Chapter 3

The Lianghuai Salt Syndicate

On November 9, 1617, Yuan Shizhen, an official from the Ministry of Revenue, arrived in Yangzhou to clear the backlog of salt certificates. He was not the first senior official sent to reform the Lianghuai salt monopoly, nor was the problem new. But he would create the syndicate system [gangfa] and change the salt trade irrevocably. The syndicate system, with which his name was associated, would last until 1850, granting hereditary and exclusive rights to trade in salt to wealthy merchants. In exchange, these merchants agreed to pay the salt tax as their hereditary and exclusive obligation. In essence, the Ming government abolished what could have become a market for public credit and turned the Lianghuai salt monopoly into a field for tax farming.

Redemption Delays

Out of an annual silver revenue of four million taels, the surplus-salt silver from the Lianghuai Salt Administration accounted for 600,000 taels. Since 1522 the government had been surprisingly successful in sustaining this source of revenue, as seen in Chapter Two. Despite corruption and inefficiency, as long as frontier merchants sold their granary notes or salt certificates to interior merchants, who redeemed these certificates for salt, the Ming government could levy the surplus-salt silver tax on every certificate. The Achilles’ heel of the salt monopoly was the lag-time between selling the certificates and redeeming them for salt. As long as the government recognized that the salt certificate represented a debt in grain to be paid in salt, it accepted its obligation to deliver the salt. But since it was easier to print salt certificates than to produce salt, the government began over-issuing certificates, which created a

---

1 Yuan Shizhen 袁世振, “Hubu tixing shi yi shu 戶部題行十議疏 [Memorial by the Ministry of Revenue on Carrying out Yuan Shizhen’s Ten-point Proposal]”, in his Lianghuai yanzheng shuli chengbian 兩淮鹽政疏理成編 [A Comprehensive Record of My Reform of the Lianghai Salt Administration], HMJSWB, 474:1a–1b, p. 5203. The Lianghuai yanzheng shuli chengbian was a selection of memorials and letters concerning the establishment of the syndicate system. The compiler was none other than Yuan Shizhen himself. It was in turn preserved in HMJSWB, vols. 474–477, pp. 5203–5258. Here Yuan mentioned that Lianghuai’s contribution was 680,000 taels, but in most Ming officials’ memorials, the figure was 600,000.
backlog and caused redemption delays. Prioritizing certificates to allow more recent issues preference was frustrating to earlier buyers, who already had been waiting, as happened with reserve stock salt, cost-paid salt, and river salt certificates. When certificate holders could no longer afford to wait to redeem their certificates for salt, they were forced to sell them to minimize their losses. Some certificate holders went bankrupt, some got rich, and many certificates changed hands, while the government’s debt in grain remained, waiting to be honored with salt.

The government’s redemption capacity was restricted by the amount of salt it had on hand, and saltern household registration was compromised by the lack of government financing and the influx of merchant capital. It was difficult for the government to maintain its salt production quota, never mind increasing it. By issuing salt certificates without the salt to back them, the Lianghuai Salt Administration created an ever-lengthening redemption queue.

This chapter deals primarily with government measures to clear the queue, and the fundamental changes that occurred as a result.

In hindsight the Ming government either should have refrained from issuing certificates, or increased salt production and improved its delivery system. Instead it chose to tax in advance [jiezheng or yuzheng], i.e., to collect the surplus-salt silver for certificates not yet redeemed. The old practice was such that the storage yard salt was meant to be drawn by merchants in allotment, so that their certificates could be redeemed and the surplus-salt silver collected. But the government decided to collect the tax on these certificates in advance, before their allotments were due. When all of the storage yard salt had been taxed in advance, the government took to “taxing in advance on empty certificates” [jiezheng kongyin], i.e., collecting the surcharge on certificates for which the salt had yet to be loaded into the storage yard.

Lu Bao, the salt tax eunuch in Lianghuai from 1599 until his death in 1612, issued 80,000 salt certificates beyond the annual redemption quota of 705,180. For all his alleged misconduct, Lu Bao did not invent the practice of taxing

---

2 Since it took years for merchants to deliver grain to the frontier and then journey to the Salt Administration to apply for certificates, “current” certificates were not those due in the current calendar year. Therefore, when the government taxed in advance, it did not tax certificates due in future years, but certificates that were not backed by any storage yard salt.
