

Railway Finance and National Credit: A Study of Chengdu-Hankou Railway Protect Crisis as a Center

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Abstract

The Revolution of 1911 leading to the collapse of the Qing Dynasty started with the Railway Project Crisis (1911, May) in Sichuan Province, the studies of which have focused on the political and economic game of railway project and reserved capital between both factions, i.e. constitutionalist and revolutionaries, and the Qing Government, but there are a few of researches from the financial point of view, especially, from the perspective of national financial credit as the starting point. In the final analysis, the game interaction between national capital and private capital aims to control the railway monopoly resources. The awakening of national self-awareness of rights, the struggle of local-central power and profits segmentation as well as the magnification of the consciousness of ethnic group all were connected through the new thing of railway finance. The join force from each faction was formed under the private capital financing, with the slogan of breaking the agreements and railway project protection, the vested interest groups were attacked under the shelter of state-owned capital. Because of the private capital financing network represented by the stock by rent extraction, the struggle was abnormally fierce and tough. Construction of railway via foreign debts, in fact, originated from Zhang Zhidong, who referred to the German and Japanese experiences of construction of railway via foreign debts, with the purpose of retaining our sovereignty. That can be seen from his repetition in his memorial. Sheng Xuanhuai, a trader directly inheriting the cause, knew the nature and rights of private capital unclearly. Especially, he nationalized the special financial capital, i.e. Sichuan people's stock by rent extraction in the simple and crude way, and lacked

of in-depth understanding and macroscopic view. Even so, from the perspective of actual long-term rights and interests of the shareholders, the railway state-owned policy by the Qing Government is similar to the policy of original merchant-operated railway. The problem is that at this point, the Qing Government lost credit because of fake constitutionalism in politics and Zhaoxin stock bankruptcy in economics, but applied the foreign railway financial form mechanically to the Chengdu-Hankou railway with loss of political and economic credit. In the face of the private financial groups in the tight-knit network as well as the fierce and persistent struggle, it is no wonder that the Qing Government had "ineffable surprise". The historical event enlightened that: the form of railway finance is not confined to the state-owned or private-owned or government-merchant joint management forms, the key is that the government providing the state-owned capital should have enough credit in politics and economics, fully consider the benefits of private capital, and give necessary attention and response to reasonable political demands. In this sense, undoubtedly, the credit is the first importance for railway finance with long earning cycle.

Key words: Railway finance; Chengdu; Hankou
Railway protect crisis; Private capital; National credit

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1. BACKGROUND AND ORIGIN OF CHENGDU-HANKOU RAILWAY

After Sino-Japanese War of 1894-1895, the foreign powers competed for "spheres of influence" in China,

plundering the sovereignty of Chinese railway. In the eyes of the foreign powers, Sichuan Province is abundant in natural resources and populous, and is a wide place where they dumped the goods and exported the capital. At that time, the foreign powers were eager to open the railway channels entering into Sichuan Province from two directions. The first direction is from the south of Burma and Vietnam via Yunnan Province to Sichuan Province. After taking the building rights of Yunnan-Burma railway and Yunnan-Vietnam railway respectively, Britain and France attempted in vain to extend the railway to Chengdu and Chongqing of Sichuan Province, and then connected it to the railways in the Yangtze River Basin. The second direction is from the southeast coast area of China to the Central China, and then to build the railway from Hankou to Sichuan Province. This was the reason why the foreign powers vainly attempted to build Chengdu-Hankou railway in haste. "On China's economic and political infiltration, the struggle between foreign powers is firstly embodied in the aids to their own industrial enterprises (for example, the suppliers of railroad tracks, locomotive or carriages) by the governments of the western countries. Secondly, since 1890, the financial factor began to occupy the leading position, and the capital output belonging to the imperialist essential characteristics can invest huge capital in the railway, to generate considerable benefits. The fierce competition between multinational banks and financial groups involves that their governments in the investment, leading to the formation of financial unions, but these financial unions do not always coincide with the political unions" (Marchisio, 2009, p.6). "Since 1902, the understanding of each country in the Chinese railway issue was subject to the world political struggle. We can see the reconciliation between France and Britain, as well as the confrontation between Britain and Germany, Russia and Japan. After realizing that the diplomatic feud makes their works paralyze in China, the industrialists finally constituted an international financial syndicate from 1908 to 1911 though overcoming all kinds of difficulties, to control the financial, industrial and railway construction in China (Marchisio, 2009, p.7).

Under the domestic strife and foreign aggression, the Qing Government announced that the construction of railroads was the "self-improvement policy", took the whole situation into account and plan accordingly, and "implemented the policy in sequence" in the 24th year of Guangxu Emperor's reign (1898). After the Boxers Movement, the Qing Government announced starting a thorough reform, implemented the "New Policy". Under the pressure of people voice asking for self-preservation of economic rights and self-built railway, the Qing Government decided to open the railway right to the private capital. It was under this situation that Xi Liang, New Governor of Sichuan Province, put forward a proposal on building Chengdu-Hankou railway by ourselves.

In June 1903, Xi Liang was transferred from Rehe Commander to Governor of Sichuan. According to the agreement reached by Xi Liang and Zhang Zhidong, Governor of Hunan and Hubei, in Beijing, the petition dated of July 8 was that "the Chengdu-Hankou railway company will be constructed by us, to utilize the economic source and retain our sovereignty" (*Posthumous Manuscript of Xi Liang of No. 3 Institute of History of Chinese Academy of Sciences*, 1959, p.455). Guangxu Emperor asked the Ministry of Foreign Affairs for discussion on it, and the Ministry of Foreign Affairs presented a memorial to Guangxu Emperor for agreement. In September of the same year, Xi Liang arrived at Chengdu, after preparation, the government-run Chengdu-Hankou Railway Head Office was founded in Chengdu in January 1904, namely, in December of the 29th year of Guangxu Emperor's reign. Xi Liang proposed in his memorials of establishment of Chengdu-Hankou Railway Corporation, "the state establishes the company, offers shares to the Chinese people, and preserves the economic rights by ourselves." and the principle of "do not offer shares to foreign countries, and do not contract foreign loans" (*Posthumous Manuscript of Xi Liang of No. 3 Institute of History of Chinese Academy of Sciences*, 1959, p.455). Xi Liang's suggestion received the thumbs-up and approval from the Qing Government, this principle resisted foreign aggression but cannot resolve the conflict between officials and civilian. Because "the Sichuan section of Chengdu-Hankou Railway was arduous and long. As estimated at that time, it cost at least fourteen million liang silver. The capital of independent state and salt taxes were collected and paid individually, and each proceeds had a special purpose. As the statistics showed, the annual revenue of Sichuan Province was sixteen million or seventeen million liang silver, how to raise such a huge capital?" (*Posthumous Manuscript of Xi Liang of No. 3 Institute of History of Chinese Academy of Sciences*, 1959, p.455). When raising railway funds, "after investigation of raising railway funds, there are two ways, namely, stocks for subscription and stocks by rent extraction. Both of them must be transacted separately, and can be implemented in parallel" (Marchisio, 2009, p.7). "All households having their own properties and lands, no matter by what kind of way, such as ancestral heritage, self-purchase, donating, self-cultivating, renting land and collecting rents, more than 10 dan of grains, were taxed by 3% of actual annual revenue. If the households collect the rent of 100 dan of grains, they were taxed 3 dan of grains. It is calculated in such sequence, regardless of public property or temple land. If the households collect the rent of less than 10 dan of grains, they were not taxed" (Marchisio, 2009, p.7).

Two principles of building the Sichuan railway proposed by Xi Liang are the "self-management" and "government-run". "Self-management" means the Chinese people independently construct the railway; "government-run" means the railway company is manipulated by the

government. As Article 24 of Chapter Three “Stock by Rent Extraction” in *Articles of Association of Chengdu-Hankou Railway Head Office for Flotation* states, “everyone involved in stocks by rent extraction shall comply with Article 16 of Articles of Association, but cannot intervene in the railway rights of our company because of stocks of rent extraction” (Dai, 1959, pp.9-10).

As a result, the government-run Chengdu-Hankou Railway Head Office operated completely according to the regulations in the official circles, and the Sichuan people had no right to enquire the corporation business. The president of the railway company was appointed by the governor and acted by the officials from the lower department, and most of clerks were also the candidates for officials, but the Sichuan people paying the share capital had no right to enquire the corporation business. Until October 1904, the Chengdu-Hankou Railway Corporation was in the state that the capital cannot be raised completely for a long time, and the project cannot commence for a long time. “The Chengdu-Hankou Railway Corporation was founded normally”. “The company has its name but no capital, existing in name only” (Dai, 1959, pp.9-10). In July 1905, because of lots of malpractices in the process of raising capital, the public opinion was in a very disturbed state. Under the request of all parties, Xi Liang changed the nature of the company to the “official-merchant joint management”, so as to reconcile the conflicts between officials and merchants, and respectively appointed an official and a merchant as Executive Officer. The Sichuan Railway Corporation was changed into a company jointly managed by officials and merchants in the name, but the real power was in the hands of the officials, so the changed company was same as the previous company. As Article 16 of *Articles of Association of Chengdu-Hankou Railway Head Office for Flotation* states, “Any shareholder who has his own view might as well present it item by item, waiting for choice. However, he shall intervene in the administrative power; for fear that the president has no idea or plan of his own and accomplishes nothing, the real power passes into others’ hands, and other disadvantages” (Dai, 1994, pp.270-271). “For all the corporation laws of the Qing Government, the shareholders shall enjoy their rights, but the Sichuan people have no right to enquire” (Dai, 1994, p.1884). Xi Liang gave a lame excuse for it, naturally, the practice unchanged in fact was opposed by the Sichuan gentlemen and common people. So more and more Sichuan gentlemen and common people urged for the merchant-operated railway. In 1906, Pu Dianjun gathered more than three hundred Sichuan students studying in Japan, such as Hu Jun and Xiao Xiang, to establish the Improvement Association of Chengdu-Hankou Railway in Japan. Pu Dianjun was elected as President. He jointly signed a petition with its main members to Xi Liang, requesting that Sichuan Railway Corporation should be completely operated by the merchants.

The Sichuan gentlemen and common people repeatedly protested and the movement of recovery of economic rights was hold nationwide, Sichuan Governor Xi Liang had to report on March 4, 1907: the Sichuan Railway Corporation was changed into the merchant-operated Chengdu-Hankou Railway Co., Ltd. in accordance with the Business Law, “the original executive officer was dissolved” (*Posthumous Manuscript of Xi Liang of No. 3 Institute of History of Chinese Academy of Sciences*, 1959, p. 653). Qiao Shu’nan was elected as General Manger, and Hu Jun as Vice-general Manger. According to the articles of association of the railway companies in Zhejiang Province, etc., 59 articles were renewed in the articles of association. On the eve of being transferred as Yunnan-Guizhou Governor, Xi Liang presented a memorial to the Qing Government that the Sichuan Railway Corporation was changed into a company operated by the merchants, and threw the focus of the officials-merchant conflict, namely, the leadership of the Chengdu-Hankou Railway Corporation, to the successor and the Qing Government in the policy dilemma. Successfully striving for of the merchant-operated corporation, on the one hand, reflects the strength of the emerging bourgeoisie as the core of the private capital group; since then, on the other hand, the contradiction between the decadent and declining political superstructure and the economic base became increasingly prominent.

2. FURTHER DISCUSSION ON THE ORIGIN OF THE RAILWAY PROJECT CRISIS

As recorded in the *Pandects of Received Amount Concise Table* released by the Sichuan Railway Corporation in the 3rd year of Xuantong Emperor (1911), from the establishment of the company to the 2nd year of Xuantong Emperor, the total stock capital raised for 6 years were 11,983,005 liang silver, among which the stocks by rent extraction reached 9,288,128 liang silver, accounting for more than 77.5%, equivalent to 2.3 times of the total amount of land tax (*diding yin*) in Sichuan Province (Kui, et al., 1985, pp.444-445). Although Xi Liang had repeatedly claimed that “if the households collect the rent of less than 10 dans of grains, they were not taxed; thus the poor people had no pain” (Lu, 1984, p.548), but actually, the civilians were still tired. In the rent extraction, each prefecture and county often reduced the threshold; in some places, the threshold even was reduced to two qian, three qians or one fen and two fens (Lu, 1984, p.500). In this way, all landlords shall pay the land tax in the urban and rural, even the land-holding peasant or half-land-holding peasant and tenant peasant cannot escape. The center of railway stock by rent extraction was lowered, so that the Chengdu-Hankou railway finance was quite different from Guangzhou-Hankou railway and

Beijing-Hankou railway, this is also the important reason why the struggle of the latter was not intense as that of Chengdu-Hankou railway in the process of recovery of state-owned railway.

The collection of stock by rent extraction started from the orderly control, and gradually became an excessive plunder. The lowest-class people who can escape the payment in the initial system design were involved in the Chengdu-Hankou Railway Corporation, which was the largest modern capitalism enterprise established in Sichuan. The establishment of the company not only cultivated the Sichuan people with the basic financial knowledge, but also united the power of the Sichuan people because of financial cohesion, bursting out a great and tough power.

However, the stock by rent extraction disturbed the public very much, why the public was not satisfied when Qing Government exempted the stock by rent extraction in implementing the nationalization of railway? It should be understood from the trigger for the Railway Project Crisis, "telegraph". There was such statement in the telegraph released by Sheng Xuanhuai and Duan Fang to inform Wang Renwen of handling the stock capital of the Chengdu-Hankou railway, "If the stock capital needs to be repaid by the department, the department must contract foreign loans, following by Hunan and Hubei Provinces, and the capital shall be paid back by the finance of Sichuan Province" (Dai, 1994, p.585). It can be seen that the exemption of stock by rent extraction rent comes with a price, the price is to contract foreign loans, and foreign debts should be repaid by the finance of Sichuan Province. In fact, that is the revision of Zhang Zhidong's policy of contracting foreign loans. Sheng Xuanhuai's representative in the advisory council made an excuse, what was called was, "Lu Mengxiong, special agent, said again: raising a loan started with Zhang Wenxiang, now, our department only continued to that policy! Li Wenxi, senator, said: it was stipulated by Zhang Wenxiang, and was in a draft contract. In addition, it was not signed for a long time, why it cannot be delayed this year? Besides, the draft contract only stipulated for the Guangzhou-Hankou railway, not the Chengdu-Hankou railway. Lu Mengxiong, special agent, said, this was a legal issue, but became just the modification of the draft contract in our department by mail" (Dai, 1994, p.1673).

Zhang Zhidong consistently advocated the political view of contracting foreign loans, "the governor has no idea or plan of his own and accomplishes nothing, time flies... in November of the last year, I had stipulated the loan in the articles of association well; thus the railway right would not be lost, without any disadvantages. It was hereby stated" (Dai, 1994, p.470).

"I checked and ratified these provisions item by item, and argued that the loan and the construction of railway are two different things. There was no loss for

China's economic rights and sovereignty. There was a small amount of discount, which was unprecedented in Chinese history of loan" (Dai, 1994, p.471). When the Qing Government designed the railway financial policy; basically, it originated from Zhang Zhidong, and inherited by Sheng Xuanhuai, and a consistent tone is not to lose the sovereignty. However, the foreign debts were required to be repaid by the finance, undoubtedly, which would touch the Sichuan people's concern about the existing capital of the railway company. There were two handling methods for the railway stock capital mostly concerned by the Sichuan people stipulated in the "telegraph":

A. The corporate stocks were allowed to be changed into national railway stocks regardless of civilian shareholder, merchant shareholder and official shareholder, with 6 % guaranteed interests. The returning term must be prescribed for the stocks. It was allowed to share out the margin of profit, to mortgage them in Da Qing Bank and Bank of Communications.

B. If the shareholders were willing to change the corporate stocks into the national guaranteed stocks, the waste capital of the company over the years, in addition to bad debts, needs not to be converted into the capital stock. If there were a margin of profit in the future, they would be covered respectively, showing the solicitude (Dai, 1994, p.471).

The shareholders of the Chengdu-Hankou railway may not reduce their profits, but the actual burden of the railway in a large proportion of stock by rent extraction was reduced. From the perspective of real earnings, there is a little difference between the merchant-operated company and the state-owned company for the shareholders, which is also the reason why the Qing Government had "ineffable surprise" in the face of the Railway Project Crisis. In other words, the nationalizing policy of the Qing Government used the experiences of Germany and Japan, having its rationality from the technical level. The advocates for the merchant-operated railway realized that, to a certain extent, whether the railway should be operated by the state or by the merchant was not a legal issue, but an economic policy.

"Different countries have different policies of railway, so their systems are different. Nowadays, there are four types of practices: the merchants own and manage the industries; the merchants own the industries which are managed by the government; the state own the industries which are managed by the merchants; the state own and manage the industries" (Dai, 1994, p.167). The form of railway finance is not confined to the state-owned or private-owned or government-merchant joint management forms, the key is that the government providing the state-owned capital should have enough credit in politics and economics, fully consider the benefits of private capital, and give necessary attention and response to reasonable political demands.

3. RAILWAY FINANCE FROM THE VISION OF NATIONAL CREDIT

Zhao Erfeng argued in the telegraph dated of July 5th of the 3rd year of Xuantong Emperor's reign, "at the beginning, the Sichuan people complied with the imperial edict 'the railway is nationalized, and whether to conditionally subscribe relevant stocks is at the disposal of the Sichuan people', there was no objection. When the loan contract was concerned, there were disputes about the railway and contract. Everyone thought that the contract was based on Zhang Wenxiang's draft contract, but the original one was not applicable in Sichuan. At present, Yikui was replaced by Jinghan, so people were not reconciled. Furthermore, Sichuan Province used its own capital to build the railways in other provinces, for consideration of the public benefit. Without the resolution of the shareholders, the stocks were taken back, violating the initial intention of the Sichuan people, and deviating from the imperial edict "whether to conditionally subscribe relevant stocks is at the disposal of the Sichuan people". Especially, the common people were retained by the provisions in the contract, with the loss of sovereignty, same as other countries owning the railway in China, which would bring a great misfortune to China. Therefore, in the merchants' strike and students' strike, the Sichuan people were so determined. "If the Qing Government showed solicitude for the Sichuan people, the Sichuan railway was temporarily operated by the merchants, and the bill of loan and construction of railway was presented to the advisory council for resolution. If the bill did not pass, there would be no different opinion".¹ The situation described in the telegraph shows us the consequences that the Qing Government broke its double promises to the Sichuan people in politics and economy. As for the railway problem, the performance by the governors, shareholders and other interest groups showed that there was a deep political confrontation between the central government and local authorities. The Railway Protection Comrades combined the economic purpose with the political purpose, which can be proven from the slogans "the railway should be operated by the merchants" and "all government affairs should be revealed for public opinion". These slogans originated from the imperial edict of 1898 Political Reform by Guangxu Emperor, revealing that the Railway Protection Comrades had the reforming tendency of Guangxu Emperor. They did not want to overthrow the Qing Dynasty, but seek for the new systems, i.e. the distribution of political powers and the system of representation.

¹ Literature Library of Palace Museum, *Collection of Documents*, 23th series, Sichuan Railway Cases in the 1st year of Xuantong Emperor's reign of Qing Dynasty, pp.1-2. the edition of the Palace Museum in 1930, quoted from Lu Zijian: *Sichuan Financial Historical Materials in the Qing Dynasty* (Edition 1 in June 1984), Publishing House of Sichuan Academy of Social Science, p.498.

The Chengdu-Hankou Railway Project Crisis occurred under the national political background of the movement of parliament petition launched by the constitutionalists, and reached its climax at the end of the 2nd year of Xuantong Emperor's reign. In September 23 of the same year, 18 governors, grand coordinators, generals and commanders, led by Xi Liang, Governor General of three northeast provinces of China, jointly presented a memorial to the emperor, demanding "the central government should immediately organize the cabinet, and an imperial edict is hereby issued that the parliament will be founded next year". The Qing Government launched the cabinet composed of 13 people under pressure, including only 4 Han officials, i.e. Xu Shichang, Tang Jingchong, Sheng Xuanhuai and Liang Duiyan, 9 Manchu, i.e. Yi Kuang, San Qi, Zai Ze, Zai Xun, Pu Lun belonging to the hereditary title of nobility in the imperial clan, Shao Chang belong to House of Aisin Gioro and Shou Qi belong to the imperial clan. Among them, the Manchu nobility accounts for the majority in the cabinet, including the royal family occupying the majority, so the cabinet was called "the royal cabinet".

The royal cabinet came into being, showing the truth that Qing Government's fake constitutionalism and real centralization were edging into the light. After the imperial edict was issued, the public opinion was seething with indignation. On May 14 of the 3rd year of Xuantong Emperor's reign, the representatives who hurried to the second federation of the Provincial Assembly in Beijing presented a memorial to the Censorate, proposing that the royal cabinet was incompatible with the constitutional monarchy, warning that if the Qing Government supported the royal cabinet, the public would doubt that the central government had the intention to fundamentally eliminate the constitutional decree", "the fundamental principles to administer a country was shaken, then a dramatic change would be latent".² What was exchanged after the advice in earnest was the rebuke in stern words and the rebuff by the Qing Government, the constitutionalists were disappointed and upset, and published a *Declaration to the Chinese People*, showing "the hope was dead" after the imperial edict was issued. The Qing Government was really stubborn, and completely lost the confidence of the people, so the revolution would not be avoided, the constitutionalists began to seek for another way out (Xu & Dong, 1993, p.486).

Accompanied with the loss of political credibility, the economic credit of the Qing Government was completely lost. The breach of faith started with Zhaoxin stock implemented by the Ministry of Revenue in February of the 24th year of Guangxu Emperor's reign. The content and nature of Zhaoxin stock were similar to those of the Chengdu-Hankou railway finance, namely, the stocks

² *Eastern Miscellany*, in May 1872, the 8th year of Guangxu Emperor's reign, No.6, *Chronicle of Events in China*.

belong to the national debt finance supported by the state power, with a predetermined rate of return. “the Ministry of Revenue issued Zhaoxin stock, compiled its serial number and word size, 500,000 pieces of stock certificates per value of 100 liang silver, amounting to 50,000,000 liang silver; 20,000 pieces of stock certificates per value of 1,000 liang silver, amounting to 20,000,000 liang silver; in a total of 100,000,000 liang silver. In addition, the Zhaoxin Bureau was established in the Ministry of Revenue, and the clerks and managers were selected”. “The stock capital would be repaid in 20 years, at 5% of annual interests, without increase in Leap Year. In the first 10 years, only debt interests would be repaid but not the principal; in the latter 10 years, both interests and principal would be repaid, and the interests would be reduced accordingly. In each repaying time, officials, merchants and civilians can ask for payment after presenting the stock for inspection. Since the first year, the stock certificate would be cut one square after each reimbursement. After 20 years, the interests and principal would be repaid completely, namely, the stock certificates shall be handed in for cancellation.” “The stock can be endorsed for mortgage purchase, which was same as the industrial voucher. But the mortgage purchase should be put on record in the Zhaoxin Bureau.”³

Because of its similarity, the Qing Government having the economic credit bankruptcy caused by the event of Zhaoxin stock still cannot receive the fundamental support from the Sichuan people, although they thought that the nationalization of railway was reasonable and lawful.

“Over the past few years, the Sichuan people regarded the Sichuan railway as the lifeblood, and were moderate in dieting and clothes, but still purchased the stocks as usual. At present, the Chengdu-Hankou railway should be owned by the state, the committee was checking the revenue and expenditure of the company, and the rental stock bureau dealt with the procedures, which cannot be completed for a short time. When paying the interests and exchanging for the stock certificates, they would often negotiate with the Sichuan people. Under the infinite royal graciousness, the stock by rent extraction was ceased suddenly, for fear that the imperial edict was misunderstood, all the stocks purchased before became the donations, just like Zhaoxin stock last year, mining stock in adjacent provinces and so on” (Dai, 1994, p.611).

“Taking Xuanhan County as an example, in the 24th year of Guangxu Emperor’s reign, the Qing Government was decayed, and national treasury was exhausted. So Qing Government urged the Ministry of Revenue to issue 100,000,000 pieces of stocks, for borrowing the

private capital in each county, 10 liang silver per share, at several milli percent of interests. The principal would be repaid in different years, called Zhaoxin, representing no deception. The bureau was set up in Wenchang Palace, entrusted the gentlemen for supervising and handling. The county was the first level to handle those stocks, raising the stock capital of 7000 liang silver. Then the stocks were assigned to the officials and merchants, amounting to 9000 liang silver, and all the stocks were purchased. However, the state system was damaged, and the imperial edict was ceased. Those who purchased the stocks had waited for several years, but having no interests, even the principal cannot be repaid. So at that time, there was a statement “Zhaoxin cannot be trusted”, that was a money-making scam!... since then, though under the infinite royal graciousness, spacious and flat roads were built, all national politics would be innovated, and the constitutionalism was prepared, for implementation, how plain and honest the people are! People left and ignored them, covering their ears, and answered back sarcastically, “giving me means exploiting me, just like Zhaoxin stock.” No people believed in and responded to it! The Qing Government was trying to cheat us in the territory with the population of 400,000,000 people. At the beginning, we had doubt, then rebelled against it, ultimately, accelerated its death (Lu, 1984, p.447). There were records that Zhaoxin Stock had no good faith in Fuzhou, Guang’an County, Dazhu County, Jiangjin County, Ba County, Zizhou, Santai County, Qianwei County and so on (Lu, 1984, pp.445-449).

This matter lasted six or seven years from starting to collect the stock capital to Xinhai year. The people’s wisdom was gradually developed, and the understanding also became popular gradually. In spring of the 3rd year of Xuantong Emperor’s reign, the imperial edict was delivered by mail, requesting Minster Sheng Xuanhuai to make the planning for national railway, considering the Chengdu-Hankou railway as the main trunk, which would be owned by the state. The Sichuan people were afraid that, after the nationalization, previous works and future benefits all would be lost. Moreover, they feared that their stock capital would serve the Qing Government just like Zhaoxin stock. Therefore, the gentleman presented a memorial to the governor firstly, and begged him to transfer it to the emperor, requesting the emperor revokes this command.

CONCLUSIONS

In the face of the complete loss of credit by Qing Government in politics and economy, Sheng Xuanhuai had to “make bricks without straw”. Under the serious situation that the national treasury was exhausted, the chip in hand was to only rely on the faith of the Chinese people for the Qing Government. It is a paradox of

³ *Continuation of Donghua Record, Guangxu, 143, p3-5.* quoted from Lu Zijian: *Sichuan Financial Historical Materials in the Qing Dynasty* (Edition 1 in June 1984), Publishing House of Sichuan Academy of Social Science, p. dynasty, sichuan academy of social sciences press, p. 437.

dilemma. In the specific implementation process of returning stock capital, in fact, the so-called shortcomings of the government-run railway had already existed in the merchant-operated period. The consistent fundamental key of building railway by loan firstly proposed by Zhang Zhidong was to protect the national sovereignty, even the successor Sheng Xuanhuai's policy of building railway by foreign debts was revised on the basis of Zhang's, but cannot be viewed as the root cause of the outbreak of the Railway Project Crisis. The railway protection group established under the combined private capital financing was not against the nationalization of railway, but against the method in which the Qing Government handled the railway stock capital under the background of bad credibility. The key to handle the contradictions was that both sides had their evaluation of the government credibility. The "surprise sense" of Qing Government exactly showed that there was a great gap between the expectation value of national policy of the Qing Dynasty and the national psychological recognition value. Of course, the gap was not formed within short time, and cannot be eliminated in a short time. In other words, the reason for the outbreak of the Railway Project Crisis had existed, "for a decade, the previous Qing Government talked about the constitutionalism, but the national people were in the misery and doubt, which feared more and more, but the Qing Government became more and more autocratic,... everything were out of control, and the movement of railway protection was one of them" (Dai, 1994, p.34). "The hardship of a nation is the doubt between the central government and common people. The central government suspects the common people, and then stares at the people; the common people suspect the central government, and then betray the government. The deeper their doubt becomes, the deeper hiding secret is, the deeper the secret is, and the more the truth is ignored.

Thus the common people do not know the reason for the matter approved by the government; the government does not know the reason for the matter denied by the common people. Both of them are locked in a stalemate, and then struggle each other, and the society is in chaos" (Dai, 1994, p.34). In this sense, there is no doubt that the national credit is the first importance for railway finance with long earnings cycle.

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