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Chinese-Mexican Relations through the Trade of Silver in the Nineteenth Century

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Keywords: china, mexico, economy, silver, trade, integration.

I. CHINESE-MEXICAN INTEGRATION THROUGH THE TRADE OF SILVER IN THE NINETEENTH CENTURY

Even though Mexico was the country rich with this metal, China benefited more from the exchange in silver than Mexico. Silver was needed and indeed used for China's growing economy and held significant value as an economic benefit to the extent where silver came to have a much higher value (compared with gold or any other measure) in China than anywhere else in the world. Despite Mexico's success of attracting Chinese investment, the pre-revolutionary state assumed nationalist policies through regulating and nationalizing foreign companies and declaring an independent foreign policy. However, how much of the changes in Mexican policies were connected to Mexico's revolution and did changes in Mexican state policy focus on economic development and modernization?

In China's case, did China's economic and political crisis cause silver imports to decline, as Von Glahn (2007) and Flynn (1999) suggest? The fall in silver prices in China is more often connected to its economic downfall, leading to the demise of the Ming Dynasty. I argue that it was famine, resulting from the Taiping Rebellion in 1850 that led to the collapse of the Ming Dynasty. It was towards the end of the Ming Dynasty that rulers eased mining restrictions causing silver to continue lagging in domestic demand.

Nevertheless, both China and Mexico underwent nationalist revolutions in the first decade of the twentieth century. Both incorporated anti-foreign implications that disintegrated into civil war. Although this was opposed by each country's populations, popular demand was ignored in both cases. Therefore, I will examine what this meant for both countries' economic policies and how it changed relations between China and Mexico as well as the role both revolutions played in the grand scheme of globalization.

II. BACKGROUND

a) Mexico-China Relations

China's relationship with Mexico can be traced back to China's world silk market in the sixteenth century. Flynn et al (1999) describe this process as the "forces that once landed silkworms in South America then crushed it, as Europeans continued westward and opened the Pacific for trade, which exposed the young Mexican silk industry to the onslaught of the world's oldest and most competitive silk industry, that of China" (51). For the first time, Chinese silk traveled eastward. However, the start of a Mexican silk-sector, "the fruit of successful trans-Atlantic migration of European agriculture and technology" (Flynn et al, 1999, 51) turned out to be short-term.

The widespread destruction of mulberry trees in China resulted in "detrimental effects on trade causing China's share of world silk market to plummet from 50 percent to 9 percent" (Schell, 2001, 103). This, along with British and European competition whose industries started to weave more American cotton than silk contributed to the downfall of Mexico's silk weaving industry. In 1850, imported silk cloth undersold raw silk at one of the largest trade fairs in Lagos resulting in the loss of all Mexican silk weaving businesses.

b) Mexico: Control and Currency

There is still much debate on the impacts of the Mexican revolution on Mexico's economic development and how it contributed to nationalism and an interventionist state, including broader social and economic policies. Before the revolution, the Porfiriato was already experiencing significant changes monetarizing the market through such improvements like modernizing banking, changes in currency systems and protecting industry.

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In the late nineteenth century, a central bank operating under a specie standard led to the establishment and maintenance of a uniform national currency in Mexico which in the words of Porfirian officials resulted in “amply and securely systematizing the fiduciary currency” (Bortz, Haber, 2002, 53). The Mexican federal government specifically announced that a peso was equal to a silver disk of a specific size, with a particular silver content and specific design. If Mexicans accepted it in payment throughout the national territory, then what did “systematizing the fiduciary currency” mean? It essentially meant “ensuring that all other instruments that functioned as money maintained a fixed value against the silver peso” (Bortz, Haber, 2002, 54). Furthermore, “since banknotes were only redeemable for silver at the branch of issue, they circulated at a discount outside the immediate area” (Bortz, Haber, 2002, 54). As a result, Porfirian Mexico had several different currencies linked by a fluctuating exchange rate in which the central bank would have the responsibility of ensuring that all banknotes and checks denominated in pesos be exchangeable for silver at a one to one rate across Mexico.

Along with establishing a central bank is the mission of stabilizing the banking system. In her chapter on institutional change and foreign trade in Mexico, Sandra Kuntz Ficker states “The second bank of the United States (BUS) created a national monetary union for a time by instituting policies that ensured that bank notes could circulate far from their place of origin without a discount” (Bortz, Haber, 2002, 161). Actually, the creation of a ‘national currency’ that would be exchangeable everywhere for specie at a fixed rate is one of the primary reasons for why congress chartered the BUS in 1816.

III. CHINA

Until the mid 1800s, China exported over 100,000 pounds of raw silk into Mexico yearly. After the downfall of China’s silk industry, silver currency imports became China’s most valuable trade contributing to China’s restoration of a favorable trade balance. China became a net exporter of silver for the first time in 1834 (Scell, 2001, 112). The treaty port system in China allowed foreign trade to further expand, leading China to expand its money supply. “From 1867 to 1872, U.S. customs recorded exports of over 25 million pesos to China and another 31 million from 1873 to 1878” (Schell, 2001, 110).

The fall of the Ming dynasty resulted in the end of China’s control of foreign trade. This resulted in piracy while trade simultaneously flourished with shipments of Chinese mercury, which had previously been restricted, reached Mexico. This contributed to the resurgence of silver production in Mexico starting in 1670. China’s demand for silver currency dramatically increased

during this time partially due to its annexation of Central and South East Asia into its tributary system, which I will later describe in more detail. This led to disequilibrium in silver markets, but China was still able to become the leading proprietor of silver. Although China once again became the ‘world’s silver sink’, rising silver production (while China tried to keep sufficient quantities of silver in order to maintain European and American profit margins) did not lead to a steady price increase in the 1700s. I will further discuss how periods of inflation were interspersed by periods of somewhat relative price stability.

Once the Manchu dynasty came into play, rulers were able to keep control of legal trade better. However, silver cut into the Celestial Kingdom’s positive trade balances. At this point, the US comes to play a role with Yankee merchants paying for Chinese goods with furs from the Northwest Territories and with silver pesos from the Spanish trade, which they came to dominate during the French Revolution once Spain opened its colonial ports of necessity. As a result, by the mid twentieth century, what was initiated by Sino-Mexican trade, transformed into a much larger phenomenon of global integration. This will be discussed in the context of globalization in the last section.

IV. SINO-MEXICAN TRADE OF SILVER CURRENCY AND ITS ECONOMIC IMPACTS

Schell suggests that the economies of nineteenth-century Mexico and China are linked in what he terms “a Sino-Mexican symbiosis in which Mexican miners seemed to coin silver in response to Chinese demand for specie” (Schell, 2001, 90). The Chinese export of silver produced such a flow of silver from Spanish mines in Mexico that it displaced paper money (Mungello, 1999, 2). Even Adam Smith noticed this phenomena stating that the price of silver in Mexico “must have some influence on its price, not only at all the silver mines of Europe, but at those of China” (1776/1937:168). During the late nineteenth and early twentieth century a wider variety and higher amount of foreign silver coins circulated in China than at any other time since their introduction in the sixteenth century. This was a result of the increased presence of foreign powers in China and the growing number of issuers whose coinage was circulated and accepted as a medium of exchange.

Mexico’s import of Chinese manufactured goods like textiles could not be compared to China’s import of Mexican silver, which became China’s prime form of currency, absorbing as much as one half of all the silver predominantly mined in Mexico in the early seventeenth century. Even though Chinese manufactured goods were of much better quality than Spanish or Mexican textiles, they did not come to

dominate the Mexican market like Mexican silver did in China.

Although some figures, such as David Brading, possess a Eurocentric perspective regarding Mexican silver production, believing that silver exports responded to European demand through Spain, pesos were actually exported in response to price signals from China, which resulted in China's prosperity at the peak of its imperial expansion.

Ficker discusses how "Mexico's greater openness toward foreign markets was made possible not only by a lower degree of tariff protection, but also by a more liberal regulatory environment that considerably reduced the transaction costs incurred in international trade" (Bortz, Haber, 2002, 162). Although transaction costs were reduced, "high transportation costs, poorly developed links with international commercial transport, and a lack of financial institutions made Mexico a difficult country with which to trade" (Bortz, Haber, 2002, 162). In addition, Mexico's weak transportation system are so poor (often associated with African caravan ways of trade) that economic regions are completely disconnected, hindering trade to major cities in the country. Even though China also experienced issues, like transportation obstacles, not only were they more small-scale issues than Mexico's but they were also more external than internal. For instance, after crossing the Atlantic to Mexico, Mungello (1999) describes how one crossed Central America to Acapulco and took passage on a Spanish ship across the Pacific Ocean to the Philippines. Manila came to play a pivotal role in trans-continental trade. The city was founded by Spaniards in 1571 and is known as initiating Pacific trade and giving rise to global trade in general according to Flynn and Giraldez (1995). "According to conservative estimates, 75 percent of the 400 million pesos of silver bound for the Philippines during the period 1565-1820 ended up in China" (Flynn et al, 1999, 52).

However, onward passage from the Philippines to China was "fraught with difficulties because the Portuguese would arrest anyone who disembarked in Macau without a Portuguese Visa" (Mungello, 1999, 37). In addition, smuggling had become a major problem through the Philippines. By 1630, smuggling became so wide spread that official registers were only able to record a fraction of the Philippine peso trade. Despite some of these obstacles, between 1600 and 1800, continental Asia absorbed at least thirty two thousand tons of silver from the Americas via Europe and three thousand tons via Manila. China received silver over the trans and circum-Asian eastward bound routes. While these trade routes may have hindered Chinese trade, the peso trade through Manila "supported an expansion of Mexican textile manufacture" (Schell, 2001, 95).

The use of Mexican currency in Chinese commerce was secured following the end of the Opium

War in 1840. Due to political pressure from France, Germany, Japan, Great Britain, and the United States, the Ching imperial government was obligated to open major harbors and waterways as treaty ports. As a result, international trade in China flourished in the extraterritorial regions. The fact that merchants from Mexico were joined by foreign banks and that the Chinese were receptive to using foreign currency, helped silver coins circulate smoothly throughout the Chinese market.

Although merchants played a significant role in the long-distance trade between Mexico and China, they did not have control over the finance aspect of trade or the distribution of wealth. Schell argues that merchants were integral to the conduct of trade finance and programs of trade (ie "opportunities for rent-seeking") which developed in similar ways in both countries. Furthermore, while Schell believes that "the arrival of foreigners produced similar effects in Chinese and Mexican markets" (Schell, 2001, 7), I argue that the trade of silver between China and Mexico affected both countries' markets in very different ways. Even though China may have experienced provincial variations in the use of foreign currency, the country used foreign silver for its own commercialization and used Mexican currency on a barter basis. Richard Von Glahn (2007) discusses some of the regional variations in how silver was used between monetary regimes such as Jiangnan and Guangdong, the major commercial centers in China's imperial empire. "While Guangdong reverted to a commodity money standard that allowed the use of a wide range of different types of physical monies, including 'chopped' and broken foreign coins, in Jiangnan the Carolus peso became a unified, fiduciary monetary standard" (Von Glahn, 2007, 1). These differences can be attributed to the distinctive regional characteristics of China's market culture at the time. Mexico, on the other hand, was experiencing economic fluctuations and fiscal constraints that prevented it from engaging in some of the commercializing and new program opportunities that China was pursuing.

In terms of the elites' role in the market and economy, in both China and Mexico, the elite felt a sort of contempt for commerce while demanding tribute from their productive classes and from merchants who were responsible for long-distance trade. The founder of the Ming dynasty, Emperor Hung Wu, pursued a moral economy consisting of "closed rural communities ruled by a little elite" (Brook, 1999, 59). Wu also ensured the provisioning of the cities in China by limiting exactions on the productive classes by the elite. Merchants would be allowed freedom of movement. As a result of Emperor's Hung Wu's protection of peasant produces as well as artisans, he initiated a period of sustained economic growth and increased demand for money, which upset the Confucian agrarian moral order which I

will talk about in more detail in the context of globalization.

However, there are some differences in not only the role of the elite in both countries, but also in how they were perceived by each country. China's programs "provided the elite with new opportunities for rent-seeking and produced tributary forms of capitalism" (Schell, 2001, 2) while in Mexico, elites did not have much control as "greater participation in government by social and economic elites would have permitted stabilization in Mexico" (Stevens, 1991, 109). While "low revenue collections and substantial borrowing coincide[d] with unusually unstable years" (Stevens, 1991, 109) in Mexico, Spanish colonial Mexican dollars, primarily the Pillar Dollar (1732-1772) and Portrait Dollar (1772-1821), continued constituting a major part of China bound cargoes. These dollars were increasingly becoming an important part of China's currency market.

When Mexico declared independence from Spain in 1821, the production of Spanish colonial Mexican Dollars was brought to a halt. Even though it is argued that "Instability provided foreigners with a convenient justification for dismembering Mexico" (Stevens, 1991, 107), by the time these coins had circulated all over China, recognized by China's business communities as "Principal Money" when Mexico's Eagle Dollars replaced colonial dollars in 1856, Mexico's silver coins continued to serve as a basis for all types of commercial activities (including base money for bookkeeping and an exchange media for business activities of all kinds by the commercial society) in China. Continuing through the beginning of the twentieth century, Mexican Dollars were still preferred by the Chinese even after being introduced to other Chinese forms of currency.

As Mexico's wars of independence disrupted silver production, "mintage shrank from 24 million pesos to less than 4 million in 1810, recovered to 14 million the next year, and then declined to an 80-year low in 1826" (Schell, 2001, 109). Richard Salvucci (2009) describes the global deflation as an "overvaluation" of the peso in foreign markets that stifled local manufacture and "may explain the balance of payments problems that Mexico experienced in the 1820s, and consequently, the macroeconomic stagnation that ensued" (Salvucci, 2009, 79). Yet he also finds that peso exports swelled during the 12-year economic expansion preceding the Texas rebellion.

While Mexican mintage increased during this time, after 1834, "Yankee commerce no longer off set drain of silver from China but contributed to it" (Schell, 2001, 125). As a result, US monetary policy became a factor and Congress fixed the mint ratio of silver to gold at "16 to 1, overvaluing gold as it formerly overvalued silver" (Schell, 2001, 129). The "Stability of International Exchange: Report on the Introduction of the Gold-Exchange Standard into China and Other Silver-Using

Countries" (1903) is a report to Congress which describes the requests by Mexico and China for US cooperation to develop a set relationship between the money of the gold-standard countries and the silver-using countries. Starting in 1902, a correspondence on the silver question took place between the governments of Mexico, China, and the United States.

The three commissions were appointed an American Commission and two Mexican Commissions. The Mexican Commissions dealt with international exchange in close cooperation with the American Commissions to examine all local questions that could impact Mexican monetary reform. The local Mexican Commission issued its report in December, 1903, and recommended a monetary system closely following the system adopted in the Philippines. The proposed plan included the closing of the mints to the free coinage of silver, the substitution of a new coin of equal weight for the old dollar, and the temporary prohibition of the importation of that coin.

The "Stability of International Exchange: Report on the Introduction of the Gold-Exchange Standard into China and Other Silver-Using Countries" (1903) discusses the benefits of establishing a gold-exchange standard in China. How did countries determine whether to change their monetary system in considering adopting a common ratio between the gold unit and silver coin usage? The US supported the adoption of the gold standard by other countries. The outcome was the exchange of silver coins for European gold.

Because "Yankees exported only about 50 million from 1835 to 1852 despite a 15 - 30 percent premium paid on pesos there" (Schell, 2001, 130), Mexico's peso exports to the US decreased by 50 percent. When Chinese demand for silver coincided with Mexican supply, global deflation was reduced and "free trade brought to the ports of Amoy, Foochow, Ningpo, and Shanghai by the Treaty of Nanking caused China's tea and silk exports to surge, stemming the silver outflow of previous decades" (Schell, 2001, 132). In fact, "China became the world's silver sink" (Schell, 2001, 135). According to Schell, "Because China was able to absorb sufficient quantities to maintain European and American profit margins, rising silver production did not result in steady price increases in the eighteenth century" (Schell, 2001, 135). As a result, periods of inflation continued to be erratically followed by periods of relative price stability. The alignment of Chinese silver prices with the rest of the world after 1790 caused Chinese merchants to not only exchange silver but also tea for furs, textiles, and opium. The outflow of Chinese silver to Europe through the British East India Company once again resulted in high inflation.

Brading emphasizes the importance of Europe in this "global trade", stating that "had the colonial authorities not shipped this fiscal surplus abroad, Mexico would have been obliged to double its imports

from Europe or else cut its silver production by half: the alternative would have been a collapse in the internal value for silver" (Brading, 10). Flynn, on the other hand, emphasizes the role of China stating that "the silver denominated global price structure was not shaped by American production but by demand in silver's major end market, Ming China" (Flynn, 2002, 20). He concludes by stating that "it is better to recognize that disequilibrium within the silver market itself was an active cause of global trade. . . . There is no doubt that Europeans played an important role as intermediaries, facilitating the movement of tens of thousands of tons of silver around the globe, but the most critical element of dynamism in this case should be attributed to the end-customer, China." Although I argue that China, indeed, played the more important role, I would like to now focus on why, despite China's fluctuating inflation rates compared to Mexico's more stable, modest inflation rates, China benefited more from this trans-national silver trade. I will do this by countering the common held view that "China became so dependent on foreign silver to sustain domestic economic growth that a sharp fall in silver imports in the 1640s led to the fall of the Ming dynasty in 1644" (Von Glahn, 2007, 1). I will also counter the misconception of Mexico's Revolution main legacy being 'economic modernization and development' by focusing on some of Mexico's internal political issues.

V. WHY CHINA GAINS MORE THAN MEXICO: PROFITS DID NOT TRANSLATE INTO ECONOMIC DEVELOPMENT

Studying taxes in relation to economic development and stability, Stevens specifically examines Mexico. He finds that "governments that extracted relatively large taxes from foreign trade were as likely to be unstable as those which received only relatively small amounts" (Stevens, 1991, 109). Consequently, "the evidence that trade influenced political instability is not as strong as the data that tie the level of foreign trade to political decisions" (Stevens, 1991, 109). Therefore Mexico's internal political instability is a major factor in hindering its potential to prosper economically. Jonathan Kirshner (1995) describes how permissive currency manipulation, which Mexico could have potentially engaged in, requires an economic sacrifice for political interests, which Mexico was not willing to do. "The 'coercion-intensive' route practiced by Brandenburg-Prussia and Russia, remained largely alien to Latin America" (Lopez-Alves, 2000, 18).

Furthermore, because silver was a vital export, rivaling oil as a source of foreign exchange, it could have served as an important tax base for national government, as discussed in "Origins of Instability in Early Republican Mexico." Even "after the wars of independence, no state in Latin America was able to

enforce taxation efficiently, cities were coming to dominate rural areas, and direct labor coercion was not always possible" (Lopez-Alves, 2000, 18).

Moreover, Mexican currency did not lead to strong domestic pressure as it did in other countries. Even though the US came to play a role in Mexico, it did not produce effects like it had in other Latin American countries like Brazil. In 1937, the US engaged in reputation-enhancing protective currency manipulation in Brazil. Although the US supported the nation's currency as it had in Mexico, it helped Brazil create a central bank and contributed to Brazil selling sixty million dollars of gold in five years (Kirshner, 1995, 109). Kirshner explains that "the low cost of currency manipulation does not mean that any state can practice it," (Kirshner, 1995, 150) as in the case of Mexico. "As a major producer of silver specie, Mexico was better positioned than China, a major importer of specie, to take advantage of this synchronicity" (Schell, 2001, 115). Although China needed gold and currency to purchase silver from Mexico, Mexico did not take advantage of the situation. "The 'coercion-intensive' route practiced by Brandenburg-Prussia and Russia, remained largely alien to Latin America" (Lopez-Alves, 2000, 18).

Although starting in 1877, Manchu scholar-bureaucrats came to believe that China became dependant on Mexico due to its "reliance on imported money," I argue that it did not "damage the economy and impair China's sovereignty" (Schell, 2001, 114). The most significant impact was made by Mexico's reshaping of China's state economy through its participation in an international currency system, but Mexico did not use enforcement and expulsion as forms of exploitation of monetary dependence by China because of its own political issues. Mexico did not take advantage of the explicit rules of institutions and patterns of economic activity which is demonstrated through the way in which it participated in the system.

Mexico's own political conflicts were demonstrated in conservative resistance to liberal self-strengthening, which led to the Wars of Reform (1858-61) and later (1862-67) to French Intervention. This led to catastrophic economic consequences as silver production began to drastically drop. Because Mexican production of silver decreased as silver shipped to China by Yankee merchants, increased, global deflation, according to Salvucci, resulted in an "overvaluation" of the peso in foreign markets which suppressed local manufactures and "may explain the balance of payments problems that Mexico experienced in the 1820s, and consequently, the macroeconomic stagnation that ensued" (Salvucci in Schell, 1999, 115). Fewer pesos were available for export and export peaks led to coin shortages. As a result, the Mexican government continued to find it difficult to balance its budget until the Porfirian economy gained some momentum. However, José Yves Limantour, Secretary

of Finance for Mexico under Porfirio, disrupted Porfirio's short lived momentum, by imposing a gold standard against Porfirian budgeters.

Only after his plan failed, did Limantour consider coalescing with Manchu government to consider conversions to gold. Because every peso export peak contributed to a slowdown in Mexico's economy, Limantour came to realize negotiations with the Manchu government in order to make conversions to gold, were imperative.

Silver came back into the picture when Limantour made the most out of increasing silver prices to sell millions of pesos abroad in order to build gold reserves. However, he misjudged the market and by the time Limantour imposed a "10 percent gold excise tax to halt peso exports, there was critical currency shortage" (Schell, 2001, 116). Consequently, Mexico paid a great price for Limantour's arbitrage.

As a result, international force and reimbursements of "450 million taels payable in gold, were imposed on the Manchu government [and] to obtain the necessary exchange, China dumped millions of pesos on the world market" (Schell, 2001, 217). Shortly thereafter, the peso hit bottom at what is equivalent to 43 US cents.

After silver reached a 20-year high in China, its "government pushed ahead with its defensive modernization and prepared to nationalize the main railways" (Schell, 2001, 118), contributing to the 1911 revolution that ended Manchu rule in China.

a) *Mexico's Post-Revolution State*

"After the wars of independence, no state in Latin America was able to enforce taxation efficiently, cities were coming to dominate rural areas, and direct labor coercion was not always possible" (Lopez-Alves, 2000, 18).

Mexico's post-revolution state, which included nationalist policies, emphasizing land reform, was not a result of the revolution. Once again, Mexico can be compared to Brazil to support this theory, because Brazil similarly adopted nationalist policies without undergoing a revolution. Although Mexico focused on commerce and mines to diversify investments, both are far less secure than agricultural land. "Land possessed a dependability not shared by mines and commerce" (Couturier, 2003, 763). In addition, agricultural lands played an important role for the mines that continued to operate in post-revolution Mexico. Miners needed agricultural lands to pasture livestock including "mules that operated their winches and processed ore, produced feed for livestock, rations for workers, and leather for buckets and ladders" (Couturier, 2003, 763).

b) *How Mexico's Post-Revolution State Affected Silver Export*

When Francisco Madero initiated his revolution, "the mining law that finally took effect in 1910, was

stripped of its antiforeign elements but did nothing to restore silver's national market or the peso's position in Oriental specie markets" (Schell, 2001, 117).

Due to stagnation in post-independence Mexico, "Mexicans were as likely to treat pesos as a commodity as money" (Schell, 2001, 118). The overvaluation of pesos resulted in harming Mexican manufacturers and "as Mexico's wars of independence disrupted silver production, mintage shrank from 24 million pesos to less than 4 million in 1810, recovered to 14 million the next year, and then declined to an 80-year low in 1826" (Schell, 2001, 119).

VI. POST-MING RULE IN CHINA

As for China, the fall in silver prices, as mentioned, did not lead to the fall of the Ming Dynasty. Rather, it was famine, resulting from the Taiping Rebellion in 1850 that led to the collapse of the Ming Dynasty. Towards the end of the Ming Dynasty, rulers eased mining restrictions causing silver to continue lagging in domestic demand.

William Atwell concludes that "American silver imports had been the motor of Ming economic growth and that a reduction of those imports as part of a global seventeenth-century crisis had precipitated the dynasty's fall in 1644" (Schell, 2001, 118). Flynn also defines the problem during the Ming dynasty in the context of "evaporating profits as silver's market value fell to its American cost of production" (Schell, 2001, 118). However, as previously mentioned, the silver denominated global price structure was controlled by the demand in silver's major end market, Ming China not by American production. This brings me to my last section on the end of silver trade between China and Mexico and globalization.

VII. CONCLUSION

a) *Globalization and the end of Silver Trade*

Global integration into the world market is well demonstrated by China in the mid eighteenth century when its silver prices aligned with the rest of the world as merchants became involved in trading silver, teas, furs, textiles, and more. Although interaction with foreign countries produced similar outcomes between not only Chinese and Mexican markets, but also both countries economies, China benefited more from the silver exchange than Mexico. Even in terms of global integration, China implemented the treaty port system, which contributed to China's economy and further connected it to the entire world economy. Mexico's integration is demonstrated through American-built railways which contributed to a more basic national market. Still, high domestic freight rates hindered Mexico's integration.

The US also came into play when Yankee merchants became involved with China trade. It was in

1934 that the American Silver Purchase Act “initiated for purely domestic political reasons, put tremendous pressure on China’s monetary system” (Kirshner, 1995, 220). The increasing silver prices led people in China to convert currency notes into silver and then silver into gold, which resulted in a “chronic scarcity of currency with attendant serious deflationary effects” (Kirshner, 1995, 221). On November 3, 1935, China abandoned the silver standard due to this pressure resulting in the US purchasing China’s silver from 1935 to 1938 as its main form of protective currency manipulation.

Furthermore, the increasing demand for money soon came to upset Confusion agrarian moral orders in China. This is a case in which the processes of the new phenomenon, globalization, interfered with China’s traditional values. Because money began to be perceived as a malicious and corrupting influence, “the emperor closely regulated it by issuing paper currency and closing China’s silver mines, thus setting in motion events that would make China a black hole for silver” (Schell, 2001, 118).

In terms of Mexico, although some theories suggest that it was profitable commodity trade in pesos with China that was a ‘mistake,’ it was actually Mexico’s importation payments, foreign debt service, and exported earnings resulting from its political issues that contributed to the slowing of potential economic development.

Even though various Eurocentric theories (i.e. Brading) as mentioned, have been applied to Mexico and China’s relationship in trading silver, I do not argue that Europe did not play an important role, rather I emphasize that China took the position as not only intermediary and ‘end-customer’, but more importantly, leader. While Flynn put China at the center of the world economy, Immanuel Wallerstein, who is known for his work on globalization, emphasizes the role of European capitalism, stressing this process as being financed by surplus value being “extracted at the periphery through forced labor and transferred to the core as silver” (Schell, 2001, 115). In the context of China, Wallerstein differentiates between common-held Western ideology of Eurocentrism and its actuality in how he perceives it as an ‘all-encompassing epochal occurrence.

Other scholars, such as Atwell, believe that American imports of silver is what led to the growth of China’s economy under the Ming Rule. Atwell, as mentioned, argues that the reduction of American imports in China led to the Ming Dynasty’s fall. However, evidence shows that silver imports during this time (late Ming era) actually increased.

Nevertheless, despite China and Mexico’s contrasting prerevolutionary outcomes and role in the world economy (resulting from the silver exchange demonstrated through social responses to this new phenomena of global integration whereby Manchu state became strong and Porfirian government focused on

defense) both economies declined and simultaneously experienced ‘social revolution.’

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