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The Song Dynasty's Fiscal and Economic Policy and Its Social Economy

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Abstract

The fact that industrial and commercial taxation in the Song dynasty greatly exceeded agricultural taxation was unprecedented in previous dynasties. This is mainly explained by the Song government's financial and economic policy which was dominated by industrial and commercial taxation, made good use of the laws and characteristics of market relations and the commodity economy in business operations, actively stimulated consumption and was clearly utilitarian. Under this policy, the rulers, in pursuit of huge profits, used state power and mobilized various resources to implement a monopolies system and a commercial tax system, which, in turn, helped develop the commodity money economy, expanded the scale of market exchange and promoted the high degree of development of the commodity economy of the time. The financial and economic policy of the Song dynasty showed the unique advantages of the imperial state's intervention in the economy. It was this that distinguished the Song dynasty from other dynasties in terms of the prosperity of the commodity and monetary economy.

Keywords: Song dynasty, financial and economic policies, industrial and commercial taxation, stimulation of consumption, utilitarian thinking

Following the demise of the equal-field system and the *fubing* (militia) system in the mid-Tang dynasty, China's military system gradually changed from levies that integrated farming and military service to a *mubing* (mercenary) system. In order to cope with increasing military expenditures, there was a sharp rise in the position of monopolies and commercial taxes in fiscal and taxation policy. On its establishment, the Song dynasty had basically continued the financial system and policies of the late Tang period. "The Song dynasty mostly followed the financial system of the Tang dynasty. From the Tianbao reign period (742-756) onwards, the country had been troubled; the population had fallen, and rents and taxes dwindled. These changes meant that government revenue was not sufficient to meet expenditure. To address this problem, those who could increase gains for the government were easy to get promoted, and taxes were increased for many items."¹ However, the Song dynasty's industrial and

1 "Financial and Economic Affairs II (1): Accounting," p. 4347.

commercial taxes were much higher than those of the Tang. According to Han-Sheng Chuan's findings, "The highest total annual revenue of the Tang dynasty was only 52.3 million *guan* (1,000 strings of coin), whereas that of the Northern Song reached 150 million *guan* during the Tianxi period (1012-1021), about three times that of the Tang." "Compared to the annual revenue of two million *guan* in the eighth year of the Tianbao period (749), annual government revenue increased about thirty times over a period of more than three hundred years. Compared to the highest annual revenue of the Tang dynasty of 12 million *guan*, the highest annual revenue of the Northern Song was more than 60 million *guan*, or about five times as much." Out of all the Tang and Song taxes, monetary taxes made up only 3.9 percent of total annual revenue during the Tianbao period of the Tang, whereas under the Northern Song, they became ever more important, amounting to 51.6 percent of the total annual revenue in the second year of the Zhiping period (1065), i.e., to more than half the total. Chuan attributes this to three factors—the considerable population increase under the Northern Song compared to the post-Tianbao period of the Tang dynasty; the fact that production, consumption and exchange of goods in the Song dynasty were more highly developed than in the Tang; and the fact that there was a much greater supply of cash in the Song than in the Tang.² Chuan's pioneering research on industrial and commercial taxation in the Tang and Song dynasties contains an insightful discussion of the reasons for the increase of industrial and commercial tax revenue in the Tang and Song dynasties. But it was under the Song that the proportion of industrial and commercial tax revenue in total annual revenue was higher than that of agricultural tax revenue. Song revenue from industrial and commercial taxes was not only several times that of the Tang, but also greatly exceeded that of the Yuan, Ming and Qing dynasties respectively. In the late Ming, the annual revenue from commercial taxes, including taxes on salt and tea, was about 3.4 million taels of silver, accounting for about 13-15 percent of total annual revenue. In the 31st year of the Qing dynasty's Qianlong reign (1766), annual customs duties, salt and miscellaneous taxes combined accounted for nearly 30 percent of the dynasty's annual revenue,³ leaving room for discussion on the reasons for the dramatic increase in industrial and commercial taxes in the Song compared to the Tang. In imperial China, the proportion of industrial and commercial taxation in financial revenue and expenditure was a key indicator of the degree of economic development, so in discussing the reasons why industrial and commercial taxation surpassed agricultural taxation in the Song dynasty, we cannot help but address the issue of the impact of financial and economic policy on the high

2 Han-Sheng Chuan, "The Relationship between Annual Government Revenue and the Monetary Economy in the Tang and Song Dynasties," pp. 209-263.

3 Zhao Yifeng, "Power and Wealth: A Side View of the Changes in the Social Structure of the Ming and Qing Dynasties." For further details, see Chen Zhiping and Lin Feng, "The Commercial Tax System and Tax Amounts in the Early Wanli Period of the Ming Dynasty," pp. 396-413; Xu Tan and Jing Junjian, "Commercial Taxes in the Early Qing Dynasty." See also He Benfang, "The Commercial Tax System for Merchants in the Qing Dynasty."

level of socioeconomic development under the Song.⁴ The following is my opinions on the subject. I would be grateful if critics could put me right where I have erred.

I. Song Fiscal and Economic Policy: Shaped and Developed Mainly on the Basis of Industrial and Commercial Taxation

First, the early Song continued and developed the financial and economic policies that had been in place since the mid-Tang dynasty.

From the mid-Tang onwards, “Due to the annexation of the land inherited and distributed on a population basis, the *zuyongdiao* system (taxation system of payment in kind and labor) of levying taxes on goods such as grain and textiles was replaced by an agricultural tax collected twice a year in autumn and summer. Taxes were levied on almost everything: salt, iron, transportation, land purchases, grain purchases, minting of money, seedlings, monopolies, mercantile loans, and presents and donations.”⁵ The Song not only continued to implement the fiscal and taxation policy of the Tang dynasty, but also “levied taxes on all goods, from the mountains and the sea, and on commodities that had not been subject to taxation in the past.”⁶ In addition to salt, tea, and *jiu* (alcohol), taxes on items including alum, vinegar, spices and jewelry were newly incorporated into the monopoly taxes. The Tang gained little from taxes on foreign trade, but they became an important source of revenue under the Song. In particular, the monopolies on the sale of salt, tea, *jiu* and other commodities that concerned the people’s daily life were implemented much more forcefully. In the seventh year of the Taiping Xingguo period (982), Tian Xi presented a memorial to the Song Emperor Taizong, stating that: “The monopoly on the sale of commodities brings exorbitant profits.... By exorbitant profits, I mean that everything is done to increase the profit on distillers’ yeast and ensure that merchants overpay their taxes. If they do overpay, no one asks why; but if they underpay, the shortfall is severely punished. Tax revenue must be increased year-on-year, allowing no arrears or discount. To cover the country’s vast military expenses, taxes have to be levied and monopolies have to be instituted. The sources of revenue are being exhausted, but nothing has done to open new ones.”⁷

Ma Duanlin stated that the Song Emperors Taizu and Taizong “put down the border garrisons and withdrew all troops to the capital under the control of the central government. At that time, the tax revenue from all sources across the country was turned over to the center and its warehouses were full. With adequate supplies, the military was ready to act when

4 “Fiscal and economic” (*caijing*) generally refers to fiscal, financial and economic matters, but the discussion in this paper focuses on the fiscal policy. To a certain extent, however it cannot help but involve financial and economic issues, we applied the relatively broader notion of fiscal and economic.

5 Song Qi *et al.*, “Financial and Economic History I,” *A New History of the Tang Dynasty*, vol. 51, p. 1342.

6 Zeng Gong, “Policies of the Song Dynasty: Government Monopoly of Commodities,” p. 536.

7 Tian Xi, “Memorial to the Emperor Taizong,” p. 265.

necessary.”⁸ This shows that it was the government revenue resulting from the enactment of the monopoly policy that made it possible for the Song to implement the *mubing* system. It should be emphasized here that although the early Song followed and developed Tang’s system of monopolies, its industrial and commercial taxation was still only a supplement to the agricultural tax.

Second, the Song established a fiscal and economic policy based on monopolies and the taxation of merchants.

The Song Emperor Taizu was extremely proud of his policy of enlisting hungry people as soldiers in famine years, claiming that “Raising soldiers is the only thing that will benefit a hundred generations. In a famine year, some of the common people may rise in revolt, but soldiers will not; but in a year of bumper harvests, it is the other way round.”⁹ This state policy was taken as a standard by the Song. The process of recruiting men as professional soldiers during the Tang and Song undoubtedly placed unprecedented pressures on contemporary fiscal and taxation policy. The excessive expenditure resulting from raising more soldiers in order to reduce social instability aggravated these unprecedented financial pressures on the other hand. According to the *History of the Two Reigns* (of Song Emperors Renzong and Yingzong), “Since the establishment of the dynasty, there has been more than one way of recruiting soldiers. Local people were recruited into military units; young men with a military background were pressed into service; troops were replenished by recruiting those stricken by famine; and convicted criminals were conscripted. Thus the jobless and the rough and tough were all in the military.... This accounted for the largest proportion of the dynasty’s expenditures.... Other than the regular tax revenue, all revenue from taxes on mountains, marshes, passes and towns was spent on the military.”¹⁰ The total number of Song troops increased from more than 370,000 in the Kaibao period of Emperor Taizu to over 660,000 in the late period of Emperor Taizong, and it rose up further to over 900,000 in the Tianxi period of Emperor Zhenzong.¹¹ Thus if one were to say that the military enlistment system, born of necessity, was the main reason for the sharp increase in military spending, then sustaining these huge armies was the man-made cause of the fiscal imbalance in revenues and spending under the Song. This was one of the main reasons the Song government adopted the fiscal policy of balancing the books.

Soon after Emperor Zhenzong was enthroned, he issued an edict in the first year of the Xianping period (998), stating that, “The three Finance Ministries (also known as the State Finance Commission) shall manage revenue from salt, *jiu*, and taxes to cover annual government expenditures. No taxes on the populace are to be increased. At present, strict

8 Ma Duanlin, ed., “Military Studies IV,” *Wenxian Tongkao (History of Rules and Regulations across Dynasties)*, vol. 152, p. 4551.

9 Chao Yuezhi, “Sealed Memorials Submitted in Response to Imperial Edicts in the Third Year of the Yuanfu Period of Emperor Zhezong,” p. 16.

10 Ma Duanlin, ed., “Military Studies IV,” pp. 4555-4556.

11 *Ibid.*, p. 4558.

regulations shall be implemented to ensure that every year taxes remain the same as before.”¹² This edict was in fact a major adjustment to the Song government’s financial and economic policy, in that it made monopolies and commercial taxes the dynasty’s main source of financial revenue. “As revenue from the tax on agricultural land was not enough, monopolies were the chief source, and all profits from taxes on mountains, rivers, lakes, and cities, whether large or small, were to be turned over to the government, with the people being excluded.”¹³

As the Song taxation policy shifted its focus to monopolies and merchants, industrial and commercial tax revenue increased rapidly. According to the statistics of Zhang Fangping, from the mid-Jingde period of Emperor Zhenzong (1006) to the fifth year of the Qingli period of Emperor Renzong (1045), the tax on *jiu* increased from 4.28 million *guan* to 17.1 million *guan*; the salt tax went up from 3.55 million *guan* to 7.15 million *guan*; and the commercial tax rose from 4.5 million *guan* to 19.75 million *guan*. The revenue from salt, *jiu* and commercial taxes increased an average of 3.6 times in 40 years.

After the Northern Song and Western Xia dynasties signed a peace agreement in the fifth year of the Qingli period, there was no major war between them, but the Song still had 400,000 troops along its western border with the Western Xia. Given the Song policy of having a standing army, troop numbers kept increasing from 912,000 in the reign of Emperor Zhenzong to 1.259 million in the Qingli period of Emperor Renzong,¹⁴ peaking at about 1.41 million in the middle and later years of Renzong’s reign.¹⁵ This meant that military costs increased sharply; the redundant troops were an unnecessary expense, and the imbalance between income and outlays made for fiscal difficulties late in his reign.

Third, the monetization of finance became the primary item on the fiscal agenda after the mid-Northern Song.

When Song Emperor Shenzong put Wang Anshi in charge of reforms, financial affairs started to become the central item on the agenda of the Song government. Although the reformist Wang had lofty political ideals, the financial policies and measures that served Shenzong’s goal of “enriching the country and strengthening the military” were the central link in government affairs during the Xining-Yuanfeng period (1068-1085). The Seedling Law, Law on the Exemption from Military Service, Market Exchange Law and the expansion of the monopolies on salt, tea and *jiu* promoted and accelerated the centralization and full monetization of Song fiscal policy. The monetary policy of the Xifeng period lent strong support to the implementation of the new laws. The minting of copper coins, which had been the main form of monetary circulation since the early Song, grew thereafter, reaching its peak during the Xining and Yuanfeng periods of Emperor Shenzong. In the third year of

12 “Financial and Economic Affairs II (1): Accounting,” p. 4349.

13 Yuan Yueyou, “Emperors Explain Poetry, Literature and History,” p. 356.

14 Li Tao, quoted in Section “The Yimao Day of the Fourth Lunar Month,” p. 4333. See also Ma Duanlin, “Military Studies IV,” p. 4558.

15 Chen Fuliang, “The Song Military System,” *Military Systems across the Dynasties*, vol. 8, p. 479.

the Yuanfeng period (1080), 5.06 million *guan* were minted, over six times more than the 800,000 *guan* minted at the beginning of Northern Song dynasty. From the seventh year of the Xining period (1074) to the eighth year of the Yuanfeng period (1085), the amount minted annually averaged 4.5 million *guan*, and although this fell to 3 million *guan* during the reign of Emperor Huizong, that was still over 3.5 times higher than the figure for the early Northern Song. The amount minted annually averaged 2.8 million *guan* from the Yuanyou period of Emperor Zhezong to the reign of Emperor Huizong.¹⁶

According to the statistics, the revenue from the agricultural tax collected twice a year in autumn and summer accounted for about a third of the state's tax revenue over the ten-year Xining period. Except for the agricultural tax, most of the taxes were paid in cash, and even with the agricultural tax, a third was paid in cash; the Northern Song financial structure was thus highly monetized in the Xining period. At that time, industrial and commercial taxes accounted for two thirds of the tax revenue.¹⁷

The Song government's dominance of financial development was the only occurrence of state intervention or regulation of the economy in imperial China. Later, in the Shaosheng period of Emperor Zhezong and the Chongning period of Emperor Huizong, the Song followed the financial path blazed by the Xifeng reforms. Although Wang Anshi's reforms were rejected politically at the beginning of the Southern Song, the financial and economic policies of Wang Anshi and the late Northern Song were continued in the Southern Song, with redoubled vigor. This is quite evident in Chen Fuliang's review of monetary and taxation policy following the reign of Emperor Shenzong in the middle of the Southern Song:

Other miscellaneous levies were launched in the Xining period, including the overcharged levies on exemption from corvee, military service, etc. In the Yuanfeng period, more than ten kinds of taxes were launched including a tax on marketplaces, on price rises for salt and *jiu*, and on incense, alum, copper, tin, *jiu* vessels, scales, and monks and nuns. All these tax payments were turned over to the central government in indeterminate amounts, whereas now there is a quota. By the time of the Xuanhe period of Emperor Huizong, taxes on donations for educational purposes, grain purchases, and a good many other unnamed taxes levied by the Provisions Bureau were combined into the *jingzhi* tax, which is also a set quota today. In the Shaoxing period, more than twenty taxes were combined into the *zongzhi* tax including a seven percent real estate tax, a real estate purchase registration tax, a tax of five *wen* on *jiu*, as well as taxes on tea, salt, the hire of police and of able-bodied mercenaries, etc., in a quota up to the present. Finally, circuit-specific and non-circuit-specific *jingzhi*, fixed and non-fixed miscellaneous taxes for the court, military service tax, and *jiu* tax were all allocated to cover monthly spending, which is also a prevailing practice. In addition, countless ways were used to increase taxes, including allowing taxes to be paid

16 Gao Congming, *Studies of Currency and Currency Circulation in the Song Dynasty*, pp. 99-103.

17 Bao Weimin, *Studies on the Local Financial History of the Song Dynasty*, p. 318.

in installments, supporting reductions in the cost of grain, requiring loans to be repaid in cash instead of silk, increasing marketplace taxes, and supplying bureaucratic emoluments... Furthermore, the officials who had crossed the Yangtze River not only continued the taxes levied during the Xuanhe period, but also benefited from the *zongzhi* tax, the taxes collected to cover monthly military spending, etc.¹⁸

During the reign of the Southern Song Emperor Ningzong, Ye Shi criticized the Southern Song's ruthless extortion, stating that, "Since the government crossed the Yangtze River, taxes have been double what they were in the Xuanhe period. Never in history has government spending been as huge as it is today."¹⁹

In the Southern Song years, monetary revenue from the state monopolies on tea, salt and *jiu* and commercial taxes not only occupied the most important position in the state's fiscal structure and tax revenue, but were producing more and more. In the late Chunxi period of Emperor Xiaozong, the taxes on agricultural land collected in summer and autumn respectively had fallen to 20.4 percent and 15.3 percent of the total financial structure.²⁰

All this shows that the development of Song fiscal policy on the basis of industrial and commercial taxation is consistent with the fact that the share of monetary revenue in total Song revenue was first lower than, then the same as, and finally greater than the revenue from agricultural tax. This indirectly demonstrates that the policy played a key role.

II. Maximizing Monopoly Profits

In his comments on the *History of the Song Dynasty*, the Qing scholar Zhao Yi said that the Song dynasty had "exhausted the financial resources of the population, leaving nothing for them,"²¹ an observation that may be based on Zhu Xi's statement that, "This dynasty employs all the ancient methods of exploitation."²² This sort of "killing the goose that laid the golden eggs" was not limited to the agricultural tax;²³ the collection of commercial tax was no exception. From the fifth year of the Chunhua period (994), when the regulations of the commercial tax were developed, to the Emperor Huizong and the Emperor Gaozong, the rules on revising the regulations were changed from once a decade to once every half year. This illuminates the Song imperial state's greed for commercial profits, a topic that has been much studied and about which I shall not discuss it in detail.²⁴

18 Chen Fuliang, "Proposed Memorial on Guiyang Prefecture (II)," p. 268.

19 Ye Shi, "Essays: Financial Affairs (2)," p. 773.

20 Qi Xia, "Economic History of the Song Dynasty I," pp. 431-432.

21 Zhao Yi, "The High Salaries of the Song Dynasty's Officials," p. 560.

22 Li Jingde, ed., "Zhu Xi 7: On the Military," p. 2708.

23 See Wang Zengyu, "The Agricultural Tax Collected in Summer and Autumn in the Song Dynasty," pp. 117-144. The article was later included in the author's *My Knowledge of History*, pp. 335-380.

24 For more details, see Qi Xia, "Economic History of the Song Dynasty II," p. 980.

The reason the Song empire adopted agricultural and commercial taxation policies that almost drained its resources is that it could do so through the coercive or supra-economic use of state power, but such power was unable to completely monopolize the market. If the Song had totally relied on authoritarianism to enforce their monopolies, they would have been unable to maximize their profits from the market, and given that their monopolies were often pursued regardless of cost, this would inevitably have affected their extortion of wealth and profit. In fact, since the development of market exchange in the late Tang, areas of state monopoly had begun to introduce commercial and private factors in production, sales and distribution, that is, the state monopolies had become indirect monopolies.²⁵ When the Song dynasty came to power, the rulers already knew that pursuing their absolute political interests would be detrimental to their economic interests, so they turned to management, accounting, costs, profits, etc., to grasp specific economic interests and thereby achieve maximum political gain.²⁶ Ouyang Xiu said, “The right strategy for a major country is to encourage the large-scale development of commerce even at the cost of its own interests; this is the politics of taking less and producing more.”²⁷ Wang Anshi said, “In dealing with merchants, we should prevent them from being over-prosperous, otherwise many would leave their land; we also dislike their decline, which results in short supply. So we should pursue a policy of balance. In response to signs of overproduction, we should check merchants instead of punishing them; in handling underproduction, we should develop policy to encourage them instead of checking them.”²⁸ In the Shaoxing period, Emperor Gaozong said to his ministers, “The court’s land expansion is like private land purchase. If there is nothing to be gained, what is the use of securing the land?”²⁹ Their discussion is very like as the one recorded in the Preface to “Financial and Economic Affairs,” in the *History of the Song Dynasty* written in the Yuan dynasty, which states frankly that, “The governance of a big country is like the management of wealth by a giant merchant.”³⁰ This kind of discussion of financial and economic affairs in terms of mercantile operation and accounting was rarely seen before the Song dynasty, and was not found in the Yuan, Ming and Qing governments. Under the Song, the government’s economic functions gradually increased. In the Song, fiscal policy not only helped achieve the state’s political functions, but also became an important tool for government intervention and regulation of economic activity in society.

The Song government’s monopoly system was designed not only to gain exclusive profits but also to maximize interests. When the state monopolies were unable to maximize interests,

25 See Liu Yufeng, “The Development and Changes of the Monopoly System in the Tang Dynasty.”

26 Zhao Lisheng, “Several Mainstream Phenomena in the Land-Based Economy of the Northern and Southern Song.”

27 Li Tao, quoted in Section “The Yisi Day of the 12th Lunar Month,” p. 3070.

28 Wang Anshi, “A Letter Replying to Han Qiuren,” p. 1292.

29 Li Xinchuan, quoted in Section “The Yimou Day of the Seventh Lunar Month of the Sixth Year of the Shaoxing Period,” p. 1944.

30 “Financial and Economic Affairs I (1): Farmland,” p. 4156.

the government could cooperate with merchants. With the state exercising full control, the circulation of goods in the market guaranteed maximum profits and economic benefits. It was truly said that “If we wield economic power among merchants, we will not need to give orders, but will reap profits by the million without difficulty.”³¹

According to Qi Xia’s findings, there were five forms of state monopoly in the Song empire:

1) The form in which the feudal state controlled the entire process from production to transportation and sales. However, this system accounted for the smallest proportion of the monopoly system, as it was only used for part of the salt produced in Xiechi, Shanxi, and the salt produced by the state salt wells in Sichuan. 2) The second form is that the state did not directly carry out production, but only gave tea, salt, alum and other specialist households a certain amount of capital and then purchased all their products for sales by itself or by merchants. 3) In another form of monopoly, the state took control of the flow of products. This was the case of spices. The government did not produce spices but kept all or part of imported goods such in its hands by levying taxes in kind on import and export trade in coastal ports and by a loan system under the management of the Maritime Trade Office. Such goods might be resold to merchants for onward sales after being purchased by the Monopoly Goods Bureau. 4) In another form, the state did not control production or circulation, but allowed producers to sell their products to merchants to be sold. From the Jiayou period of the Emperor Renzong onwards, this form of free trade was applied to tea produced in the southeast, with the state levying tea rents from the producers and tea tax from the merchants. 5) In yet another form, the state was not directly involved in either production or circulation, but adopted a more stringent management system, thus ensuring its monopoly profits. The Cai Jing clique generally used this arrangement for tea and salt reforms and it was continued in the Southern Song dynasty.³²

These multiple forms of monopoly were essentially used when the empire could not hold an exclusive monopoly. The Song government learned how to use market relations and the laws and characteristics of the commodity economy, giving up part of the profits to achieve the purpose of maximizing the profits it secured.

This was not all; the Song government was outstanding in imperial China in recognizing the laws governing the market and the commodity economy. For example, during the Xining period, Wang Anshi’s reforms strengthened and expanded the monopolies on tea, salt, *jiu*, alum, etc., and either reduced or completely excluded the activities of big businessmen in these fields. With the monopolies on gold and silver mines and smelting plants and the minting of coins, the Song empire allowed varied forms of ownership. Some of the various forms of mining and refining different metals were managed or directly operated by state smelting agencies, and others were bought by private operators who sold the products of

31 “Financial and Economic Affairs II (4): Salt (2),” p. 4452.

32 Qi Xia, “Economic History of the Song Dynasty II,” pp. 901-902.

their mining and refining operations to the government by type.³³ Why the different policies? The difference arose because the reformists treated the major merchants differently from those engaged in mining and smelting. The former seized the profits from tea and salt, which essentially represented a high rate of commercial profit without a commensurate contribution to the production of these commodities. It was therefore thought necessary to “cut off the connection between the merchants and the producers or owners of the tea plantations and have the state enter into direct contact with the merchants to ensure the state’s monopoly on profits from tea.”³⁴ The most important feature of the Song dynasty’s salt licensing system also involved cutting off the direct link between the salt merchants and salt producers, dividing the one into two,³⁵ to maximize the state’s acquisition of the profits from salt.

The mining and smelting operators were different from the big merchants. Even the owners of large smelters were simultaneously the owners of large handicraft workshops and merchants who sold their products; they were closely connected with production. The reformists treated the big merchants and smelting operators with two different policies, thus ensuring the empire’s monopoly. The more the empire could relax its control over the mining and refining of metals, the more the industry could develop, and the more it developed, the higher the state’s mining tax revenue was, thus achieving the aim of raising revenue from this tax.³⁶

With regard to changes in urban taxation under the Song, Bao Weimin has pointed out that during the two Song periods, real estate was regarded as the main item of urban taxation and had a unique status. The Song government was often able to adjust its taxation system in response to changes in the socioeconomic landscape, and its ability to levy taxes on society was quite striking.³⁷ Li Xiao has stated that the tax contract system for government purchases introduced free, fair and open competition on a voluntary basis. The advanced nature of these arrangements is clear whether one looks at the improved efficiency with which government purchase funds were used and the reduction in financial expenditure, or at the improved commodity exchange relationship between the government and people and the reduction in the compulsory restrictions under which merchants labored and the economic losses they suffered.³⁸

III. The Fiscal and Economic Policy of Encouraging Consumption

From the fiscal and economic perspective, demand is the intrinsic driving force of economic development, and stimulating aggregate supply or aggregate demand are the areas where

33 “Financial and Economic Affairs II (7): Mining,” p. 4531.

34 Qi Xia, “Economic History of the Song Dynasty II,” p. 746.

35 Jiang Xidong, “The Licensed Salt Merchants of the Song Dynasty.”

36 For details, see Qi Xia, *Wang Anshi’s Reforms*, pp. 158-161.

37 Bao Weimin, “More Discussion of the Urban Tax System of the Song Dynasty.”

38 Li Xiao, “The Government Purchase System in the Song Dynasty.”

fiscal policy can play a role.

The personal or private consumption of the Song dynasty, as demonstrated by Han-Sheng Chuan, was much greater than that of the Tang. But the degree to which consumption under the Song increased over the Tang had much to do with the former's encouragement of social and personal consumption, as well as the increases in population, in the number of cities and in market exchange. I illustrate this below with the night market economy and alcohol consumption, beginning with the flourishing of the night market economy.

The night-time economy is a modern economic term denoting an important part of tertiary industry, including shopping, dining, entertainment, leisure, tourism and other types of operation and consumption. The "night markets" referred to in historical Chinese literature were very similar to today's "night-time economy." Although many scholars nowadays trace the origin of night markets in ancient China to the Han dynasty, or even to the Shang and Zhou, in the strict sense, night markets with all the characteristics of the modern night-time economy only existed in the Song, because the Han and Tang had strict systems of merchant household registration, regulated markets and separate market management,³⁹ and pariah. In the Yuan, Ming and Qing dynasties, especially in the late Ming and early Qing, the commodity economy developed rapidly, as did night-time activity. However, the Ming and Qing empires were different from the Song. First, the rulers of the former adopted the Neo-Confucianism of the Cheng-Zhu school as their official principle, encouraging temperance and abstinence at court and discouraging government from competing with the people for profits. Under their reigns, considerable restrictions were placed on government and individual consumption, whereas the Song dynasty was dominated by utilitarian thinking (as elaborated below). Second, the Tang dynasty imposed a strict curfew, saying that, "Night markets in the capital should be banned."⁴⁰ Pedestrians would be considered to have violated the curfew if they were found outdoors between the sounding of the evening and morning curfew drums. Those convicted of curfew violations would be "whipped twenty times unless there was an urgent public reason, etc."⁴¹ Like the Tang dynasty, the Ming and Qing had strict curfew laws.⁴² However, the Song did not have the curfew system current in those dynasties. In the third year of Qiande under the reign of the Emperor Taizong (965), a decree was issued, stating that, "No curfew should be imposed before 11 pm."⁴³ From the reign of Emperor Zhenzong (997-1022) onwards, shops could stay open throughout the night and the street drums no longer

39 Song Minqiu, "Cinandong Market," and "Cinanxi Market"; See Jiang Boqin, "An Judgment-Based Review of the End of the Tang Merchant Household Registration System."

40 Wang Pu, *Tang Huiyao (Statutes of the Tang Dynasty)*, vol. 86, p. 1583.

41 This was the Tang system implemented at the beginning of the Song dynasty. Dou Yi *et al.*, eds., "Miscellaneous Law: Curfew Violation," p. 418.

42 "Military Laws I: Guards of the Imperial Court," and "Military Laws II: Military Affairs," pp. 104, 115. See also "Military Laws: The Military," p. 326.

43 Li Tao, quoted in Section "The Renzi Day of the Fourth Lunar Month," in "The Third Year of the Qiande Period of the Song Emperor Taizu," p. 153.

warned of the curfew: “As the street drum no longer sounds, the position of night security guard ceased to exist.”⁴⁴ During the reign of Emperor Huizong (1100-1126) of the Northern Song, night markets expanded with the legalization of buildings affecting street traffic. From then on, night and morning markets were common in the Northern Song capital, Dongjing (today’s Kaifeng), enriching the life of the residents. Kaifeng and the Southern Song capital Lin’an (today’s Hangzhou), were metropolises with populations of more than one million. In Dongjing, “night markets were open until midnight, and the morning markets reopened at 3 am, so there was nocturnal activity until dawn.”⁴⁵ In Lin’an, “Except in front of the imperial residence, night markets were found everywhere... selling a variety of goods as if it were daytime. In lanes, byways and marketplaces, there was buying and selling, games of chance, taverns and entertainment facilities remained active until 3 am.”⁴⁶ There were also many night markets in the prefectural and county cities and towns under the Song.

The prosperous night market economy brought the Song government immense financial resources. According to incomplete statistics, taxes on *jiu* and tea generally delivered more than 20 million *guan* a year, of which the share of income from night operations was likely to have been no less than 30 percent. We conservatively estimate the overall share of the night-time economy in total Song fiscal and monetary revenue to be between 5-10 percent.⁴⁷

Another example is the alcoholic beverage or *jiu* consumption in the Song dynasty.

The *jiu* monopoly encapsulates the Song government’s consumption policy. Historically, in Chinese culture, Confucianism, Buddhism and Daoism advocated the prohibition of *jiu*. *Jiu*, being made from grain, directly affects the life of society, but unlike salt and tea, it is not a necessity of life but rather an optional preference. Therefore, the monopoly on *jiu* in antiquity was very different from the monopoly on salt and tea. Salt was a monopoly in the Warring States period, and this practice continued through the ages. After tea became a monopoly in the mid-Tang, the practice was continued in the Song, Yuan, Ming and Qing dynasties. The *jiu* monopoly began during the reign of the Han Emperor Wu, but lasted only thirty years at the time. From the Western Han onwards, during most of the Eastern Han, the two Jin dynasties, the Northern and Southern dynasties, the Sui and Tang and the Ming and the early Qing, the *jiu* taxation policy was relatively lenient. Because of the shortage of grain, all dynasties between the Qin and the late Qing, except for the Song, implemented a prohibition on *jiu* that applied both publicly and privately. The Song dynasty was the only one that had a monopoly on *jiu* from beginning to end. Not only did the dynasty refrain from banning *jiu* due to the problem of grain, it was also the only one to encourage *jiu* making and drinking. In the words of Lü Zuqian, “Their only fear was that people wouldn’t drink; their motives were very different.”⁴⁸ The aim of this policy of encouraging consumption was to maximize gains from the *jiu* monopoly.

44 Song Minqiu, *Court Events in the Capital*, vol. 1, p. 264.

45 Meng Yuanlao, “Decorations of Maxing Street,” pp. 312-313.

46 Nai Deweng, “A Record of the Capital: Markets,” p. 6.

47 Li Huarui, “Why Ancient Night Markets Were Most Prosperous in the Song Dynasty.”

48 Lü Zuqian, “Wine Prohibition,” *Detailed Commentary on the Systems of Dynasties*, vol. 6, p. 947.

The Song *jiu* monopoly was aimed at securing profits. At the time, *jiu* was sold mainly in towns, markets and fairs. Before the 10th year of the Xining period (1077), the Northern Song had 1,861 official *jiu* monopoly offices, most of which were concentrated in the city, with only a few located in market towns. According to local annals of the Southern Song, such as the *Annals of Lin'an* written in the Xianchun period of Emperor Duzong (1265-1274), the *Annals of Chicheng* prepared in the Jiading period of Emperor Ningzong (1208-1224), and the *Annals of Siming* compiled in the Baoqing period of Emperor Lizong (1225-1227), the Liangzhe *lu* region had 40 official *jiu* offices, of which only four were not located in the city, but were roughly ten *li* away from prefectural and county towns.⁴⁹ There were 72 grand restaurants that made and served alcoholic drinks in Kaifeng. And Lin'an, the Southern Song capital, was also full of government owned and private restaurants, with wholesale and retail outlets everywhere in the streets and alleys. These were the only capital cities in premodern China where the government encouraged *jiu* consumption and incentivized its sales.

“Filles de joie” included sing-song girls, girls kept by private families, official courtesans, and camp followers. In the mid- and late Tang dynasty, there was a kind of “drinking girl,” also called *jiu* courtesan, who specialized in entertaining guests with songs and dances during the meal. After the Song dynasty was founded, the ranks of singing and dancing girls kept growing, and they “were singing and dancing and playing music with their sweet smiles and voices in tea houses and restaurants.”⁵⁰ During the reign of Song Emperor Renzong at the latest, officials at all levels started to use official prostitutes to sell government *jiu*. In the Qingli period, the philosopher Li Gou went to Jiangxi to visit the statesman Cai Xiang. “It was spring and the camp followers were all selling *jiu* in the backyard.”⁵¹ This practice of making prostitutes boost *jiu* consumption was very common from the Xining-Yuanfeng period of Emperor Shenzong to the Southern Song. There were then dozens of official courtesans serving in each government *jiu* shop. In addition to using them to increase *jiu* consumption, the *jiu* shops also hosted games of chance to attract spending. “If *jiu* at official offices did not sell well in the long term, they invited people to play at games of chance in their premises. But that led to the evil habit of gambling, which was not right.”⁵² It is thus clear that the Song rulers used every means to increase *jiu* tax revenue, albeit those means were a mode of competition permitted by the historical conditions of the time.

IV. The Influence of Utilitarian Thought on Song Financial and Economic Policy

During the Ming and Qing dynasties, Huang Zongxi and Quan Zuwang compiled the *Schools of Thought of the Song and Yuan Dynasties*, which took the Neo-Confucianism of the Cheng-

49 Li Huarui, *Wine Production and Monopoly in the Song Dynasty*, pp. 142-146.

50 Meng Yuanlao, “Preface,” *Annotations to The Eastern Capital Kaifeng: A Dream of Splendor*, p. 1.

51 Author unknown, “Daoshan Qinghua,” p. 116.

52 Li Yuanbi, “A Handbook for Government Officials,” p. 21.

Zhu school as the mainstream orthodoxy. It was only in the 1980s, after Deng Guangming distinguished Song learning from neo-Confucianism, that Wang Anshi's New Learning received much attention and a view of this new learning as the official ideology of the Northern Song took hold. This was then systematically argued in Qi Xia's *The Development and Evolution of Song Learning*. So far, however, when it comes to academic thinking about the Song dynasty, the Neo-Confucianism of the Cheng-Zhu school is still considered the mainstream, especially among historians of Chinese thought. In terms of the development of the history of Chinese thought, Neo-Confucianism did indeed dominate Chinese thought in the post-Song, Yuan, Ming and Qing dynasties. Although the Cheng brothers, Zhou Dunyi, Zhang Zai and Shao Yong did not constitute a school of thought in the Northern Song, discussion of Song history cannot be founded on the view of historians of thought. In the past, academic thinking was largely confined to philosophical thought, while the influence of political thought on Song history was ignored. In his famous *History of Chinese Political Thought*, Xiao Gongquan divided the political thought of the Song dynasty into "the utilitarian thought of the two Songs" and "the political theory of the Yuanyou anti-reformists and Neo-Confucianists." The former deals with Li Gou, Wang Anshi, Chen Liang and Ye Shi, while the latter deals with Sima Guang, the "Three Sus," Shao Yong, the Cheng brothers, Zhu Xi, and Lü Jiuyuan. The utilitarian thought in Song can be explained in many ways. Xiao Gongquan believed that utilitarianism represented the revival of traditional Confucian engagement with the world and an orientation of political realism. The response of the utilitarians to foreign invasions and their adaptation to changes in the new environment made them the creative political philosophers of the Song dynasty. The American scholar Hoyt Tillman believed that, "compared to Zhu Xi's philosophy, Chen's assumptions are relatively similar to modern ideas in the West as well as in China; thus they provide more familiar ground for exploring seminal ideas in a critical period in the evolution of Chinese political philosophy."⁵³ This was one major reason for him centering a study on Chen Liang. Wang Anshi and Chen Liang, as the main representatives of utilitarian thought in the Northern and Southern Song, had in common the belief that morality and interests are united and cannot be separated. According to Wang Anshi, "To secure interests, morality and interests must be one, and morality must serve to secure interests";⁵⁴ in his view, financial reform was the highest form of morality. Chen Liang advocated that "Rule by virtue and rule by force are one, as are morality and interests."⁵⁵ The theory of morality and interests of the Yuanyou anti-reformists and Neo-Confucianists

53 Hoyt Cleveland Tillman, "Preface to *Utilitarian Confucianism: Ch'en Liang's Challenge to Chu Hsi*," p. 1.

54 Li Tao, quoted in Section "The Renchen Day of the First Lunar Month," in "The Fourth Year of the Xining Period of the Song Emperor Shenzong," p. 5321.

55 Deng Guangming believed that Zhu Xi misunderstood Chen Liang when he advised Chen to abandon "your theory of attaching equal importance to morality and interests and using both rule by virtue and rule by force." This misunderstanding was repeated in *Song and Yuan Schools of Thought* and in present-day research. See Deng Guangming, "Preface to the *Selected Academic Works of Deng Guangming*," p. 7.

emphasized that morality comes before interests. In his *Comments on the History of the Song Dynasty*, Shi Chen's statement in the Yuan that, "Morality was pursued at the expense of interests," is a perfect interpretation of the theory of morality and interests of the Yuanyou anti-reformists and Neo-Confucianists.

Although the extant Song literature is far more critical of utilitarianism than the reverse, and although the Yuan, Ming and Qing dynasties overwhelmingly rejected the utilitarianism represented by Wang Anshi and sang the praises of Neo-Confucianism, there is no doubt that utilitarianism prevailed most of the time under the Song: "Daoism flourished in the Song dynasty, but the dynasty did not put it to use; on the contrary, it was strictly prohibited."⁵⁶

The dominance of utilitarian thought was first reflected in the ideas behind Song financial policy. Emperor Shenzong's "Edict to the Secretariat-Chancellery" is a quite typical example of the empire's pursuit of utilitarian financial policies:

I have come to realize that officials' failure in financial affairs of the state is due to their sticking to outdated practices, which has led to total disorder: there has been a disruption in the flow of goods in the dynasty. I have therefore instructed the Prime Minister to respond to the matter and put a department in charge of weighing the pros and cons to consistently rectify the longstanding maladies in the interests of the country and the people.... However, to promote the interests of the country, we must pool the wisdom of all so that we can work out reasonable principles and accomplish our mission without difficulty. This will help explore more sources of wealth, making us rich and populous. I would like to order all officials at court who are well versed in financial affairs to give me detailed proposals.... I understand that it is necessary to reward people for their advice. Big rewards will be offered for workable proposals. I will reward everyone for their financial proposals accordingly.⁵⁷

As mentioned above, in the late Northern Song and most of the Southern Song, the utilitarian financial and economic policy that prevailed in the reign of Emperor Shenzong was continued, and the policy was also implemented in the assessment of officials at all levels. The assessment system was already mature in the Han and Tang dynasties. With the development of monopolies, the collection of industrial and commercial taxes had become one of the main daily duties of local officials. Making the ability to increase industrial and commercial taxes the basis for rewards and punishments and promotions and dismissals was systematized in the Song dynasty. In the time of Emperor Taizong, officials were required to complete assessment documents by reporting their performance in developing government markets and collecting industrial and commercial taxes. From the Chunhua period of the Emperor Taizong on, fiscal commissioners (circuit heads in the early Song) were required to fill in assessment forms

56 "Daoist Studies I," p. 12710.

57 Zheng Xie, "Edict to the Secretariat-Chancellery," p. 69.

reporting their financial balance.⁵⁸ During the Kangding and Huangyou periods of Emperor Renzong, at the request of Zheng Jian and Ye Qingchen who were in charge of the Three Finance Ministries, assessed officials were asked to report if they had met their “targets for gains or losses in taxes on salt, tea and *jiu*” and government shops were required to report “the grain they purchased from the public and the money they lent to peasants in the spring in return for repayment in silk in summer and fall.”⁵⁹ Tax targets set by the government were to collect a relatively stable amount of taxes. This practice began in the third year of the Chunhua period and extended from commercial taxes to taxes on *jiu*, salt, tea, etc. At the latest, in the sixth year of the Dazhong Xiangfu period of Emperor Zhenzong (1013), officials were already being assessed for how they had fared with their tax targets. These targets were not always the same but were adjusted in accordance with changes in industrial and commercial tax revenue; they were generally the average of the highest and lowest over three years, or the middle ground. At first, the highest commercial tax collected in the three years was made the annual target, but from the Xianping period onwards, the averaging method was generally applied for setting tax targets: that is, “The state established a long-term rule of using the averaging method.”⁶⁰ At first, the averaging method was based on a three-year period, but that was extended to a five-year period late in the reign of Emperor Renzong. This was done mainly to keep targets feasible. In the seventh month of the sixth year of the Dazhong Xiangfu period, Emperor Zhenzong issued an edict saying, “Officials managing taxes from the monopolies of tea, salt, *jiu*, etc., will combine them for annual assessment from now on by using a fixed quota for their tax collection. Shortfalls in the targets will be calculated, and chief prefectural administrators, controllers general, and the supervising official involved will be punished. Officials below the rank of controllers general will be exempted from punishment.”⁶¹ It can be seen that if a chief prefectural administrator failed to attain his tax target, not only the supervising officer but also the chief prefectural administrator and controller general involved would be punished. Of course, those who exceeded their targets would be rewarded. In the early Shaoxing period of Emperor Gaozong, in order to raise military expenses, Hu Meng, Deputy Director of the Bureau of General Accounts, asked the court to issue an edict ordering all circuits “to promote to higher positions those who collect more taxes than planned and report their performance in order to encourage high achievement.”⁶²

The assessed officials not only came from all levels of the Ministry of Revenue to the Department of Inspection and prefectures and counties, but also included state monopoly agents from all the tax offices.⁶³ *Jiu* offices, commercial taxation offices, tea factories, and

58 Xu Song, “Government Officials 59 (2, 4),” pp. 6123, 6123.

59 Li Tao, quoted in Section “The Wuchen Day of the Second Lunar Month,” p. 3984.

60 Xu Song, “Treatise on Financial and Economic Affairs, 30 (3),” p. 5320.

61 Li Tao, quoted in Section “The Xinhai Day of the Seventh Lunar Month,” p. 1842.

62 Xu Song, “Treatise on Financial and Economic Affairs, 64 (48, 49),” pp. 6123-6124.

63 Lei Chia-sheng, “The State Monopoly Agents of the Song Dynasty and Their Impact on the Economy.”

saltworks were the most basic tax collection units. Statistics show that in the ten-year Xining period, the dynasty had 1,861 official *jiu* monopoly offices,⁶⁴ more than 2,000 commercial taxation offices,⁶⁵ six tea taxation offices and thirteen tea factories. In the early Song, there were 28 saltworks in the Huainan region, and in the Southern Song, there were 66 saltworks in Huainan and Liangzhe regions.⁶⁶ As various production facilities and offices gained an increasingly important financial position in terms of Song dynasty revenue, tax targets became more and more detailed, so people in the Song said, “Now tea, salt and *jiu* tax supervisors have detailed regulations. Those who attained their tax targets are rewarded, and those who failed to do so are punished. People are not wood or stone, so everyone works hard.”⁶⁷

Impelled by Song financial and economic policy, society’s idea of profit-making changed greatly. Cai Xiang said, “Everyone wanted to be rich, so peasants, merchants, and workers all worked hard day and night to make a profit.”⁶⁸ Sun Sheng even said graphically, “Urban residents worked day and night, so that goods flowed freely and all kinds of products were circulated in the countryside.”⁶⁹ This was even truer of the Southern Song, where “Everybody bought and sold, fighting to the death over a farthing.”⁷⁰ In the comments following the “Biography of Wang Anshi,” the compilers of the *History of the Song Dynasty* quoted Zhu Xi as saying “they rushed to develop goods and weapons,” in a rejection of Wang’s reforms. In fact, Zhu Xi’s remarks are a true reflection of the financial and economic policy implemented during most of the 320 years of the Song dynasty.

V. Concluding Remarks

The economic development of the Song dynasty has been highly praised by overseas scholars since the beginning of the 20th century. For example, the Japanese view of Tang and Song reforms sees the Song dynasty as the beginning of the pre-modern period of Chinese history, and European and American scholars have developed the theory of “the Song dynasty’s economic revolution.” Scholars in Chinese mainland and Taiwan believe that Song economic development and production technology made it the most prosperous of all agrarian societies and regard it as the highest point in the “two saddle-shaped curves” (ups and downs) in the history of the imperial Chinese economy. Although some scholars have questioned the word “revolution” in the theory of the dynasty’s economic revolution,⁷¹ there is an overwhelming

64 Li Huarui, *Wine Production and Monopoly in the Song Dynasty*, pp. 325-341.

65 Xu Song, “Treatise on Financial and Economic Affairs, 15, 16, 17 (1),” pp. 5063-5088.

66 See Guo Zhengzhong, *Economic History of the Salt Industry in the Song Dynasty*, pp. 103-105.

67 Hua Zhen, “Letter to Li Longtu, Transport Agent of the Western Capital,” p. 304.

68 Cai Xiang, “Five Precepts of Fuzhou,” p. 193.

69 Li Tao, quoted in Section “The Xinsi Day of the First Lunar Month,” p. 9612.

70 Yue Ke, “Two Old Gentlemen Looking at the River,” p. 22.

71 Li Bozhong, “‘Selecting the Essentials,’ ‘Bringing Them Together,’ and the ‘Agricultural Revolution in Jiangnan in the Song’: A Review of Traditional Economic History Research Methods.”

consensus in the field of economic history that the Song social economy represents a peak in imperial China. How did this come about? Most scholars have discussed the issue in terms of productivity improvements, the development of the commodity economy, the fiscal state, the development of market exchange and changes in institutions. These are undoubtedly highly significant for understanding the motive forces and causes of Song socioeconomic development. However, they do not answer the question raised at the beginning of this paper: why was it that the Song was the only dynasty in imperial China in which non-agricultural taxation greatly surpassed agricultural taxation?

It should be emphasized here that past studies have tended to criticize and reject state intervention in the economy, especially with regard to the fiscal policy of the empire. In past times, such views were couched in terms of morality and ethics; and in modern times, in terms of the theoretical approach that saw the imperial state as obstructing the development of the commodity economy. Of course, the imperial state did impose tax monopolies and ruthlessly maximized profits and the rate of exploitation, thus increasing the burden on ordinary people; and a great part of this enormous fiscal revenue went to maximizing the material comforts of the imperial house and the bureaucratic class. This is all undeniable. However, historical development often does not depend on human will, and the ethics or theories of the past need to be re-conceptualized from an objective historicism.

From the mid-Tang to the Song, the commodity economy and market exchange developed rapidly. This was certainly closely related to the improvement of productivity, but why did the commodity and monetary economy start to develop after monopolies were imposed in the mid-Tang dynasty?⁷² Could it be that the mid-Tang was the boundary marker for the Tang level of productivity? From the mid-Tang onwards, the dynasty was embroiled in incessant wars. Why was there a sudden great increase in its productivity, leading to the rapid growth of the commodity and monetary economy? Even though scholars have reached a consensus on the fact that Song productivity had increased significantly compared with the Tang dynasty, why was it that the new agricultural tax collected twice yearly failed to meet the financial needs of the state? It is well known that prior to the Industrial Revolution, productivity was developing and improving slowly, but especially under conditions of strict imperial control, qualitative changes in the social relations of production were still what's termed "sprouts" even in the late Qing dynasty. In fact, in imperial China, "the policy of free trade was only partial, short-term, superficial and accidental, whereas monopoly was long-term, all-inclusive, essential and absolute. This is the main characteristic of the traditional Chinese social economic structure."⁷³ Thus the Tang and Song rulers, in pursuit of huge profits, used the power of the state to mobilize all kinds of resources to impose monopolies and commercial

72 See Jin Baoxiang, "The Characteristics of the Feudal Economy of the Tang Dynasty after the An-Shi Rebellion." This paper was included in his *Collected Papers on the History of the Tang Dynasty*, pp. 250-311.

73 Guo Zhengzhong, "From Pre-purchase with *Feiqian*/Bank Drafts to Tax Monopolies: How Tang and Song Monopolies Restrained the Capital of the Tea Merchants."

taxes which subjectively and actively promoted the development of the commodity and monetary economy and expanded the scale of market exchange. All this cannot but be an important factor in the development of the Tang and Song commodity economy, one to which historical research should be attentive.

This paper explores the issue in four areas, showing that the way Song non-agricultural tax revenue surpassed its agricultural tax revenue is inseparable from the dynasty's financial and economic policy. This policy, unique in imperial China, made industrial and commercial taxation the main source of revenue; it was well managed, stimulated consumption and was clearly utilitarian. Given that fiscal revenue and expenditure largely reflect the level of socioeconomic development, the development of industry and commerce in the Song dynasty can be seen as unparalleled in the Han and Tang dynasties, and not easily surpassed by the Yuan, Ming and Qing.

First of all, state-supported government enterprises (farms, businesses, and handicrafts) under Song were massive and important, arguably larger than those of the Han, Tang, Ming, and Qing dynasties respectively. A large number of people worked in government handicrafts, with a fine division of labor. "The business form of government enterprises presents multilevel and diversified characteristics, and private sector business forms, such as contracting, leasing, renting, lending, and partnership, were implemented in government enterprises, which adopted some of these forms even before the private sector did. Diversification of business methods made government enterprises more dynamic.... Not many raw materials in the government handicraft industry were directly funded by the twice-yearly agricultural tax; in addition to official taxation, fair dealing, different forms of requisition, and temporary tax increases, which were closely connected with the market, played an important role. Many large merchants in the Song dynasty were engaged in economic activities related to government monopolies or goods required by government, such as tea, salt, *jiu*, gold and silver, plain cloth, silk and grain, and government and private enterprises were interlinked."⁷⁴

Second, in order to meet the huge consumer demand, the Song government used the enormous financial resources it collected from monopolies, commercial taxes, the twice-yearly agricultural tax and government industry and commerce to buy goods from the people. "The government uses money to buy things from the people. Forty percent of the country's tax revenue is spent on maintaining public order, and the rest on purchasing grain. The government has to use money to buy all the materials and tools it wants."⁷⁵ The large scale of government purchases, the influence of this practice, the number of participants in this process, and the complexity of business relations arising therefrom cannot be compared with those of any previous era.⁷⁶ This drove monetary circulation. "The court, the populace, the

74 Wei Tian'an, "Preface to *History of Government Enterprises in the Song Dynasty*," pp. 8-9.

75 Zhou Xingji, "Proposals: Memorials to the Emperors," p. 4.

76 See Li Xiao, "The Government Purchase System in the Song Dynasty."

prefectures and counties and the merchants all mainly use cash for their respective purposes. As a result, monetary transactions are a hundred times higher than before.”⁷⁷ This also provided conditions for the formation and development of commercial capital. In the bulk trade in tea and salt, a number of big salt merchants with a large amount of capital emerged, and money certificate exchanges in the capital and elsewhere made a fortune by monopolizing money certificates for tea and salt. These businesses became representatives of commercial capital. To a large extent, both government and private enterprises transacted their business through the activities of the merchants who lived off the huge expenditures of the state. “Maritime merchants deal with pearl and jade or rhinoceros horns, while land merchants handle either salt and iron or tea.”⁷⁸

Third, Song fiscal and economic policy made a major contribution to the significant changes in the composition of market commodities. At the time, there were goods on which commercial tax was levied, but also “goods for the daily use of the populace” which were not subject to the commercial tax. The latter included rice, wheat, millet, vegetables, beans, fruit, fish, pigs, boars, chickens, ducks, hemp, paper mulberry, agricultural tools, *jiu*, salt, tea, *xin* (blocks of firewood), etc., as well as paper, fans, bamboo, wood, rush mats, oil, charcoal, *jiu* yeast, cloth, silk wadding, cattle, *chai* (firewood twigs), flour and mats. As Fu Zhufu said, trade changed from the original commerce, based on the transportation of luxury goods, to large-scale commerce based on the trading in the daily necessities of the residents. In the Song dynasty “commerce no longer served a few rich people, but became large-scale commerce supplying goods to the general population, which was in the nature of a revolutionary change.”⁷⁹ The painting *Riverside Scene at Qingming* by the Song artist Zhang Zeduan fully illustrates the bustling life of consumers in the capital city of Dongjing during the reign of the Northern Song Emperor Huizong.

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77 Quotation from Ye Shi, “Money Studies (2),” p. 256.

78 Li Xin, “Letter to Judge Wang,” *Selected Works of Kua’ao*, vol. 20, p. 563.

79 Song Zhufu, *Economic History of Feudal Society in China*, vol. 5, p. 2.

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