

# Tea war: A history of capitalism in China and India

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*Tea War* offers a radically new perspective on the ways in which we might write the history of capitalism 'at the edges of European empire, in colonial Asian societies often seen as incapable of modern growth' (p. 14). The tea industry was organized in completely different ways in China and India, as Liu shows in the first part of the book, but what holds the reader's attention, beyond those differences of ownership and organization, is his argument about their commonality as sectors of capitalism that he calls 'labour-intensive capital accumulation'. In Assam, where the bulk of the labour force consisted of migrants from other parts of India, physical and legal coercion played a major role in keeping wages low to offset the impact of falling tea prices. Here tea was produced on plantations run by British capital, and the great majority of tea companies were sterling companies, that is, firms floated on the London Stock Exchange. In China, foreign capital bore an altogether more distant relation to the industry, since foreign buyers depended on supply chains that were controlled by a handful of domestic firms based in Shanghai (by the 1930s, just 14 of them). The Huizhou and Fujian tea merchants who, crucially, were financed by those coastal firms fought a losing battle against the competition of Indian and later (certainly by 1900) of Ceylon tea. Here coercion played a less obvious role than a set of methods broadly reminiscent of Taylorism, since the tea factories sought to sustain productivity by methods geared to measuring the amount of time needed for each task and by the use of piece rates.

What connects the twin parts of Liu's story (Assam/China) is competition. He sees the rapid growth of tea from the 1860s as part of a 'decisively modern competition between capitalist industries'. Thus *Tea War* argues that 'capitalism is not to be imagined as an inflexible path towards the English model but rather as an abstract dynamic' (p. 15), that is, a set of laws of motion where it is the accumulation and competition of capitals that tell us what capitalism is and how it works, *not* the presence or otherwise of free labour. This is a theoretically sophisticated history, constantly aware of the categories it uses, but of course also solidly grounded in the sources.

After a brief introductory chapter where he sets the stage by foregrounding the role of external demand in triggering the expansion of Chinese teas, in Chapter 2 Liu turns to the way production was organized in the Chinese industry. Over the course of the 19th century merchants became more involved in tea production, till finally they themselves 'undertook nearly full responsibility for the design and management of production' (p. 50). In Huizhou, the cultivation and plucking of tea was left to rural households while the merchants 'developed tea factories of increased scale and complexity' (p. 56). By contrast, in the Wuyi Mountains where large amounts of capital were poured into the business, merchants 'oversaw the entire process from cultivation to packaging' (p. 59). Yet, regardless of these differences, the inland merchants were simply agents for a more substantial layer of capital known as 'tea warehouses' (*chazhan*), and agreed to operate and manage the tea factories as part of supply contracts with the latter (p. 57). It follows that as the volume of production grew rapidly in the mid to late 19th century, the lines between merchant and industrial capitalism were *blurred*, 'defying any tidy categorization between premodern and modern patterns of capital' (p. 58). Liu's special focus here, however, is on the ways the inland merchants organized production to exact maximum intensity of labour. In the absence of mechanization, this was achieved by merchants and overseers exerting 'an exceptional degree of managerial discipline over workers' (p. 79), with roasting and other

operations regulated by measures of time linked to traditional timekeeping devices (notably, incense sticks), factory managers aware of the precise movements involved in, say, roasting tea, and 12-hr shifts worked at swingeing levels of intensity to ensure both speed and coordination. Thus, the Huizhou overseers achieved their own approximation to 'standard times' in a context where the meaning of the word 'industry' had less to do with machinery than with the regulation and control of labour in settings that Joan Woodward (1965) would probably have described as 'large batch production'.

Chapter 3 turns to Assam and to how the liberal assumptions of classical political economy were progressively abandoned as capitalists sought to build a tea industry from scratch in a region where local communities simply refused to be recruited into the tea gardens and government intervention proved indispensable to the success of private enterprise. Liu suggests that 1857 triggered the cultural turn of the colonial state, with its overt defence of indentured labour now bolstered by racial stereotypes and a growing recourse to 'non-market solutions' as pro-indenture arguments became widely accepted in the 1860s and 1870s. In 1865 officials legalized *penal labour contracts* that 'prevented migrant workers from leaving employers under threat of prosecution' (p. 82), and in 1882 the terms of indenture were increased from three to 5 years. Liu is of course right to foreground the sheer coercion that characterized the Assam industry and also its undermining of the liberal abstractions of political economy, but those abstractions were simply that—criminal prosecution for breach of contract was *still* an integral feature of industrial relations in England as late as the third quarter of the 19th century (Steinberg, 2010; Steinfeld, 2001), and it seems odd to describe master and servant law as 'archaic' (p. 20) when it was both ubiquitous and pivotal to British capitalism's 'project of creating "free" labor' (Hay & Craven, 2004, p. 42), especially in the 19th century.

Chapter 4 deals more centrally with the major transformations that stabilized tea capital in eastern India as close to a million indentured workers arrived in Assam and acreage, production and exports were all expanded to make India the global leader. The watershed here was the entry of a new, more organized type of capital. Once 'tea mania', part of the massive wave of banking and commercial speculation that spread across the world in the early 1860s, had passed, the Assam industry was reorganized by the managing agencies. As Liu says, 'tea mania cleared the path for the eventual colonization of Assam by a concentration of highly capitalized, British-backed entities known as managing agency houses' (p. 122). These were described at the time as 'very large concerns managed through paid agents'. By 1875, 56 of 66 tea companies were managed or owned by an agency house (p. 123), and by 1914, the tea companies 'fetched £22.6 million of investment from British and Indian stock exchanges, numbers that swamped those of competing industries' (p.126). In short, '[t]he story of Assam tea makes clear that *metropolitan* capital actively funded the rise of *colonial* labor indenture' (p. 127; *italics his*). And although the rolling, drying and sifting of tea were eventually mechanized, Liu suggests that the brunt of the planters' competitive efficiencies fell less on the introduction of machinery than on a general drive to effect savings through 'economy even in the smallest details of working' (as one planter described it), that is, to streamline production, and even more crucially on various strategies for labour intensification that are discussed at length in the rest of the chapter. Whole families were attached to the production of tea (p. 141), so that the reproduction of labour power was subsidized by the very women who worked on the plantations; 'coolies' were routinely flogged; payment systems were designed to increase workloads, and so on. Charles Dowding, a clergyman, is quoted as saying that planters paid less than half the market rate for workers (p. 131), and his eyewitness evidence is cited to note that the tea gardens featured a 'machine-like organization'; 'to supply leaf to that machinery the *whole garden must be worked at high pressure*' (p. 147).

Chapter 5 moves back to China and explores the way society at large became progressively disenchanted with the role of merchant's capital. Much of the story here is about how Chen Chi, author of a widely circulated memorial on tea dating from 1896, framed the issue of China's loss of competitiveness in this major branch of industry. The thousands of export merchants known as 'compradors' had, on one estimate, earned over 530 million silver taels in the half century after the first Opium War (p. 159). That would have been equal to, say, £84.7 million at the 1894 exchange-rate. It is these men who controlled the capital of the tea trade and who were by far its biggest and most visible beneficiaries. But by the end of the 19th century, with Assam and Ceylon teas inflicting major losses on the big merchant groups in China, the impact of international competition began to be reflected in official circles as well,

for example, in Zheng Guanying's notion of global competition as 'commercial warfare' (*shangzhan*) (this in 1894) and his view that 'if we focus only on commerce without manufacture ... we would still be throwing away our profit for others to grow richer'. The argument here was for a combination of commerce and manufacture (p. 167). For his part, Chen Chi likewise exhorted tea merchants to integrate commerce with production and invest in labour-saving machinery. Chen identified efficiency of production as the key to competitive success (p. 184), arguing for the need to *vertically integrate* tea production with commerce (p. 172). 'The tea merchants and mountain peasants will be entirely united and coordinated', so said one of the memorial's 'crucial lines'. Liu himself suggests that this vision of a vertically integrated industry was equivalent to 'a vision of Chinese merchants behaving like the industrial (sic) tea capitalists of British India, overseeing every aspect of cultivation, manufacture, processing, packaging, and transport' (p. 174), but to me this seems at least mildly problematic on two counts. It is unlikely that Chen had a plantation model in mind for China, given the widespread deracination that that presupposed. And I have argued elsewhere that the conventional view of the managing agencies as embodiments of *industrial* capital is seriously misleading (Banaji, 2020, p. 72).

In any case, it is interesting that as the country's tea industry plunged into crisis by the end of the century and Chinese merchants began to be denounced as 'unproductive' parasites, the actual solutions proposed by reformers like Chen 'were still ostensibly merchant centered' (p. 186). This 'sway of commercial capital', as Kathy Le Mons Walker (1999) describes it in *Chinese Modernity and the Peasant Path*, continued well into the 1930s. It further underscores Liu's argument that in China capitalism was very largely 'organized through merchant groups rather than powerful factories' (p. 186).

In part 2 of the book, Liu reframes the discussion through the lens of the political and intellectual critiques that were directed against indentured labour (in India) and comprador capital (in China). In Chapter 6 he turns to Ramkumar Vidyaratna's Bengali novel *Sketches of Coolie Life* (1888) to show how the pervasive violence that characterized life on the plantations (throughout Asia, of course) became a powerful trope in nationalist critiques of imperial rule. Vidyaratna 'had lived for years among migrant workers on the Assam tea plantations' and his descriptions struck a raw nerve among both planters and, it seems, the 'Indian clerks, lawyers and agents employed by the tea companies' (p. 205). Planters remained firmly wedded to indenture and 'resisted abolition kicking and screaming' (p. 197). The feature that attracted them most in the penal provisions, viz. a *private* power of arrest designed to combat desertions and unlawful absence from work, was also what Bengal-based nationalists trained their guns on. They were appalled that planters had the power 'to immobilize practically the whole labor force' (Mohapatra, 2004, p. 477) and obstruct what they saw as the essential guarantee of the freedom of individuals in a market society, namely, the mobility of workers. The plantations were also emblems of a racialized capitalism and Liu spends much of the chapter unravelling the dense symbolic charge (in *Sketches*) of women workers concurrently subjected to sexual violence, racial oppression and economic control, drawing on the work of feminist historians Samita Sen and Tanika Sarkar. 'Coolie nationalism' was clearly overdetermined, subsuming multiple contradictions that young Brahmos like Vidyaratna were probably barely conscious of. In the end, 'Bengali nationalists assimilated the struggle for the emancipation of Indian labor into the broader struggle for the development of Indian capital' (p. 227), *naturalizing* both wage labour and capital.

Chapter 7, in some ways the most interesting, turns to various attempts to modernize and reinvigorate the Chinese tea industry associated with figures like Lu Ying and Wu Juenong. The background was the collapse and eventual crisis of the industry in the face of global competition. In the 1860s, tea had represented over 60% of the Qing Empire's earnings from overseas exports. 'By the 1930s, that number hovered around 5 percent' (p. 232). Wu Juenong, in particular, was a seminal intellectual figure. 'His lead essay "The Agrarian Question", published in *Eastern Miscellany* ... represented perhaps the first usage of the phrase in Chinese' and was later even distributed by the young Mao Zedong (p. 241). But more importantly, the valuable, field-based surveys that he and his team of agronomists conducted in the tea districts around the mid-1930s were the first serious investigations to unearth the 'bonds of commercial and financial dependence' that spanned the industry (p. 233). Many former compradores had established their own firms in the treaty-ports by the 1880s (p. 235), and Wu seems to have seen the tea warehouses of the

early twentieth century as lineal descendants of those groups. It was this layer of capital that financed the tea factories run by the inland tea houses and that kept close ties with both foreign traders and banks (p. 242). Liu correctly notes that we are dealing with a circulation of *capital* here, not a series of random commercial exchanges of the kind that might make up the web of 'simple circulation'. 'Each warehouse was expected to lend out between one and four million *yuan*, but the warehouses themselves were not heavily capitalized' and depended on loans from the Shanghai banks or local native banks (p. 248). '[T]he warehouses held all the cards ... They monopolized market information, they owned the factories' debts, and they handled the factories' stock. "The function of the loan is not simply to claim interest," Wu Juenong noted. "*It also allows them to control the distribution and sale of tea leaves, such that all of the factories' power to sell is monopolized by the warehouses*"' (p. 250, italics mine). The distinction implied here is of course pivotal to the whole analysis (for example, when *banias* in Sind used moneylending to amass stocks of grain, they did so as merchants who sold the grain on to firms like Rallis and Volkart, *not* as moneylenders obsessed with the return on loan capital; see Cheesman, 1982). And finally, Liu brings much of the same analysis into play in a concluding section that looks at the 1936 strike by the 'fourteen most powerful tea warehouse firms in Shanghai' against a government plan to revive the tea trade by having the modern banks finance the inland factories at a hugely subsidized rate of interest. In retaliation, the big tea merchants threatened to 'cancel the value of all their issued credit, bankrupting the entire tea trade if the government did not relent' (p. 267). The government backed down, which leads the author to conclude, '[t]hose fourteen Shanghai firms demonstrated to observers that they were as powerful as the Chinese government itself' (p. 270).

This is a rich and fascinating study that extends our notions of capital accumulation to vast regions of the world economy that conventional Marxist accounts find it hard to integrate in a coherent way. And although we are not told whether the tea warehouses formed part of the wider, more powerful network known as the 'Chekiang group' which, Coble (1979) tells us, 'cut across business lines and linked compradors, native bankers, industrialists, merchants, shippers and modern bankers', it forms a useful complement both to Coble's (1980) monograph on the Shanghai capitalists and to Kathy Le Mons Walker's (1999) study of merchant capitalism in Nantong.

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