

Trust in Troubled Times: Money, Banks, and State-Society Relations in Republican Tianjin. *By Brett Sheehan*. Cambridge: Harvard University Press, 2003. xiii +269 pp. Photographs, maps, glossary, appendix, bibliography, notes, index. Cloth, \$59.95. ISBN: 0-674-01080-9.

Reviewed by Elisabeth Köll

Brett Sheehan's monograph presents an important addition to scholarship on the development of modern banking in early-twentieth-century China, when the expansion of industrial, commercial, and infrastructure-related sectors forced private investors and the government to adopt new financial tools. Both state and society were continuously plagued by a variety of problems, ranging from political factionalism and the incursions of powerful warlords to financial crises and the threat posed by Japanese imperialism. That modern Chinese banks survived these challenges, at times even managing to operate with great success, was no small feat. Sheehan explores the strategies devised by bankers in the northern city of Tianjin to encourage public trust in their institutions and in the banking system as a whole, and he looks as well at the factors that limited their success.

Modern banks began to emerge in China in 1915. Their institutional characteristics were shaped by the Chinese business environment, but they also imitated foreign models, such as limited-liability corporations. From 1916 to 1937, when the Japanese occupation began, the newly formed Chinese-owned banks in Tianjin faced nine financial crises in the form of bank runs and silver shortages. In order to overcome a financial crisis, which Sheehan defines as "a suspension of impersonal trust," the banks had to establish impersonal trust, or trust in money (p. 5). Sheehan's analysis of events departs from traditional discussions of trust in China, which have been concerned with personal relations based on kinship and social networks. His perspective offers new insights for business and economic historians interested in money and its social production in China. Bankers, government officials, and members of the local elite in Tianjin worked hard to create and maintain impersonal trust in money, using strategies of "rhetorical appeals, reliance on authority, guardianship, and institutional arrangements" (p. 7) to encourage the network of users—that is, the public—to accept paper money in

exchange for goods and services. Sheehan documents the success and limitations of these strategies through impressive research based on Chinese primary sources, ranging from the diary kept by Bian Baimei, the charismatic manager of the Tianjin branch of the Bank of China, to documents from various banking archives and interviews with former bank employees.

The complex story unfolds in six chronologically arranged chapters that explore the questions of how professional bankers, local and central government officials, and Tianjin elites interacted during financial crises; whether their efforts to reinforce impersonal trust in money and institutions were successful; and how the power relationships among these interest groups changed over time. By interweaving an account of the role played by Bian Baimei, Sheehan lends a personal focus to the story. Bian Baimei's education symbolizes the combination of Chinese and Western concepts that was becoming more common. Born into the elite society of southern Jiangsu province, he received a foreign education in Shanghai and was the first Chinese student to attend Brown University, in 1908. After graduating in 1912, he returned to China, where he briefly worked as a teacher and newspaper reporter before embarking on a career in modern banking, making use of his academic training in economics. He joined the Bank of China in Tianjin just at the time when excessive loan demands by Yuan Shikai's government were forcing banks to issue unbacked paper money, causing a run on the banks.

This financial crisis created a panic in the capital, Beijing, that spread to Tianjin. In 1916, the central government declared a moratorium on the exchange of paper money issued by the Bank of China and the Bank of Communications for silver. While Bian was dealing with the crisis on behalf of the Tianjin branch of the Bank of China, a guardianship organization was formed by members of the local elite under the leadership of the Tianjin chamber of commerce in cooperation with local officials. This organization was able to raise enough money to guarantee the value of the Tianjin notes issued by the two banks. However, despite its defiant rhetoric against the central government and assurances that it would protect the interests of the community, the guardianship organization did not succeed in establishing long-term impersonal trust in money.

The Chinese banking sector expanded at a remarkable speed after 1916. Professional managers gained greater influence in the banks, and institutions such as bankers' associations gave the banks better bargaining power vis-à-vis the state. When 1921 brought a new financial crisis in the form of a run on the same two banks, Tianjin's local elite opted for regulation instead of guardianship. Auditing the banks' currency reserves, the local elite tried to serve as a regulatory institution, while provincial government authorities promoted the idea of good citizens' trust in modern banking institutions, even composing and circulating a "Money Scare Vernacular Song."

Warlord factions fighting in the Zhili province during the 1920s complicated Tianjin's political and financial situation. However, the rising number of savings deposits and the increased circulation of paper money reflected the growth of impersonal trust in money and the banking system. At the same time, fragmentation of the state under the warlord regimes resulted in the modern banks' gaining greater autonomy and induced them to increase their professional cooperation with other banks and with government institutions. Once the Nationalist government under Chiang Kai-shek came to power in 1928, members of Tianjin's banking world had to make arrangements with the Guomindang, now the ruling party. As the political center moved south to Nanjing, Shanghai became the leading financial center, and Shanghai banks began negotiating loans to the Nanjing government. Once the Japanese occupation of northern China began in 1931, China's financial system entered a period of international crisis. Bankers and the elite were no longer able to offer guardianship, forcing institutions to rely on state power. The Nationalist government managed to bring China's banking industry under its control and introduced the *fabi* as the state-controlled currency in 1935, until the Japanese invasion in 1937 forced banks, including those in Tianjin, to comply with the demands of the puppet state.

In the end, one wonders to what extent Chinese banks were capable of really creating "trust in troubled times." In his conclusion, Sheehan admits that patriotic rhetoric gave only a minimal boost to people's trust in banks during financial crises. Guardianship did not fare much better, because guardianship organizations funded by local elites lacked continuity and did not have enough resources to create a lasting impact. Risk-pooling organizations or joint clearing houses created by the banks themselves were more

successful in helping the banks survive financial crises. Much more efficient tools for establishing transparency and trust, however, were the banks' institutional initiatives, which included new regulations that required clients to maintain high reserves and supply collateral for loans.

In Sheehan's view, "the use of state authority as a basis for promoting trust showed the greatest change over the course of this period" (p. 180). The trend toward state control culminated in the Nationalist government's assuming control of the banking system and the money supply in 1935. While he was manager of the Tianjin branch, Bian Baimei repeatedly negotiated loans for the central and local governments, and he did not oppose the government's takeover of the banking sector in 1935. At the same time, after 1920, the influence of the local elite decreased. Sheehan describes in detail the often antagonistic relationship between members of the city's original upper class and the professional bankers, who largely came from outside Tianjin. Thus, the business elite that emerged during this time was far from homogeneous.

The story of banking in Tianjin between 1916 and 1937 demonstrates the growing trend of impersonal trust in money, which was, however, constantly threatened by the outbreak of new political and financial crises. Although personal networks did not completely disappear from the new institutional environment of modern banks, Sheehan's study shows that personal trust does not explain the success of the modern banking sector in Republican China. It would be interesting to know more about the reactions of individual bank customers to the initiatives taken by the banks and the government to create trust and minimize the impact of crises. One cannot but agree with Sheehan's observation that financial structures in Tianjin appeared to be "simultaneously resilient and fragile" (p. 181). On the whole, however, the social production of money and the creation of impersonal trust in its viability were initiatives of prewar China whose foundations were more fragile than resilient.

Elisabeth Köll is associate professor of modern Chinese history at Case Western Reserve University. She is author of From Cotton Mill to Business Empire: The Emergence of Regional Enterprises in Modern China (2003) and of several articles on Chinese business history and industrialization in the late nineteenth and early twentieth centuries. Her

current book project involves the study of the social history of the railway in China between 1895 and the 1950s.