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## Symposium Review: Enterprise Institutions, Economic Environment, and Urban Economic Relations

BY LINSUN CHENG

An international symposium on Chinese business history was convened in Shanghai in August 2002. About fifty Chinese, American and Japanese scholars attended the symposium "Enterprise Institutions, Economic Environment, and Urban Economic Relations" organized by the Chinese Business History Research Center of the Institute of Economics, Shanghai Academy of Social Sciences (SASS), and the Shanghai Society of Economic History. With open minds, participants presented their ongoing research papers asking for criticism from their colleagues. Scholars criticized each other's papers and benefited from the intense discussion. Several young graduate students also presented their papers at the conference. Not only did their presence provide these students with a good opportunity to learn from established scholars in the field, but it also gave senior scholars a fresh idea of the research interests of young students. Though perhaps common in America, these types of interactions are quite unusual at international conferences in China.

Another difference from many other conferences held in China was that this symposium wasted no time on meaningless addresses delivered by the senior officials nor on lavish banquets and entertainment. A

Japanese scholar commented that among the numerous conferences in which he had participated in China, this one had the shortest opening and ending ceremonies. As a result, scholars had much more time to discuss academic issues of interest to them. Most scholars highly praised the conference as the best, or at least one of the best, academic conferences that they had ever attended in China.

The 28 papers presented at this conference generally reflected the state of the field of Chinese business history. This review will focus on the following four issues: the special features of Chinese enterprise institutions (*qiye zhidu*); the influences of noneconomic factors upon modern China's economic development; comparative studies; and the challenges to current interpretations of Chinese business history.

### The Special Features of Chinese Enterprise Institutions

How to establish a modern enterprise institution is a heated topic in today's China, partially inspired by the ongoing reform of China's state-owned companies. In exploring the origins and development of enterprise institutions in modern China, many Chinese as well as

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**MARILYN M. SLAUGHTER:** Women, Literacy, and Economic Opportunity in the People's Republic

Western scholars have been inclined to rely on western paradigms of business history, using such constructions to measure Chinese enterprises. As SHERMAN COCHRAN of Cornell University pointed out in his keynote address, historians generally “attribute the dynamism of Chinese business organization solely to a one-way transition from social networks to corporate hierarchies.” Many papers presented in this conference showed that the real situation was more complicated and indicated that historians should examine special features of Chinese business to explain the dynamism or weakness of Chinese enterprises. Using Liu Hongsheng’s family enterprises as a case study, Cochran’s paper presented an alternative to the “one-way transition” explanation, pointing out that “Liu initially managed his business through social networks (which are often labeled as traditional) and subsequently replaced these with corporate hierarchies (which are often described as modern), but then he later shifted executive responsibilities from his professional managers to his sons (going, if we retain the dichotomy, from the modern to the traditional).”

SHI ZHENGKANG of Fudan University examined how, beginning in the 19<sup>th</sup> century, Chinese officials and business people imitated the Western corporation and created institutions which differed from the original Western model. They deliberately picked up certain aspects of the corporate institution and ignored others in accordance with traditional Chinese perspectives. Chinese economic thought, Chinese experiences and the Chinese value system. In introducing and imitating the corporate model, most Chinese only emphasized its role of amassing capital. These (conscious or unconscious) misunderstandings resulted in many special features of Chinese-style corporations. According to Shi, most Chinese corporations did not protect the rights of shareholders or of the association of shareholders. Many companies were still run as family businesses even though they were registered as limited or unlimited corporations. At the same time, small and middle-level shareholders were ignorant concerning their own legal rights in the company.

ZHU YINGUI of the Institute of Economics, Chinese Academy of Social Sciences (CASS), saw modern

Chinese corporations as hybrids because they adopted many traditional business practices. He presented one visible institution and two invisible institutions to support his opinion. Visibly, all Chinese limited or unlimited corporations used the so-called *guanli* system (paying shareholders a fixed interest on their stocks), which was a long-standing Chinese business tradition. Invisibly, without a legal basis, many Chinese corporations used savings deposits from the public as the company’s working capital just as old-style Chinese commercial firms had done. In addition, modern Chinese banks frequently issued loans based on customers’ personal credit instead of material collateral, a custom rarely seen in the modern western business world. Only by adopting these traditional practices could modern Chinese entrepreneurs overcome numerous social obstacles and lower transaction costs, thus effectively reducing society’s cultural and psychological resistance to accepting this institutional innovation. Zhu regards the integration of traditional practices into modern corporations as a necessary rather than an abnormal phenomenon.

ELISABETH KÖLL of Case Western Reserve University provided a complex case study of the Dasheng conglomerate, a shareholding company with limited liability, which changed from an enterprise characterized by highly personalized control to one increasingly dominated by modern banks and government agencies. Zhang Jian, the general manager of this Chinese-owned conglomerate, created an enterprise that combined characteristics of the family business with those of the corporation through his institutionalized control of Dasheng’s management and finances. Köll argued that “while other entrepreneurs were able to use their political and social connections to help their enterprises and family business interests at least partially, the lack of dynamic leadership and the inability of the second generation to establish new useful political and social contacts left Dasheng prone to interference from the Green Gang, the Japanese occupation, and the Wang Jingwei regime.” However, although indebtedness to a bank consortium had weakened the previously strong influence of the Zhang family and the second generation lacked suitable successors to leadership, family members continued to hold shares in the enterprise, and after 1945 family influence was partially revived.

Three scholars from the Shanghai Municipal Archives presented case studies depicting certain special features of Chinese enterprise institutions and Chinese entrepreneurs. MA CHANGLIN examined the special features of the loan issuance policy of the Shanghai Commercial and Savings Bank and its significance for the bank’s success. YANG TIANLIANG described Hu Bijiang’s entrepreneurship in running the China and South Sea Bank and its role in

### Corrections to the Fall 2002 issue

p. 3: JOSHUA FOGEL’s home institution is University of California at Santa Barbara. His by-line incorrectly listed Princeton University.

p. 6: TSAI WEIPIN’s name on his by-line was spelled incorrectly as Wenpin.

Our apologies for these errors!

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## BOOK REVIEW

# Mark W. Frazier: *The Making of the Chinese Industrial Workplace*

DAVID PONG

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Mark W. Frazier, *The Making of the Chinese Industrial Workplace: State, Revolution, and Labor Management* (Cambridge University Press, 2002), \$60.00.

This is a study of the workplace. The setting is industrial China from the 1920s to the 1960s. Its focus is labor management situated in the work unit, familiar to students of China as the *danwei*. Strictly speaking, the *danwei* is a political institution created by the Chinese Communist Party (CCP) after 1949 to enable the government to extend its control over the general population, particularly in urban areas. In the industrial sector, the *danwei* provides the framework for organization and control. Synonymous with the enterprise or factory, it is the institution on which the workers rely for much if not all of their basic needs. In state enterprises during the Maoist era, these might have included housing, day care and medical facilities, food stuff, prepared meals, and the like. Largely self-contained and self-sufficient, these enterprise work units were generally impervious to external influences. Other salient features of the *danwei* include a class of powerful shop-floor supervisors who control the benefits and the wage system, which tends to reward seniority rather than skill.

Scholars debate as to whether the *danwei* represents a brand new creation of the CCP after 1949 for the purposes of urban control and for ridding the city of its social ills, or something containing elements with long historical roots. Frazier leans towards the latter interpretation and contributes much to a richer and deeper understanding of the issues. According to him, the *danwei* is not a single institution. Rather, it comprises distinct institutions, rules, and norms by which workers were hired, organized, and compensated. Further, he argues, each of these institutions emerged at different times in the course of the 20th century as industry responded to changing conditions and crises. To make his point, he analyzes the development of the *danwei* in four enterprises: the Jiangnan Shipyard and the Shenxin Number Six Cotton Mill in Shanghai, and the Huangpu Naval Shipyard and the Guangdong Textile Mill in Guangzhou.

In the era of the Nanjing government, at least in relatively large industrial enterprises, there was considerable interest in "scientific management." Attempts to introduce professional personnel management institutions

and to promote skills were thwarted by the power of the labor contractors and, in the case of skilled workers, guild masters. To break their power, the Guomindang (GMD) in the Jiangnan Shipyard provided the workers with housing, meals, pension funds, and technical training.

As these benefits were available to only the more skilled, the majority of the workers remained under the sway of the labor contractors, who controlled hiring, firing, wages, promotion, housing, and food. Among private enterprises, the Shenxin Number Three Cotton Mill (which, like Number Six, was owned by the famous Rong family) tried to cut labor off from outside influences by creating a self-contained enterprise community. Though an isolated case, this, along with the Jiangnan experiment, constitutes what Frazier calls a "preference for 'enterprise communities'" (p. 15).

In the ensuing period of war (1937-49), with the increased need for government control, especially to stem the exodus of skilled labor from key industries, and the need to counter the deleterious effects of hyperinflation, enterprise welfare spread. But the shop-floor supervisors (labor contractors and guild masters), after sustaining some initial loss of power, quickly learned to control the distribution of welfare benefits and wages, which they used to reward seniority rather than skill. This latter practice exacerbated the trend towards wage compression and highly distorted wage differentials (common production workers earned as much as technicians, for example).

Shop-floor supervisors suffered some setback again in the first years of the People's Republic. But the resultant laxity and poor discipline on the shop floor prevented further erosion of their authority. The need for rapid capital accumulation and increased revenue soon led to the expansion of enterprise welfare, particularly in state-



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owned industries, from the early to the mid 1950s. Residential units, hospitals, labor insurance, and pension funds were set up. These benefits helped keep wages down and inflation under control, while increasing state revenue. But wage increases still favored seniority. Further, in a heavily politicized atmosphere, for the workers to gain the most benefits in this system, they needed to win the favors of workshop directors or personnel managers.

With the onset of the First Five Year Plan (FFYP), new guidelines for wages, bonuses, enterprise welfare, and labor allocation were introduced. Charged with the monitoring and implementing of these guidelines from Beijing, the local party committees gained much influence. The trend was further strengthened in late 1957 when the CCP decided to decentralize all but the large heavy and capital goods industries, leading to the rise of the "Party Committee Factories." Under the egalitarian craze of the Great Leap Forward, when many technicians and managers were sent down to the production line, enterprise party committees assumed management authority. At the same time, the supervisors, whose power had been clipped earlier in the decade, now saw their authority resuscitated as they represented the party on the shop floor.

The return to "normalcy" in the early 1960s left untouched the power of the party committee over the factory director, although material incentives—piece rates and over-quota bonuses—were restored. The return to temporary and contract labor was also given official blessing. Still, notwithstanding the government's directives against "egalitarian methods," political concerns continued to color the incentive system and as of old, seniority was often rewarded at the expense of skills.

Relaxed administrative control and increases in enterprise welfare in the early 1960s led to widespread corrup-

tion. At the same time workshop directors and production team leaders (shop-floor supervisors) enjoyed more power than at any other time since the 1940s. They only lacked the power to hire and fire, as the workers themselves had no freedom to change jobs.

Frazier thus concludes that the evolution of the *danwei*, culminating in the ascendance of the enterprise party committee, did not create new labor management institutions. It merely "cemented, with some modification, those institutions that were salient prior to China's adoption of state socialism" (p. 233). Labor supervisors retained substantial authority over the workforce. The reward system, while favoring seniority, provided for narrow wage differentials. As for the enterprises, they had by the early 1960s become "communities in themselves," shut off from the outside world and dominated by party activists backed by higher party authorities outside.

Frazier should be congratulated for clarifying a lot of the issues concerning labor management from the 1920s through the 1960s. What happened during the Cultural Revolution remains murky, and thus the transformation that followed also remains difficult to assess. He does suggest that some of the features characteristic of the earlier periods may prove resilient. The study has made good use of provincial, municipal, and enterprise archives (listed on p. 259). The last were available only for the two Shanghai enterprises. Interviews and correspondence are used mostly for developments in the 1990s, but only in about a dozen instances for the periods that form the main body of the book. Soviet archives have led to new perspectives on China. One wonders what stories their advisers during the FFYP era would tell on the subject of enterprise management.

The book argues convincingly that economic or political crises had a great impact on the development of enterprise benefits. Less certain on the role of culture, it assigns credit only obliquely to "Confucianism." The question of political culture does not come up at all. This reviewer believes that a longer historical perspective may shed light on the issue.

China's industrialization began in the 1860s under the rubric of *yangwu* or the Self-strengthening Movement. Some of the defense industries of the era were very large, even by modern standards, employing 2,000-3,000 workers or more. With labor, especially skilled labor, drawn from afar, housing and other benefits had to be provided. Official desire to control the masses of the less skilled workers also demanded regimentation, which led in part to housing facilities that insulated them from external influences. In addition to these benefits, the workers were well paid. All of this took place in an environment relatively free from the type of crises that befell China in the 20th century.

*continued on page 7*



Mark Frazier

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# Women, Literacy, and Economic Opportunity in the People's Republic

MARILYN M. SLAUGHTER

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Chinese society is progressing in many ways and China has developed a class of women who are ambitious and aspire to devote significant time to developing their careers at the cost of delaying marriage and childbirth. However, the historical social distinctions between men and women continue to limit women's opportunities in employment, education, government, and social affairs. The Chinese woman's role has been that of a homemaker, and even today, when more women than ever before are participating in the workforce, women still play the lead role as homemaker. This historical attitude toward women's roles continues to hamper women's ability to achieve a social and economic status equal to that of men. The idea that women should not be in the workforce competing with men for jobs but at home taking care of their families became a common theme in the early 1990s with the employment downturn caused by industrial changes and closed state enterprises. Further, Chinese women's lack of social and economic progress is due to a lack of education. Chinese women are handicapped by a higher illiteracy rate compared to men.

China's illiteracy rate has long been a problem. Traditionally, Chinese women were largely confined to household work and had limited access to social activities and education. More recently, illiteracy among Chinese women was the result of failed policies during the Mao years. After the People's Republic was formed in 1949, the government introduced new educational policies that made primary education universal. However, in 1987 more than half of the 156 million women in the population were over the age of 50; thus in 1949 these women had already missed out on primary education (*Beijing Review*; hereafter *BR*, August 13-19, 1990:32). Without a formal education many women did not know how to conduct business or social transactions. In addition, the new education system was strained with government red tape and in some areas of the country the education policy never fulfilled its objectives. Mao's philosophy was that people should "eat from the same big pot." The central government allocated ration coupons for food and other commodities, determined which schools people attended and what they studied. The children of shop owners, government workers and educators went to the best schools and obtained the best jobs. These policies caused women to fall further be-

hind men in education. Education was not readily available to women, creating a large group of society's illiterates.

Due to China's large population and Mao's failed economic and educational policies, the illiteracy rate has continued to be a problem.

People reading fewer than 500 words are defined as illiterate in China. The state requires that every worker have the ability to read at least 2,000 characters and every farmer and resident be able to read at least 1,500 characters. People who read below this average are considered semi-illiterate (*BR*, February 16, 1987:18). In the late 1980s China had more than 220 million people over the age of 12 years classified as illiterate. About 156 million of them were women. The illiteracy problem is higher among rural and elderly women. In the 1980s, 78.7 percent of female illiterates were over the age of 65 compared to 14 percent of women between the ages of 15 to 39 (*BR*, August 13-19, 1990:32). A total of 138 million illiterate women live in rural China where feudal ideas of male superiority are more prevalent and where work is labor intensive with agricultural production the biggest work sector. Boys are needed in the fields and girls for household chores. The lack of social opportunities and educational opportunities usually creates a high illiteracy rate for women in rural areas. Early marriage is another cause of high illiteracy among women because child rearing begins and assistance with farm chores becomes a priority. In the rural sector, obtaining an education is not a priority. In urban regions, the illiteracy rate is much lower than it is in rural areas. For instance, in 1987 in Beijing, Tianjin, Shanghai and Liaoning, the illiteracy rate of people over the age of 12 was below 20 percent, but in rural areas such as Yunnan, Guizhou, Ti-



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bet, Gansu, Qinghai and Ningxia, the proportion of illiterate people in the same age group was over 40 percent. Urban areas offer more opportunities to women than do rural regions; thus there are more opportunities for urban women to receive an adequate education (*BR*, February 16, 1987:18).

Over the past 26 years, many people have learned to read and write through state-funded primary education programs, although there are still growing populations of people who are illiterate. Since the mid-1980s, the Chinese government has attempted to combat the women's illiteracy problem. The State Council developed a program, "Regulations on the Elimination of Illiteracy." It requires all educational departments in China to recruit teachers and establish adult education programs. This program was designed to educate women in Chinese, mathematics, and in farming and food processing techniques. Families, youth groups, international corporations, non-government organizations, professional and other women's groups have all been participating in this initiative. The literacy program is also designed to implement a curriculum that would be relevant to adult women's interests. In the State Council's program, women are not only taught reading and writing but also good parenting skills, maternity and child care skills, general health care issues, household economics, and local laws. The program is flexible in that it offers women options in scheduling classes. The women can take classes or individual tutoring, and they can attend classes part-time or full-time with some class times making adjustments for local customs. Under this new effort to combat the high rate of illiteracy in China, parents who refuse to send their daughters to school are fined. Girls from economically disadvantaged families attend school free of charge and girls who have to take care of younger siblings are allowed to go to school late, leave early and study limited subjects, such as mathematics and Chinese. In regions that are populated by ethnic minorities, their native culture is integrated into the curriculum (*BR*, September 4-10, 1995: 19).

According to the *Beijing Review*, the illiteracy rate decreased from about 90 percent in 1949 to about 38 percent in the 1980s. In Hunan Province 670,000 women learned or improved their reading and writing abilities from 1985 to 1987. The province won UNESCO's International Literacy Prize. In Hunan 200,000 women who learned to read and write became active in the local workforce and were earning an income of 1,000 Yuan

monthly. Another 3.1 million Hunan women were studying some sort of technology and 2.8 million had learned other employable skills. From 1978 to 1990, the literacy rate for women in the 15-40 age groups increased from 44 to 96 percent. The push to improve women's literacy rate is allowing women the ability to gain a social footing in China's new economy and building self-esteem and confidence (*BR*, August 13-19:19).

Another effort to improve the literacy rate among Chinese women is the Spring Bud Program. This program provides funding for women dropouts to return to school and lifts the financial burden of families who cannot afford their child's educational cost. School costs usually consist of public transportation or the purchase of a bicycle, the cost of textbooks, and a school registration fee. The program started in 1992 with support from China's Children and Teenagers Fund (CCTF) and from Ms. Zou Gibbing, a philanthropist from Hong Kong who donated \$1 million for the School Girl Grant Fund. Ms. Gibbing, whose donation was the largest gift ever given to the CCTF, requested that the name of the program be changed to the Spring Bud Program because she thought the new name represented young girls better by associating them with flowers of the motherland.

The Spring Bud Program has helped a few thousand girls from rural China including Hunan, Sichuan, and Guangdong provinces and Guangxi Zhuang Autonomous. Throughout China, the program has helped more than 50,000 girl dropouts to receive a primary education. In addition to covering the cost of books and tuition, the girls receive food and housing while they are in the program. When this program started, 83 percent of some 4.8 million children between the ages of 6 and 14 who were not attending school were girls. By the mid-1990s, the Spring Bud Program gained support from private citizens, such as artists who auctioned off some of their original work and donated the proceeds to the program's education initiatives. Donations from foreign-funded corporations helped to expand the Spring Bud Program to 29 provinces, municipalities, and autonomous regions and helped over 400,000 girls. The program is now offering classes to girls in more developed and urban areas and it is providing middle school classes (*BR*, September 4-10, 1995:21).

Historically, Chinese moral standards demanded that a woman obey male figures including her father when she was a child, her husband after marriage, and then her eldest son after her husband died. This limited women's role in soci-

ety and has always given men the overall advantage in social management. China's economic changes have created a more promising social outlook for some women. More and more young, educated Chinese women are competitive in the workforce and are having families as well. Moreover, some foreign-funded donations are contributing to educating some of the migrant and urban disadvantaged populations. Even so, traditional prejudices will still continue to hinder women's careers to some degree and prevent women from gaining equal footings with men socially and economically if better education policies and programs are not developed to assist the masses with a basic education.

#### Sources:

1. *Beijing Review*: Zhang Shaowen, "Combating Illiteracy in China," February 16, 1987, pp. 17-21; "Eliminating Female Illiteracy in Rural China," August 13-19, 1990, pp. 32-33; "China Goes on to Wipe Out Illiteracy," September 3-9, 1990, p. 11; "Helping Young Girls Return to School," February 28-March 6, 1994, 12-13; Kou Zhengling, "Spring Bud Program Helps Female Dropouts Return to School," September 4-10, 1995, pp. 19-22.
2. "Closing the Gender Gap: Literacy for Women and Girls." *UN Chronicle*, March 1990, 56-57.
3. William Lovely, Xiao Zhenyu, Li Bohua, and Ronald Freedman, "The Rise in Female Education in China: National and Regional Patterns," *The China Quarterly*, March 1990, 61-93.
4. John Bryan Starr, *Understanding China: A Guide to China's Economy, History, and Political Structure* (Rev. and updated), New York: Hill and Wang, 2001.

#### *Book Review: Making of the Chinese Industrial Workplace, continued from page 4*

When private industries emerged in the closing decades of the Qing, they freely adopted labor management practices from the traditional handicraft sector. Non-wage benefits were common. Though often attributed to Confucian benevolence or even patriotism, the desire to keep wages low and compressed was no less the reason. And where the enterprises were large enough, contract labor was used, giving great powers to the contractors.

The book frequently refers to the Chinese predilection for personalizing employment relationships, and explains it largely in the context of institutional development. Perhaps one other way to look at it, besides the tricky question of culture, is the practical demand and difficulty of direct management. Both the older generation of enterprise owners and directors as well as the political managers of the GMD and the CCP were themselves not professionals. Using intermediaries, such as shop-floor supervisors, and holding them responsible for most if not all aspects of industrial production and life was a clever way to evade management (in the modern sense of the word).

China was and still is a young, developing industrial society. The state does not have in place the social safety net to keep the unemployed from either destitution or causing trouble. In the days of the command economy, it also did not possess the bureaucratic machinery or technical know-how to manage an industrial society (i.e., to the extent that a planned economy can be managed over the long haul). The reliance on the *danwei*, or its earlier incarnation in the pre-Communist era, was, on the part of the central government, also a method to evade management—a kind of industrial feudalism (if I may coin such a term).

## Coming Fall 2003: Book Reviews

SHANNON BROWN on railways and technological change

PARKS COBLE on Cheng Huixing's study of the Chinese Development Finance Corporation

ROBERT GARDELLA on Parks Coble's Chinese Capitalists in Japan's New Order

GEORGIA MICKEY on Linsun Cheng's *Banking in Modern China*

## Congratulations

MORRIS L. BIAN (Auburn University) has received the Newcomen Article Prize from the Business History Conference for the best article in the journal *Enterprise and Society* in 2002. "The Sino-Japanese War and the Formation of the State Enterprise System in China: A Case Study of the Dakukou Iron and Steel Works, 1938-1945" appeared in the March 2002 issue.

*Symposium Review, continued from page 2*

promoting the bank's business. CHEN ZHENGQING used Wu Yunchu's business career to demonstrate the entrepreneurship of Shanghai's business people during the 1920s and 1930s.

KWAN MAN BUN of the University of Cincinnati described Yongli Soda Co. Ltd. as a model enterprise of economic nationalism. Based on archival sources scattered in China and abroad, his paper analyzed the company's establishment, how it was embedded in a complex of relationships with leading politicians, and its conflicts with the Salt Administration, foreign interests and the Nationalist government. Republican China was not at a time when entrepreneurs could find success by being "patriotic" or by scrupulously adhering to the principles of "modern" management, accounting, science, and technology. In an age of worldwide industrial cartels, the company survived by drawing on the support of political networks, interlocking directorates, insider lending and other much-maligned practices of "crony" capitalism. Instead of a free market, competition was "regulated" through price-fixing, market-sharing, and production quota agreements with foreign and domestic producers. Survival of the company under the exploitative yet supportive industrial policy of the Nationalist state required consummate lobbying and diplomacy.

### **The Influences of Noneconomic Factors upon Modern China's Economic Development**

The role of non-business factors in Chinese business development was another focus of scholars' concern. FAN WEIGUO of SASS studied the influence of modern

Shanghai's human (*renwen*) and social environment upon the development of Chinese businesses. Because Shanghai was an emigrant city, its people developed a more creative, more inventive and greater risk-taking spirit than elsewhere. Similar to the Western protestant ethic, Fan thinks that this emigrant spirit made Shanghai people open to accepting new technology and helped them to create many pioneering enterprises. Although Shanghai's foreign concessions were seen as the symbol of China's humiliation, they protected business activities and provided Chinese business with a more stable business environment. In addition, Fan considers the so-called "Shanghai culture" (*haipai wenhua*) as important to the success of Shanghai's business. He analyzed three characteristics of the *haipai* culture: international consciousness, creativeness and consumerism. Shanghai people did not blindly oppose foreign culture. They eagerly accepted new concepts and new products from abroad, allowing Shanghai's enterprises to continually introduce new products and new marketing methods to promote their businesses.

CHEN ZHENGQING of Qinghua University emphasized the importance of studying the "third sector in modern China," i.e. non-government organizations (NGOs) and non-profit organizations (NPOs) based on the participants' common interest or common faith. NGOs and NPOs have a long history in China. Native place associations (*huiguan*), guilds (*gongsuo*), orphanages, charitable houses (*shantang*), and charitable associations (*shanhui*) performed functions similar to those of modern NGOs and NPOs. During the nineteenth and twentieth centuries, Chinese society became so complicated that the third



Participants in the Shanghai Symposium, August 2002



sector was necessary when neither the government nor business was working properly. Chen's paper summarized five non-replaceable roles that the modern Chinese NGOs and NPOs played in solving social crisis and promoting social and economic development in Chinese cities.

LIU LANXI of the Chinese Academy of Social Sciences studied customary practices related to purchase order and how they influenced the behavior of Chinese firms. Customs varied from place to place with regard to setting purchase order contracts and specifying merchandise quality, standards, prices, means and time of delivery, and penalties in the case of contract violation. These customs, once established, imposed a strong binding force upon merchants. All firms had to conform to these customs in their business behavior. When disputes on purchase order contracts occurred they were arbitrated by individual third parties, chambers of commerce, and by courts, respectively. All the arbitrators took business customs as an important factor in determining which party violated the contract.

ZHAO JIN of Nankai University presented a paper on the company culture of the Tianjin Dongya Woolen Textile Inc. The company culture was based on "taking people as the foundation" (*yi ren wei ben*) for building its brands, developing talent, and creating a Dongya spirit; it played a significant role in promoting the company's business. Zhao Jin compared Dongya's company culture favorably with Japan's "Toyota spirit" and America's "IBM culture."

PARKS COBLE of the University of Nebraska discussed the damaging impact of the Japanese invasion on Chinese banks and bankers. China's modern bankers were among the most innovative of capitalists in adopting new forms of organization and business practice. Yet long before the socialization of the banking sector in 1952, the modern private banking sector in China had all but collapsed. Coble's paper focused on one of the most important bankers of the 1930s and 1940s, Zhou Zuomin and his Jincheng Bank. The study analyzes Zhou's wartime experience and reveals the heavy toll that war, occupation, and hyperinflation took on the bank and the man. By the end of the war, Zhou's legacy as an innovative entrepreneur had largely been destroyed.

### Comparative Studies

To further our understanding of Chinese business history, some scholars made interesting comparative studies, including comparison of Chinese business practices between pre-modern, modern and contemporary times; between Chinese and foreign companies; between big and small enterprises; and between companies in various areas. ANDREA McELDERRY of the University of Louisville re-evaluated some of Liu Hongsheng's business

practices in light of the recent Enron bankruptcy in the United States. From a shareholder's point of view, Liu Hongsheng, who controlled many partnerships and privately-held corporations in China during the 1920s and 1930s, engaged in many questionable practices, such as manipulating accounts, not making full disclosure to shareholders, and blurring the line between company and personal assets. Theoretically, public listing of a company in a regulated market should prevent such practices, yet as the Enron case shows, professional managers of a publicly listed company can engage in similar questionable business practices. Given the context and motivations, on balance, Liu Hongsheng's shareholders probably fared much better than Enron's.

Applying the theory of institutional economics, WANG YURU of Nankai University compared the historical evolution of enterprise institutions in China and Japan by analyzing the institutional contexts in which they originated and developed. The differing institutional arrangements and differing markets for capital, labor and raw materials under which they operated decided the different fates of enterprises in Japan and in China, and thus led to the different results in Chinese and Japanese economic modernization.

ZHANG ZHONGMIN of SASS examined a rarely noticed event in the history of Chinese corporations—the reorganization of five large companies owned by the Guomindang government and the sale of these companies' stocks to the public in 1948. After describing the origins, process and results of this event, Zhang pointed out the three causes that led to the complete failure of this policy. First, the Guomindang pursued this policy at an inappropriate time. The reorganization was doomed from the beginning due to deteriorating political, military and economic conditions. Second, the government's reason for introducing this policy was to solve its own financial crisis rather than to improve the effectiveness of these companies through honest privatization. Chinese business people saw this policy as another government plot to rob them of their money and understandably refused to support it. Third, reorganization procedures were full of faults. Although this event occurred in Republican China, the paper implicitly criticized a similar policy of the current Chinese government which aimed at reducing state-owned stock shares in many public companies.

### Challenges to the State of the Field of Chinese Business History

The papers discussed above and many others presented at the symposium questioned some conventional conceptions in the study of Chinese business history. Japanese scholar KUBO TORU criticized three aspects of

the previous scholarship: using political terms to analyze business; using nationalism to differentiate various business activities; and using class status to judge Chinese entrepreneurs. His paper proposed a new category of Chinese business, *zhoubian yinsu qiye* (periphery-factor enterprises), which he defined as the enterprises created by overseas Chinese, Chinese-returned students and others who had close contacts with foreigners. Neither foreign nor traditional Chinese economic forces gave rise to these companies. They penetrated into China's economy and society but remained at the border, close to the world outside of China. Benefiting from their special position, these companies achieved their greatest success before 1949, particularly during the 1920s and 1930s, by developing strong marketing systems, using their social networks and applying advanced Western technologies.

In his keynote address, SHERMAN COCHRAN stated that his recent book proposed the following three challenges to the state of the field. (Cochran's book *Encountering Chinese Networks* had been translated into Chinese and published by the SASS press in time for this conference.)

First, how do we go beyond Skinner to theorize long-distance trade, redraw maps, and bring to light human agency in business? In his book, Cochran raises questions about Skinner's premise that "Chinese entrepreneurs only succeeded in traversing macroregional boundaries by forming big and far-flung social networks." His research shows that "big businesses readily crossed macroregional boundaries,

and within each macroregion their staff members reached almost all levels of China's marketing hierarchy (as defined by Skinner)...." Therefore "we need a new theory that focuses less on impersonal macro-regional structures and commercial flows and more on the highly personal process in which transregional entrepreneurs and their staff members negotiated agreements and conducted trade."

Second, how can we synthesize business history and political history to deepen our understanding of business-government relations in the early 20th century? Cochran's book noted that "businesses' originated ideas for monopolies and convinced the government to strengthen these monopolies by adding its official sanction and enforcement." He suggested that historians have overestimated the capacity of Chinese, Japanese, and Western governments to control and limit Chinese business networks in the early 20th century.

And third, how can we explain the dynamics of Chinese social networks without essentializing them throughout the 20th century and up to the present? It is wrong, according to Cochran, to assume that "Western businesses always have been and always will be organized into corporate hierarchies and that Chinese businesses always have been and always will be organized into social networks."

Restricted by space limitations, this brief introduction has only covered a few of the many excellent papers presented in this conference. Fortunately, SASS has funding appropriated to publish the revised conference essays in June 2003.

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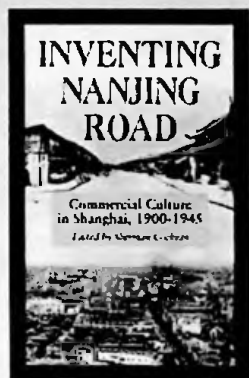
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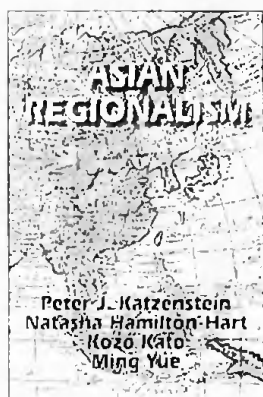
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