on the peasant economy and its social stability, and the maintenance of the *status quo*. The merchant class was tolerated only in so far as it served the purpose of central authority. It was their wealth that provided the reason for denying them status and political clout. The place of the merchant class was thus determined by the common vested interests of the imperial system and the literati that was largely drawn from the landlord class.

Two important principles emerged from early Chinese political ideology concerning the merchant class, reflecting the conflict between wealth and power. The first was the positive relationship between political exigencies and the contribution of the merchant class. The merchant class was a tool in the consolidation of imperial authority especially during the initial phase of political unification. For this purpose, the merchant class enjoyed some favour during the pre-Qin, early Han and early Tang periods. When imperial authority, anchored on the support of the nobles and literati class, was firmly established, the emergent merchant class was soon suppressed to nip its potential political threat in the bud. The second principle was that the acquisition of "approved" power was possible only



through Confucian scholarship and officialdom. The channel to power through trade, and hence wealth and high rank, was strictly prohibited (Tang Li Xing 唐力行 1993).

### The Absence of Capitalism in Traditional China

The failure of commerce to develop into a vibrant sector in traditional China has often been attributed to the absence of capitalism. In his study of the religion of China, Weber claimed that capitalism failed to emerge in China because of the absence of a particular kind of religious ethic as the needed motivating force (Weber 1951; Yang 1963). To Weber, the Confucian ethic of adaptation and adjustment to the world lacked the "transformative ethic" that would mobilize people and hence to generate the energy for the mastery of the world. It was the absence of this motivational structure that failed to contribute to the rise of capitalism (Tu 1984). Weber's views, however, are often refuted by scholars who claimed that he failed to understand the full extent of Confucian economic thought (see Hou Jia Ju 侯家驹 1993). Weber's conception of (Western) capitalism was based on the pursuit of profit by entrepreneurs through peaceful and honest means and based on the rational organization of free labour. Profit was pursued to the maximum and this was done through a "Protestant ethic" not for self-interest but as a duty for the common good. To perform this duty called for such virtues as industry, frugality and honesty. The purpose was to fulfill one's "earthly calling" by which one performed "good works" in society. The performance of duties in worldly affairs was seen as the highest form of moral activity that an individual could play. "Good works" served to increase the glory of God and required moral strength and avoidance of self-indulgence and worldly pleasures. This "puritan" morality enabled one to follow a "work ethic" devoted to the performance of one's economic role in society through hardwork and frugality. The Protestant ethic also incorporated the idea of "predetermined destiny" by which God has predetermined to save certain human beings and to damn the rest (Weber 1930; Yang 1963; Lessnoff 1994).

In accounting for the failure of Confucian ethic to give rise to capitalism, Weber contended that the heart of Confucian (and Taoist) doctrines was the *dao* or the immutable order of harmony underlying the universe and human society (Yang 1963). The Confucian conception of the universe was taken "as given" and Confucian rationalism meant "rational adjustment to the world". In contrast, the Puritan position was that the world was not "given" but under God's command and

Puritan rationalism meant "mastery of the world". Both Confucianism and Taoism preached the doctrine of harmony of man and nature and one of the fundamental concepts in Chinese philosophy was that of the "unity of heaven and man" (*tian ren he yi* 天人合一) and the concept of "harmony" or *he* (和). Confucianism was concerned with the present and not with the world beyond and man was not enjoined to change the world according to a divine plan.

While the Confucian lived in the world as an integral part of it, the Puritan lived in the world but separate from it. The Puritan mission was for salvation through rationally and ethically mastering the given world. The emergence of capitalism in the West took place within a legal and political framework of the nation-state. According to Weber, the working of the capitalist economy was based on formal rationality or the calculability of action, and capitalism flourished with the development of an industrial society. In the West, capitalism developed in a way and on a scale to bring about an industrial revolution and an industrial civilization (Lessnoff 1994; Gregory 2000b).

On the other hand, the birth of an industrial society did not take place in traditional China. Why this was so was often explained with reference to what is known as the "Needham puzzle", which wondered why an industrial revolution by-passed China. In explaining this "puzzle", Elvin suggested that stagnation in China was related to the imbalance between population and land.

China's rapid population growth was intimately tied to feudalistic ideas of male succession and the association between a large family and labour resources and wealth. The imbalance between limited land and large population and therefore cheap labour did not encourage innovations in labour-saving technology (Elvin 1973). With an increasing population and stagnating production, agricultural surplus would decline and left little in the form of savings.<sup>12</sup> The peasantry was largely self-sufficient and impoverished and this directly militated against the spread of capitalist and commercial interests and the emergence of an industrial society.

Other reasons for the failure of capitalism to take root in China were also cited. One reason was that in order to avoid economic disparity between the peasants and merchants, a policy that was detrimental to the growth of capitalism was adopted by which the latter was suppressed in favour of the former (Qian Mu 钱穆 1993). Another, but "indirect" and Eurocentric, explanation was the "Asian mode of production", which was characterized by the absence of private landownership, the existence of a "hydraulic society" instead of a bourgeoisie, and producers who lived in villages with little division of labour while cities were not involved in production but were "parasitic". These characteristics were held to be responsible for the

absence of capitalism in the East, and by extension their presence was held to be conducive to capitalist development in the West (Gregory 2000a).

### **The Merchant Class in Historical Perspective**

China was one of the earliest civilizations in the world where trade had flourished. Despite its social stigma, the merchant class played an important part in the Chinese economy as early as the pre-Qin period (before 221 B.C.). Tang Lixing (唐力行 1993) referred to a "golden age" of commerce in the Spring and Autumn and Warring States period (722-481 B.C.). Folklore had it that Shun (舜), before he succeeded Yao (尧) as the legendary monarch of ancient China, had been a successful merchant. Archaeological finds have confirmed that during the late Shang dynasty in the eleventh century B.C., trade was an important activity of the people. Indeed, several famous statesmen in the pre-Qin period had a mercantile background.<sup>13</sup>

During the Warring States period (477-221 B.C.), constant warfare and the bid to remain independent led rival states to expand agricultural production and to exploit available resources. Commerce gradually shifted from its dealing with luxury products such as pearls and jade by merchants well-connected to the royal houses to a new class of traders in the cities dealing with ordinary goods such as silk and hemp cloth, cereals, salt, alcoholic drinks, prepared foodstuffs, dyes, hides, furs, lacquerware, copper and iron goods. The richest merchants also branched out into iron mining and foundry works, engaged a large workforce and commercial agents, and had fleets of river crafts and road carts at their disposal (Elvin 1973; Gernet 1982). Although trade was legally confined to specific areas in the towns from the Han to Tang dynasties, it also spawned a network of unofficial periodic markets in the countryside to meet the needs of the farmers. During the Tang dynasty, the entrepreneurial drive of the people could hardly be checked as merchants set up shops and stalls wherever they pleased rather than operated only from approved business quarters. By the ninth century, the old system of controlled commerce was followed by a period of much freer transactions. The sale of basic items expanded as the rural economy became more fully integrated with the market. As trade diffused across regions, a national customs network was established to replace the system of market regulation as the state responded to oversee and tax commerce. By 1077 during the early Sung dynasty, Elvin estimated that there could be about 10,000 custom houses in north and south China. In the eleventh century trade was

conducted in a hierarchy of network ranging from the village periodic markets and the larger towns and cities, to inter-regional trade and eventually to a flourishing international trade. In short, "the Chinese economy had become commercialized" (Elvin 1973).

Tang Lixing (唐力行 1993) argued that, by the sixteenth century, there were conditions that allowed capitalism to appear in China. These included conditions within China and the emergent world market that was creating a demand for Chinese products. Internally, while the economic system was based on a largely self-sufficient peasantry with limited demands for commercial goods, production was not entirely subsistent but also for sale. In the seventeenth or eighteenth century, agriculture in China was characterized by a high degree of commercialization in which about 30-40 per cent of agricultural produce was sold, especially in coastal areas (Perkins 1975).

However, it was the development of external trade that drew China into the modern economic system. In Yuan China (1271-1368) there were already various groups of coastal traders operating regional networks from Pohai to Vietnam. An important base was Fujian and others were in Guangdong and Zhejiang. Under Ming rule, private sea and coastal trade was generally discouraged. Tribute trade was emphasized and the government dispatched its own ships abroad notably under the Yung-lo (1403-1424) and Hsuan-te (1426-35) emperors, culminating in the famous voyages of Zheng He. "Trade" between China and surrounding countries took the form of the tribute system in which numerous countries from Japan to Sumatra sent tributes to China periodically.

In 1514 the Portuguese reached China and in 1553 occupied Macao. Merchants from China, Japan and other countries began to congregate in Macao and turned it into a major transshipment centre between China and the outside world. Tribute "trade" with surrounding countries began to change markedly. In 1565 the Spaniards used Manila as a transshipment base to trade with China especially in ceramics and silk. From 1604 to 1842 Amoy (Xiamen) was closed to all foreigners except the Spaniards. The Dutch, having tried to trade at Canton (Guangzhou) in 1604 and 1607 but were defeated by the Portuguese, eventually occupied Formosa (Taiwan) until driven out by Zheng Chenggong (郑成功) in 1661 (Purcell 1966). Despite the close-door policy of the Ming dynasty, European activities were drawing the Chinese economy into the world trade system. The British succeeded in 1667 and 1670 to conduct trade in Amoy and Taiwan. In coastal areas, there were those who had engaged in maritime trade for generations and others who ignored the laws and took to smuggling - leading to the emergence of a sophisticated and complex illegal

private trading sector - and also giving rise to piracy and coastal banditry (Ptak 1994; Tang Lixing 唐力行 1993).

The effect of the world market on the birth of capitalism in China was evident and the sixteenth century saw the linkage between overseas trade by private persons and the world market. This maritime trade initiated changes in the traditional system. As overseas market boosted output in certain areas of China, the increased scale of production led to changes in the method of operation - leading to the sprouting of capitalism and sparked the beginning of a chain reaction in the economy (Tang Lixing 唐力行 1993).

The Huizhou (徽州) traders illustrate the relationship between maritime trade and overseas market. Huizhou was a Ming city in southern Anhwei province near the Jiangxi border and drained by a river that flowed into Zhejiang. The Huizhou traders were made up of three groups: a nucleus of maritime traders, an intermediate group of merchants involved in overseas trade, and a larger group of retailers and handicraft makers in south China (Tang Lixing 唐力行 1993).

Maritime trade was illegal and it was done through smuggling in which risks were high and profits large. The merchants had to escape detection imposed through a dense web of imperial controls and checks. Maritime trade also required large amounts of capital - to build and repair ships and to hire the crew - and this was done not individually but through partnership or group efforts. Transactions were two-directional - they sent Chinese products such as silk, ceramics, tea, cotton cloth, etc. to Japan and Southeast Asia and imported pepper, ivory, rhino horns, silver pieces, etc. from abroad - in a three-stage operation of purchase, transport and sales.

After the Opium Wars and the advent of the treaty port system in the mid-nineteenth century, as merchants participated in new business enterprises, a nascent capitalist class began to surface in China comprising the following (Tang Lixing 唐力行 1993):

(i) the official merchants who possessed power, wealth and position in society,  
 (ii) merchants with wealth and position - but had to strive to raise their social standing, through philanthropy in order to be accepted as gentry - merchants - these were largely senior members of the chambers of commerce and many been conferred titles by the imperial court,

(iii) merchants with wealth - especially noticeable were overseas Chinese merchants who were beginning to invest in China in the late Qing period - it was estimated that from 1862 to 1919, overseas Chinese established 1,395 enterprises in China with an investment of 126 million yuan, and

(iv) the small merchants with limited resources.

Among these merchants were the compradors or *mai ban* (买办) who enjoyed both power and wealth. Based on the special privileges conferred by the treaty port system, Western merchants set up new business enterprises in the form of trading companies, banks, factories, shipping, etc. All hired the Chinese as go-between who in turn hired their own staff to provide services such as selling to and buying from locals, record-keeping, warehousing, local transport, etc. and worked for a commission (Redding 1993).

Some compradors accumulated immense wealth, and up to the end of the nineteenth century, there was an estimated 10,000 compradors in the various ports and they served as "independent agents" of Western merchants (Tang Lixing 唐力行 1993). As they were seen as part of the unequal treaty port system which was the result of Western encroachment on the sovereignty of China, the power and wealth enjoyed by the compradors were often seen in an unfavourable light. But because of their wealth and financial experience, they were recognized to have played a significant role in the modern economic development of China in their willingness to take risks, promotion of new ideas such as limited liability, and their role as investors, managers and entrepreneurs (Hao 1988).

### **Overseas Chinese and Business**

The overseas Chinese are seen to dominate commerce in many of the countries where they have settled down. They are synonymous with entrepreneurship and business and their concentration in urban areas in many countries or in "Chinatowns" tend to confirm this impression. In their role as merchants and businessmen, the overseas Chinese have been variously described as trading minorities (Wertheim 1965), alien traders (Yambert 1981), economic intermediaries (Redding 1993), or practising bazaar (Ray 1995) or pariah capitalism (Hamilton 1978; Chun 1989).<sup>14</sup> Mackie (1993) pointed out that in Southeast Asia where they pioneered the expansion of commercialization, they were more than just "intermediaries" but played complex and complicated economic roles.

Recent discussions on Chinese business are inevitably linked to the role of Confucianism. Despite the unfavourable image of the merchant in traditional Chinese society, Confucianism was not inherently against commerce and Confucius himself did not disapprove of this activity (Hu Jichuang 胡寄窗 1997).<sup>15</sup> But Confucianism by itself would not determine Chinese domination in commerce. It probably provided an built-in mechanism in the form of moral inspirations and

managerial guidelines in the conduct of business (e.g. see Chen Deshu 陈德述 1993; Pan Naiyue 潘乃樾 1994; Kong Jian 孔健 1995; Ma Tao 马涛 2000; Ge Rongjin 葛荣晋 2002; Zhong Zhaopeng 钟肇鹏, 2002). The decision to go into business and commerce would come from the impetus of other factors, of which the most immediate ones, for the new arrivals in foreign lands, would include the need to survive or to take advantage of new opportunities. The probability of success in commercial undertakings could be enhanced by certain elements embedded in Confucian values that exerted an influence on Chinese business communities outside China in a manner that was more directly economic and less political than in China.

Despite the non-mercantile background of the majority of Chinese when they left China and living under often adverse conditions in foreign territories, why were immigrant Chinese so dominant in business? To understand this, we may examine certain broad issues, namely, the "survival instinct" of the fresh emigrants, the situational circumstances facing them in their new "phase" of life, certain sociological factors pertaining to their economic organization, and the influence of Confucian values.

## Survival Instinct

In the Ming dynasty up to the late nineteenth century Chinese who ventured overseas to trade were exposed to two sources of risks. One was the infringement of the ban on foreign contact imposed by the government. Overseas trade was prohibited by the imperial court and those who emigrated were considered disloyal and faced the risk of death.<sup>16</sup> Nevertheless, the profits to be made from trading voyages were so large that some provincial governors connived in this activity. In 1567 the Governor of Fujian permitted his people to go abroad to trade, except to Japan whose pirates were ravaging the Chinese coasts (Purcell 1966).

The second was exposure to colonial and native discrimination and occasionally even atrocities. In Southeast Asia, which was one of the earliest overseas destinations of Chinese traders, there were numerous examples of immigrant Chinese who suffered atrocities in the hands of Western colonial powers. Examples were the massacre of Chinese in Manila in 1603, and again after the second Chinese revolt in 1639, and anti-Chinese treatment by the Dutch in Java in the 1740s (Purcell 1966). As the traders were considered disloyal, it was not surprising that the Chinese government did not give serious attention to the

persecution of Chinese by colonial powers. Atrocities have also flared up in the contemporary period, as recently as 1998 in Jakarta when damage to life and property was inflicted on the Chinese community as the local residents blamed Chinese business for their problems during the Asian financial crisis (see Godement 1999; Mohammad Sadli 1999).

The Chinese who left their villages for foreign land were largely "economic immigrants", but initially more for economic rather than migration purposes. This migration was originally intended to be temporary, undertaken in order to escape grinding poverty in China and to seek "fortune" before returning to a better life at home. This motivation to do well was sustained by a strong "survival instinct". If they were not already "indentured" or "contracted" to work as "coolies" like many new arrivals, their most urgent task would be to seek an economic "base" for immediate survival.

In the course of their sojourn overseas in the early phase of colonial rule in the various territories of Southeast Asia and elsewhere, the majority of the migrants were subjected to harsh treatment by employers and agents as well as to discrimination by colonial administrators or the host society. While some survived immense hardships, many also perished. Only a small number succeeded economically in running small businesses and the remainder fared no better, or even worse, than the inhabitants of the host societies (see Syed Hussein Alatas 1977). Faced with the double penalties of not possessing "marketable" talents and denied access to the "administrative" service reserved for the privileged colonial elite and the local aristocracy, the migrants found themselves performing all types of work for mere survival. Many turned to self-employed petty trading as the only means for economic uplift (Lim 1983). The less fortunate were forced into performing low-paid and arduous physical work predetermined by their contracts in tin mines and plantations, and others survived by working as rickshaw pullers, manual labourers and coolies (see Warren 1986).

In early twentieth century America, Chinese immigrants gravitated into laundry, restaurant and other small businesses not because they were "by nature" suitable for these occupations but because the white people rejected these jobs and therefore did not object to the Chinese being so engaged. By 1920, more than half of the Chinese in America were working in restaurants or laundries. For the Chinese, survival meant a livelihood "scraping the bottom of the barrel after the whites had helped themselves". The widespread discrimination targeted against Chinese immigrants was a social and economic mechanism by which the whites and non-whites were placed into different economic activities. Hence "the classic small



businesses of prewar Chinese were, in this sense, monuments to the discrimination that had created them" (Light 1972). In retail trade, however, survival was made easier by an advantage that the Chinese enjoyed in the form of the special consumer demands of their own community. This "captive market" also accounted for the predominance of Chinese in retail trade in America and protected them to some extent from competition of the host community (Light 1972).

### **Situational Circumstances**

It is generally acknowledged that the Chinese migrated to Southeast Asia in large numbers at a time when there were vast openings for business participation during the expansionary phase of colonialism and where the indigenous inhabitants showed little inclination for commercial pursuits (Lim 1983). In countries such as America where the host society was economically sophisticated, the Chinese had to engage in activities that were shunned by the local inhabitants. In Southeast Asia, where the indigenous inhabitants generally showed a strong disinterest for business, the Chinese "flair" for business found a fertile ground for growth. However, this affinity to business, according to Perkins (1975) was unlikely to have "anything to do with an in-born talent for commerce on the part of the one (Chinese) and that was lacking in the other (indigenous)". Perkins attributed this to the more likely role of the "prior accumulation of experience" of the Chinese in all kinds of commercial operations. With their emphasis on acquiring education and such positive traits as industry and frugality, it was argued that the resourcefulness of the Chinese would come into good use when "given the opportunity" (Perkins 1975).

That the entrepreneurship spirit of the overseas Chinese was allowed full play was likely to reflect a set of special circumstances.<sup>17</sup> Away from China, the conditions and social sanctions that stifled commerce in traditional China would have been removed. When shorn of its political content, Confucianism as family or personal ethics found relevance in commercial undertakings in the setting of Chinese communities overseas. Whereas in China Confucianism lent credence to the exaltation of the mandarins through the subordination of the merchants, outside China this layer of political legitimacy was completely removed. Instead, Chinese merchants had to content with the foreign officials who were "no more predictable" or "no less venal" than the mandarins at home (Wang 1991). Also, independent farming as a viable economic or cultural option, as in traditional China, offered limited opportunities to the large majority of immigrants except in terms of

contracted "coolies" often working under harsh conditions. The struggle for economic advancement was not only to gain social respectability by becoming a member of a "recognized" class, but also to escape the shame of remaining in the more lowly un-named "under-class".

Western colonialism and economic penetration in Southeast Asia created fresh avenues of commercial possibilities. The relationship between the colonial administrators, together with the Western capitalist sector, and the Asian communities was dualistic in character. The social distance separating the colonial elite and the Asian communities was not only administrative but also economic. For example, in British Malaya, the Malays were trained to become petty officials and in the Netherlands Indies, government legislation excluded the Chinese from direct participation in agriculture (Ailsa Zainuddin 1968), thus paving the way for the Chinese to become economic intermediaries between the European sector and indigenous population. The dual economic structure and the colonial policy of paternalism towards the natives<sup>18</sup> afforded enterprising Chinese to participate in numerous petty but new economic pursuits in which the local ruling class and the peasantry had little inclination. In this new-found role, the traditional concept of trade and commerce as an occupation of low social standing had little relevance to the reality of Chinese society outside China (Perkins 1975).

### **Sociological Factors**

There are certain features in the manner in which the Chinese organize their economic activities that may facilitate their participation in commerce. The "prior accumulation of experience" of the Chinese also included what Light (1972) would term "culturally preferred-style of economic organization" pertaining to the manner of business relations and association.

As the largely male migrants left behind their families in China, the structural core of the Confucian "given world" as embodied in the five cardinal principles of human relations lost much of their relevance. The first principle of relations between sovereign and subject had little meaning under a Western-dominated bureaucracy, so were relations between parents and children, between brothers, and between husband and wife, to the single male. Instead, relations between friends would assume special significance as the early migrants sought ways to adapt to the new socio-economic and political setting.

Operating in unfamiliar and diverse social milieux, business transactions

required the need to establish "harmonious interpersonal relations" and hence the importance of the fifth cardinal principle governing relations among "friends". Mencius taught that in the conduct of human affairs, "harmony in human relations" was more crucial than familiarity with "local atmosphere" and "territorial conditions".<sup>19</sup> Away from home and outside China, the need for a conducive social environment for survival was institutionalized through the formal association of individuals. In modern terminology, harmony in human relations may be interpreted as the pragmatic version of *guanxi* (关系) or relations as applied to a range of human and business relations between individuals or groups within the Chinese community and with influential members and organizations of the host society. In a general sense, the purpose of *guanxi* was the avoidance of conflicts in human relations (Pan Naiyue 潘乃樾 1994). The role of *guanxi* and luck is reflected in the importance placed on the concept of the "benefactor", or one who makes available the rare business opportunity, though only to the select few. But to exploit this opportunity one would have to possess business acumen and to work hard.

Among immigrant Chinese, a multitude of associations and trade guilds appeared as an integral component of Chinese social and economic organization to suit the diverse needs of different subgroups (see Yen 1986; Wickberg 1988; Li Ming Huan 李明欢 1995). Coming together from different villages and provinces, the Chinese were all but a monolithic community comprising instead a diversity of groups with sharp loyalties based on dialect, clan or surname, home village, and trade affiliations.

Kinship and regional origins provided the strongest social ties. Associations based on clan/kinship and regions were mutually supportive bodies and imposed a moral obligation to look after the social welfare of their fellow members. They also promoted the economic activities of members and their co-operative trade guilds and provided the enabling channel through which members made their entry into business. The trade guilds functioned to protect the interest of the trade against external "threat" from government regulations. They enforced specific rules relating to the trade and also regulated wages, working conditions, terms of apprenticeship, competition and prices. The guild house served as a social centre and employment office for members and offered board and lodging facilities (see Light, 1972; Li Ming Huan 李明欢 1995). Hence, in America, "high rates of business proprietorship and low rates of dependency (among the Chinese in America) were related in that both rates reflected the activities of mutually supportive, ascriptively bounded moral communities. Entrepreneurial individualism was not the cause" (Light 1972).

The family business is a further illustration of the culturally-preferred style of

economic organization. Even businesses that require substantial amounts of capital are run by families. In pre-1949 China, many banks were family concerns or partnerships in which the entire capital was raised from the resources of the family, and some of the largest banks in Southeast Asian countries are still dominated by Chinese families (King 1965; Department of Foreign Affairs and Trade, Australia 1995; Zheng Xueyi 郑学益 1997; Gomez 1999; Kawazaki 岩崎育夫 2001). The popularity of the family enterprise is related to the nature of social relations among the Chinese. Employment of family members in traditional China was also attributed to the weak rule of law and relatives provided a more secure source of trust than outsiders (Perkins 1975). The proprietors are often morally obliged to hire relatives or fellow clansmen as a duty to "spread" the benefits to all. The family business also serves as an alternative to paid employment as well as a training ground for the young. Exposure to business practices opens a viable avenue to the second generation or to those who lack educational credentials for a salaried career. It is said that all successful overseas Chinese merchants gained their first experience in business working for a relative (Wang 1991). In Thailand, Skinner (1957) claimed that the Chinese desire for economic advancement was in part attributable to the positive influence of extended kinship groups as a source of motivation. As the Thais did not enjoy the benefit of such family connections, they were unable to compete with the Chinese.

The petty Chinese family business proliferates on account of its small size. Its popularity also conceals its short average lifespan and high "turnover". Survival of the average family business into the second generation is always in doubt. This may indicate that the scale of preference of the average Chinese family is based on education as a means and a professional career as an end in life. In Malaysia, the most coveted professions among the Chinese are medicine, law, and business-related management and professions based on high educational qualifications. Success in education often signifies the ability of the second generation to break out of the small family business. The preference of many Chinese families, if given a choice, is not always to opt for a career in petty trade, but to secure professional employment and to move out of the "Chinatown" economy. With education as the prime mover of social mobility, the aim of most modern Chinese is to seek entry into professions based on competitive merits. Involvement in business would be desirable only in a more socially prestigious professional capacity rather than in the "ubiquitous" family firm. In this capacity, many Chinese family businesses have out-grown their "middleman" role and evolve into modern conglomerates spanning diverse fields and countries.

Chinese business is often linked to a social network that facilitates the mobilization of savings and capital. One such form of networking, though more common in the past, is the *hui* (会), also known as *tontin* or *kudu* among the Indians and Malays. The *hui* as a financial aid society was the customary method of mobilizing capital for social and economic purposes in Chinese society. It was widely practised in rural areas in China where it assumed various forms (Fei 1939). It is an informal form of financial self-help through which participants would make regular contributions to a fund which is allocated to members in rotation through competitive bidding.<sup>20</sup>

The *hui* has been described as a "friendly system of lending money to each other through a corporate mechanism" (Wee 2001). It offers advantages in being a flexible and informal system of providing quick access to a considerable sum of capital without having to bear the high cost of borrowing from banks or moneylenders. It also allows members to earn varying rates of interests and to enable members to determine the rate of interest. A person who participates in more than one *hui* is then able to have access to a considerable amount of capital. In America, the *hui* had enabled petty Chinese traders to overcome discrimination of the host society. The prevalence of business activities among Chinese immigrants in America was attributed to the *hui* as a traditional economic custom, in contrast to the under-representation of American-born blacks in business who did not possess such a tradition (Light 1972).

## **Influence of Confucian Values**

The influence of Confucian values on Chinese social life, politics, and ideology in the past 2,500 years has been widely acknowledged. Indeed Confucianism is seen as a "living thing" and is synonymous with Chinese civilization itself. This is because it incorporates "all that is good in the original Chinese cultural heritage" and its capacity to assimilate "good elements from alien systems" (Chen Jingpan 1993). In the sphere of economic thought, even if Confucianism does not necessarily have direct application, it is nevertheless still worthy of attention. To deny the relevance of Confucianism on economic matters is to ignore the realities of Chinese history (Hu Jichuang 胡寄窗 1997). It has also been contended that, removed from the system of "centralized state control", the positive influence of Confucian economic thought on development will come into play (see Hou Jia-Ju 侯家驹 1993). Recent studies have failed to confirm Weber's thesis regarding the negative

linkage between Confucianism and capitalism. Skinner (1975) argued that values in Chinese society were elite-centred and highly valued goals were systematized in the Confucian ethic. By achieving elite status, the Chinese family would have fully attained the desirable cultural ideals. Education and entry into officialdom were the ideal approach to status enhancement but, to the poorer classes, any other activities that produced wealth would be used as the route to upward mobility. In 1979, Herman Kahn was one of the earliest to link the rapid development in the Asian newly-industrializing economies to neo-Confucian cultures. He believed that these cultures were "superbly designed to create and foster loyalty, dedication, responsibility, and commitment and to intensify identification with the organization and one's role in the organization". Hence the remarkable success of these economies was attributed specifically to "cultural factors" that favour development, excellent management, hard work and dedication (Kahn 1979). Several subsequent studies have supported the positive links between Confucian values and overseas Chinese business (for example, see Redding 1993; Yen 2002).

In fact, Clegg *et al.* (1990) claimed that "some aspects of the post-Confucian argument are appealing in precisely the same terms as are similar ideas about the role of Protestantism in forming a 'capitalist ethic' in nineteenth-century Europe and America". Confucianism is also credited with providing the sense of continuity and the social discipline and respect for authority that made modernization a relatively smooth process in Japan and Taiwan (Gentzler 1988). It seems that there are indeed features in Confucianism that are not unlike some of the features of the Weberian conceptions and that are similarly evident in Chinese involvement in commerce and trade, if not in the development of capitalism itself.<sup>21</sup>

Some of the major traits embodied in Weber's "spirit of capitalism" may have their equivalents in Chinese and Confucian traditions. The Confucian virtues of hard work, honesty and frugality are familiar to Protestant followers. Determination and unremitting efforts to improve oneself are values held in high regard by the Chinese.<sup>22</sup> It is this indomitable spirit that imbues in them the perseverance and the capacity for sheer hard work in the face of hardships and hostile circumstances. Resourcefulness ranks among the prime virtues of overseas Chinese entrepreneurs and their success is often attributed to their adaptability, keen insights, persistence in the face of unfavourable circumstances; others also attribute success to foresight, seizure of opportunities, and decisive action. Confucian teaching stresses honesty in obtaining a living, and ill-gotten wealth and resultant high rank were viewed as "fleeting clouds". Confucius himself would rather be a common cart driver than to acquire wealth through illegitimate means (*Analects* VII:16).<sup>23</sup>

The question of profit (利) and righteousness or moral duty (义) in Confucian ideology is analogous to the concept of "earthly calling" and the purpose of work for the "glorification of God". Confucianism stresses the family and the importance of education as the means to the enhancement of family wealth. Economically, the objective of reinvesting capital to the glory of God and to that of the family was identical (Clegg *et al.* 1990). Also, other than its "politicized" face, Confucianism as a system of personal ethics places a high premium on self-discipline, involvement in the collective good, the work ethic and communal effort (Tu 1984). Among overseas Chinese, the merchant could easily disregard the Confucian lack of esteem for his profession and focus on the family ethics of Confucianism. Thus, in the interest of the family one could pursue profit maximization without fear of social sanction (Ptak 1994).

It has been pointed out that the traditional view of "profit" as the antithesis of "righteousness" arose out of the misinterpretation of the Confucian text. Confucian teaching embodies two aspects relating to the concept of profit. Confucius did not impose a blanket disapproval of profit regardless of the circumstances.<sup>24</sup> The "gentleman", who was in a position of social responsibility, was to put his stress on profit for furthering the public good. His role in relation to the ordinary people was to enable them first to acquire profit and subsequently to educate them on righteousness (*Analects* XIII: 9). The second is that, as Tu (1984) has pointed out, Confucian ethic stresses the ultimate authority and interest of the family.

One may also find an equivalent to the Calvinist salvation doctrine of "predestination" which is one of the central ideas in the Protestant ethic. Confucius believed that life and death have their predetermined appointment, and wealth and honours depend upon Heaven.<sup>25</sup> This concept was most probably subsequently reinforced by the influence of Buddhism that for centuries had become the major religion among the Chinese. Hence many Chinese submit themselves to the will of Heaven and resign themselves to their fate. However, given the anthropocentrism of Chinese philosophy and the central concern with things of this world rather than with the world beyond, one's fate could be changed, by luck, *fengshui* or geomancy, and by contributing to the "public good" (see Bruun 1995). The last is widely believed to be the accepted way to accumulate "merits" for a better fate in the afterlife.

During the Ming dynasty radical ideas were advanced that challenged Neo-Confucian ideas that questioned the role of the merchant. The most influential voice against the secondary role of merchants was Wang Yangming (王阳明 1472-1528). He argued that the four classes of society followed different professions

but similar "dao" (道). He viewed each class in terms of its rightful contribution to society and the economy but did not ascribe a moral quality to each. This change in the traditional view of the four classes was induced by the increasing prosperity brought about by commerce and trade in the Ming dynasty (Shan Chun 单纯 1998).

The late Ming dynasty also witnessed the challenge of Huang Zongxi's (黄宗羲 1610-1695) ideas to the antagonistic nature of Zhu Xi's conception of the practice of the "Heavenly Principle", and the banishment of desires.<sup>26</sup> The key feature in Huang's conception of human nature was that human beings were by nature self-interested and self-profiting. This was not a completely novel idea, for Confucius had acknowledged that it was a common trait of humans to desire wealth and high standing and to detest poverty and low standing (*Analects* IV:5).<sup>27</sup> Huang was more radical in political ideology for his advocacy of the inviolability of individual rights, and in economics for the suggestion that "crafts and commerce" be taken as "essential" rather than subsidiary activities as traditional ideology would decree (He *et al.* 1991).

In the "business culture" that emerged during the Ming dynasty, Zhu Xi's concept of "natural needs within the confines of human desire" was later modified by subsequent interpretations. In Huizhou, the centre of a thriving business community, where numerous successful merchants also professed to be "Confucianists", the study of the Heavenly Principle was injected with new conceptions to suit the economic interests of the merchant class. Since there were "natural needs within the confines of human desire", these two ("natural needs" and "human desire") were not considered as mutually exclusive and hence, by extension, the idea that the merchant class and the literati were mutually compatible was pushed as an attempt to refute the lowly social position of the merchant (Tang Lixing 唐力行 1993). Arising from these interpretations, it was claimed that one's social standing and the making of profits were not contradictory but mutually compatible. Similarly compatible were such long-held contradictions between "righteousness" and "profit", between the way of life of a merchant and that of an official, and between the merchant's method of pursuing success and reputation through trade and the scholar's method through scholarship as a means to enhance family standing. Finally, it was rationalized that success in commerce could be a means to serve other objectives. For example, in a business dealing with traditional herbs and medicine, the objectives of serving the public good and profit were not in conflict but mutually compatible.

While the concept of the "banishment of human desires" is similar to the Protestant anathema to self-indulgence, there is a marked difference. The Protestant



ethic called for unremitting efforts in making money as the objective and fulfillment of one's "earthly calling", while the Chinese who possessed the same virtues were making money but minus the "divine objective" in mind. But there is a basic similarity in the Confucian concepts of public good and benevolence. These concepts are inseparable from the idea of love and service to the community. As Tu (1984) suggested, to a "well-rationalized, well-adjusted" Confucian, accumulating wealth for its own sake would be meaningless. While the merchants pursued profits, they performed, individually or through their respective guilds, numerous liturgical services on a voluntary basis and on behalf of the state through generous financial contributions for the benefit of the larger community. In fulfilling these functions, the merchants were practising Confucian values that stress the common good (Ng 1994). These concepts are also compatible with the Buddhist belief in "cause and effect" in human action and life. The idea that kindness is repaid with kindness and wickedness with wickedness has been one of the guiding principles of life among the Chinese.

In practice the overseas Chinese business community is aware of the virtue of "benevolence" in their action - the concern and care for employees and responsibility to society, community and country. There are numerous examples of Chinese entrepreneurs initiating and supporting numerous establishments for the public benefit. These include schools, colleges and universities, as well as hospitals, welfare homes and other community services in their adopted countries and in China. There is nothing in the making of profit that questioned the morality of a person's profession if he can further the common good of his community. Among the Puritans, good work is confined to a "community of faith" but among the Chinese, charitable and philanthropic services are rendered to a "community of blood" (Yang 1963).

### Conclusion

In traditional China, political ideologies, including and especially what Tu (1984) categorizes as "politicized" Confucianism as policies of regulatory control on the conduct of commerce and trade, were dominant paradigms of government. Economic activities were subordinated to the considerations of class interests which were founded on a power structure of domination of the ruling over the subdued classes. Despite the economic character of class differentiation, it was power and control that gave reality and significance to this differentiation. "Politicized"

Confucianism as the official ideology decreed that the route to power was via scholarship and learning acquired through the approved classics and admission into the bureaucracy. Away from the confines of traditional China, however, the Chinese overseas acquired a totally different status as immigrants and sojourners. Here "politicized" Confucianism was rendered practically irrelevant in the context of Western control and norms. Instead, those aspects of Confucianism that are embedded in the ideals of ethics relating to family and personal relationships, in the relative absence of openings in bureaucracy and agriculture, found expressions in the spheres of commerce and trade. In this role the Chinese found themselves in the presence of a set of conditions that have allowed them to occupy an essential economic niche.

The debate on the position and status of the Chinese merchant in history is a reflection of the influence of class-based ideology in traditional China on the one hand and the dominance of an "economic activity-based" social system among Chinese overseas on the other. Throughout history, the merchant class in China faced tremendous odds - culturally, socially and politically - to exert itself. Traditional Chinese society imposed rather severe restrictions on social mobility across class lines. Wealth was not a determinant of social status and could not pave the way for upward mobility, this role was confined primarily to the civil service through the examination system. Outside China, where Chinese communities found themselves in totally new socio-economic milieux, and where internal barriers to upward social mobility were removed, conditions encouraged the flowering of the entrepreneurial spirit. Indeed, mobility was fluid and was largely fuelled by one primary ingredient, namely, wealth. Popular Chinese sayings such as "the hero is not ashamed of his lowly origins" and "every profession produces a champion" sum up the openness and absence of restrictions for economic advancement accessible to all.<sup>28</sup>

Historically, the perception of business has undergone significant changes. Several phases in the evolution of the social standing of business may be identified. Firstly, there is a complete erosion and removal of the traditional social stigma against genuine business and the merchant among Chinese overseas and increasingly in China itself. Secondly, one sees a reconciliation of the interests and ideals of business and those of the scholar-administrators of olden days, in a way that business enables the merchant to serve the common interests of the community not unlike the spirit of the Protestant ethic of performing "good works". Thirdly, the enterprising potentialities of the Chinese found fertile ground for development, first outside of China and increasingly in contemporary China. Today the overseas

Chinese business community plays a seminal role in the modernization and commercial development of China, in a role that may be likened to the transformation of the "core" Mainland Chinese by the "peripheral" overseas Chinese communities (see Tu 1991). Finally, the enticement of business as a "calling" is such that one discerns a rather unwholesome tendency in the subordination of education to the needs of the business world, particularly in the context of globalization. The liberation of latent entrepreneurial spirit in China since the 1980s and the reversal of the role of private enterprise and state enterprise in economic development in China, and the preference for "skill" acquisition through "vocational" education in favour of a more balanced education that acknowledges the role of culture studies and the humanities, are confirmation of the already ascendant status of the merchant in Chinese society.

### Notes

1. For some definitions of the Chinese and discussions of "Chineseness" (see Wang 1994; Suryadinata 1997; Kwok 1998, and Pan 1998). The terms "overseas Chinese" and "Chinese overseas" are used interchangeably, as are the words "merchant" and "businessman".
2. The concept of "glory and brilliance to the family and clan ancestors" (光宗耀祖) embodies the ideal of virtue and duty of every family/clan member in life. Traditionally glory in the name of the family was won through patriotic service to the state, appointment to high office, success in the imperial examinations, or literary greatness, rather than to the acquisition of wealth.
3. Although the merchant was known as "the bottom of the four classes" (*si min zhi mo* 四民之末), there were several social groups whose position was even more lowly and excluded from the "official" categories. These included those who traded their services for a living such as performers, domestic servants, and worse of all, the beggars.
4. According to Shan Chun (单纯, 1998: 315), the "peasants" (农) represented not so much the cultivators as the bureaucrat-landlords, whose ideology was compatible with the Confucian conception of government and society.
5. *Xue er you ce shi* (学而优则士).
6. However, education was not always pursued for the sake of "true learning" and its utilitarian value as an avenue of upward social mobility was never lost to the scholar-gentry. In the tenth century, the great neo-Confucianist, Zhu Xi (朱熹 1130-1200), founded an academy to counter the tendency of learning for the sake of examination success (Gardner, 1988: 310).
7. Mencius argued that a humane government should be built on a system of land distribution and demarcation. An efficient land system would ensure that the land was equally distributed among the farmers and the grain for salaries equitably apportioned among the ministers. For equal land distribution, he advocated a well-field (*jing tian* 井田) system comprising nine parcels of land to be worked by eight households. Each household would cultivate 100 *mu* (6.7 hectares) and used the central parcel on a communal basis. Mencius advised: "Let the five *mu* of land surrounding the farmer's cottage be planted with mulberry trees, and persons over fifty

may all be clothed in silk. Let poultry, dogs, and swine be kept and bred in season, and those over seventy may all be provided with meat. Let the cultivation of the hundred-*mu* farm not be interfered with, and a family of eight mouths need not go hungry. Let attention be paid to teaching in schools and let the people be taught the principles of filial piety and brotherly respect, and white-headed old men will not be seen carrying loads on the road. When the aged wear silk and eat meat and the common people are free from hunger and cold, never has the lord of such a people failed to become king" (see de Bary et al. 1960: 94).

8. *Junzi huai de, xiaoren huai tu; zunzi huai xing, xiaoren huai hui* (君子怀德，小人怀土；君子怀刑，小人怀惠).
9. *Fang yu li er xing, duo yuan* (放于利而行，多怨).
10. *Junzi yu yu yi, xiaoren yu yi li* (君子喻于义，小人喻于利).
11. Bai Juyi (白居易 772-846), one of the famous Tang dynasty poets, in his poem "The Song of the *Pipa*" (*Pipa Xing*), portrayed the merchant as "*shangren zhong li jing bieli*" (商人重利轻别离), i.e. one who prized profit highly and thought lightly of parting (from his young wife).
12. It was estimated that the production of food per farmer had reached a high level of 4,524 katies (2,262kg) in the Tang dynasty, but began to decline thereafter, to 4,027 katies in the Ming dynasty, 2,262 katies in the Qing dynasty and only 1,150 katies in 1949. Among other reasons, this was the result of mounting population pressure on agricultural land as more and more labour was applied on the land to accommodate the increase in population (Cheng Chaoze 程超泽 1995: 32).
13. Qi Huan Gong (齐桓公) had used Guan Zhong (管仲), whose background was a merchant, as his prime minister and in his 40 years in office Guan Zhong encouraged trade between Qi and other countries. Similarly Fan Li (范蠡), after helping King Gou Jian (勾践) of the state of Yue to defeat Fu Chai (夫差) of Wu state, retired to become a merchant and called himself Zhu Gong. As he settled at Tao Yi (now Ding Tao in Shandong province), he was also known as "Tao Zhu Gong" and his "principles" of business management are enshrined in the Chinese Almanac and often displayed in business premises of overseas Chinese. Another successful merchant who became a powerful political figure was Lu Buwei (吕不韦) who put his bet on a prince of Qin state who was sent to the state of Zhao as hostage. Upon becoming the ruler of Qin, the prince appointed Lu Buwei as prime minister and granted him a fief of 100,000 households south of Loyang (Tang Lixing 唐力行 1993: 2-5; Wee 2001).
14. McVey (1992: 20) defined the pariah capitalists as politically dependent and could not rely on the state to protect their interests.
15. According to Hu Jichuang 胡寄窗 (1997: 45), Confucius refrained from disapproving commerce because both the gentry and merchants did not engage in productive work and, by implication, "lived off" those who did.
16. This policy was related to the constant raids of coastal areas by Japanese pirates and smuggling by maritime traders. In the Ming dynasty, a general was ordered to quell these raids and a policy was adopted by which a wall was built as a defensive device. During the Qing dynasty, the anti-Manchu general Zheng Chenggong who had driven out the Dutch from and occupied Taiwan, made frequent visits to the Fujian coast to replenish his supplies. To cut off his supplies and to intimidate anti-Manchu inhabitants, the Manchus shifted the inhabitants 48km inland along the Guangdong, Fujian and Zhejiang coasts and crops and houses were destroyed (Purcell 1966: 25; Fairbank 1983).
17. European observers and traders found the Chinese in Bantam (early 1600s) to be "very crafty

people in trading, using all sorts of cozening and deceit" and that "in trading they were too subtle for young (European) merchants" (Purcell 1966: 394).

18. In Malaya, the paternalistic policy was to protect the Malays from the corrupting influence of commerce. In Indonesia the Dutch regarded the villagers as children whom they sought to help. In both territories, the indigenous populations were treated as "children" who depended on the colonial rulers to make decisions on their behalf (Furnivall 1967; Ailsa Zaniuddin 1968: 145).
19. *Tian shi bu ji di li, di li bu ji ren he* (天时不及地利, 地利不及人和).
20. A person takes the lead in organizing a *hui* to which a sum of money would be paid by each member over an agreed period of months. Each member would submit a secret bid for the use of the money each month and the member who is in urgent need of the money would submit a high bid which is in effect the interest rate for the month. Members who are able to defer the use of the money stand to gain from the high interest rates of the earlier rounds. Assuming that the organizer would take the first lump sum created and would pay up the original subscription each month, his benefit being be the immediate use of an interest-free loan, the *hui* could work out in the manner below.

Operation of a *Hui* (nominal subscription of RM200 per member per month)

M	Months										Total X	Gain/ Loss	%
	1	2	3	4	5	6	7	8	9	10			
A	-	200	200	200	200	200	200	200	200	200	1800	BE	0
B	200	20	200	200	200	200	200	200	200	200	1800	-160	8.9
C	200	180	20	200	200	200	200	200	200	200	1780	-120	6.7
D	200	180	180	15	200	200	200	200	200	200	1760	-50	2.8
E	200	180	180	185	10	200	200	200	200	200	1745	5	0.3
F	200	180	180	185	190	15	200	200	200	200	1735	5	0.3
G	200	180	180	185	190	185	20	200	200	200	1720	20	1.2
H	200	180	180	185	190	185	180	10	200	200	1700	80	4.7
I	200	180	180	185	190	185	180	190	5	200	1690	105	6.2
J	200	180	180	185	190	185	180	190	195	-	1685	115	6.4

Total

Y 1800 1640 1660 1710 1750 1740 1740 1780 1795 1800

M - Member

Nominal monthly subscription: RM200

Duration: 10 months

X = Total Contribution

Y = Total Collection

20 - Highest bid per month (amount of interest)

BE = Break-even

21. Chan (1996:37-38) questioned the validity of linking the role of Confucianism with economic development, asserting that "there is little in the words of Confucius that can be regarded as

- being concerned with economics and it certainly will be difficult to build an economic theory on Confucius' reported sayings and writings". To Chan, the re-interpretation of Confucianism is a function of the ideological, or the felt political needs, of political masters and the re-interpreters, as "Confucianism has never been, and is not, concerned with economic development. It has always been concerned with political legitimation and compliance".
22. As expressed in the saying "*gang jian you wei, zi qiang bu xi*" (刚健有为, 自强不息). The origin of this saying is said to trace back to Confucius' description of himself as one who could be so diligent that he forgot his meals, so happy that he forgot his worries and even unaware of approaching old age (*fa fen wang shi, le yi wang you, bu zhi lao shi jiang shi* 发愤忘食, 乐以忘忧, 不知老之将至) (*Analects* VII: 19). The idea in praise of unremitting efforts later appeared in *Zhou Yi Da Chuan* (周易大传) (see Zheng Xueyi 郑学益 1997: 3).
  23. *Bu yi er fu qie gui, yi wo ru fu yun* 不义而富且贵, 于我如浮云。
  24. Confucius did not object to the decision of one of his students Zi Gong (子贡) to engage in trade and who was successful in his undertaking (*Analects* XI:19). It has been pointed out that Confucius himself had sought to "market" his "expertise" to the kings in the various kingdoms, (though he was concerned with promoting his ideas than acquiring material wealth).
  25. *Sheng si you ming, fu gui zai tian* 生死有命, 富贵在天 (*Analects* XII:5).
  26. During the Song dynasty, the age-old idea of *Li* (Principle) as a philosophical category was raised to the height of the "Heavenly Principle" (天理) or the supreme philosophical category. The Song dynasty Zhu Xi advocated the practice of "Heavenly Principle" (which falls in the category of the righteousness) and to banish human desire (*cun tian li, mie ren yu* 存天理, 灭人欲). Later interpretations asserted that Zhu Xi's "human desire" included both "natural needs" such as eating and drinking, and "unnatural needs" or "indulgence" such as eating for pleasure or the excessive pursuit of pleasures in life. Natural needs were therefore compatible with the Heavenly Principle. Hence, if an activity, including trade, was conducted within the bounds of human desire, it should not be repressed (see Tang Lixing 唐力行 1993: 201).
  27. *Fu yu gui, shi ren zhi suo yu ye...pin yu jian, shi ren zhi suo e ye* 富与贵, 是人之所欲也。... 贫与贱, 是人之所恶也。
  28. *Yingxiong bu wen chu sheng di* (英雄不问出身低) and *Hang hang chu zhuangyuan* (行行出状元)。

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