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A Rip van Winkle Perspective on Chinese Economic and Business History

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After an absence of more than twenty years I have recently retired and returned to doing research on Chinese economic history. Having been away from the field for such a long time, I am struck by a number of things that seem quite different from twenty years ago. It is difficult to explain the sources of these differences. Research on China and economics has surely changed, of course, but so have I. While my impressions are still "fresh" (read "uninformed" if you wish), I would like to describe them briefly and discuss the possible implications for Chinese studies, with the hope that others may find these ruminations of interest. Afterwards, I will say a few words about my current research. Clearly, these will be informal and personal impressions. I make no pretenses of having surveyed the accomplishments of the relevant fields in the past twenty years.

In my efforts to reengage with my research in the past year, several distinct and probably related impressions have stayed with me. Not all of these are *directly* related to China, but I would argue that they are relevant to understanding China's economic and business history.

1. Economic theory is more interesting and useful than it used to be.
2. There is a lot more good data for studying long-run economic change.
3. A dynamic field of Chinese business history has developed.
4. Chinese archives are now available and that makes a big difference.
5. Chinese history (at least in the nineteenth and twentieth centuries) is best understood as part of an integrating world economy, society and polity.

Let me comment briefly on some of these.

Economic theory seems less dominated than it used to be by the extreme assumptions of the neoclassical model—such as perfect competition and perfect knowledge—which often rendered it rather useless. Instead there is a growing number of more flexible and testable models where competition is less than perfect and knowledge comes at a price. Also, in the field of economic growth, technological change is increasingly treated as endogenous to the economic system, and not as something whose explanation lies elsewhere. Most of these new models and analyses, however, relate to firms or countries where new technology is being developed. The borrowing and adaptation process, which is the dominant challenge of countries such as China, has been much less studied.

The study of economic institutions is now much more integrated into the mainstream of economic analysis. Economists have used many different approaches—from neoclassical (Douglass North) to collective action (Mancur Olson) to game theory (Avner Greif)—to try to understand the evolution of institutions. China may even have its own "peculiar institution" in the family firm, which will benefit from this improved capacity to understand the economic incentives, costs, and benefits of institutions.

Most recently, and of great interest to the readers of this journal, has been the effort to develop a new approach to business history which combines the theorizing of economists with the empiricism of historians. Peter Temin, Naomi Lamoreaux and Daniel Raff have been leading participants in this effort to build on the pioneering accomplishments of Alfred Chandler. This seems to be a very promising field for China specialists.

The last twenty years have seen a revitalization of the field of development economics and an enormous growth in empirical studies of low-income countries. Some of the data sets now available for these countries cover 40 or 50 years. This means that development economists are increasingly studying the same kinds of problems—institutions and things that change slowly over time—that have always interested historians. Meanwhile, economic historians have been enhancing their data sets and pushing their quantitative studies further back in time. One result of this is a growing integration of the fields of economic development and economic history. In Chinese studies, a better dialogue between development economists and economic and business historians would almost certainly reduce the importance attached to politically determined dates such as 1911 and 1949.

Almost twenty years ago Paul Cohen urged us to develop a more China-centered approach to Chinese history, which many understood to mean that Chinese history should not be seen as primarily reactive to Western stimuli. But one might also urge that it is useful, at least in the nineteenth and twentieth centuries, to see China as a participant in the increasingly integrated global economy, society, and political system. Thus imperialism, human migration, international trade, foreign investment, missionaries, etc. are all world-wide phenomena, and not something unique to China. But China does have a unique experience with those phenomena and that is part of what is unique about China. Of course, this admonition is not just for Chinese studies. Such a world-centered approach to American (or Indian or French, etc.) history is also useful.

Among economic historians, Jeffrey Williamson and his collaborators have done an enormous amount of work in the past twenty or so years to create an empirical and analytical picture of how our world economy has evolved. Historians of missionary activities are also developing a similar world-wide perspective which will help put the Chinese experience in a more understandable context.

How does all this relate to my own research?

I am currently working on a book on China's first railroad. This is a colorful story of how foreigners built a ten-mile railroad from Shanghai to Woosung and how the Chinese government bought it and tore it up. In the past this story has been told as a political story and various explanations have been offered to explain Chinese behavior. But it is also a business story and an economic story. As a business story it involves risk, technology, management, costs, revenues, and profits. These are the common problems faced by businesses everywhere. This part of the story has not yet been told and I hope to do so.

As an economic story the Woosung railroad can be seen as one effort among many to change the Chinese economy. What can this single case study tell us about the forces promoting and retarding economic change in nineteenth-century China? What does it tell us about China's place in the world economy? This is a story I also hope to tell.

Let me close by emphasizing that I am aware that the comments above are an inadequate and incomplete survey of the enormous changes in the past twenty years. They could not be otherwise. But if my personal impressions enable the readers of this journal to see the familiar in new and different ways, I will have accomplished my objective.

Photo courtesy of Andrea McElderry

Taipei railroad terminal, 1966

Book Review: Cheng Hwei-shing (Zheng Huixin) *Cong touzi gongsi dao "Guanbang shangxing": Zhongguo jianshe yin gongsi de chuangli ji qi jingying huodong*

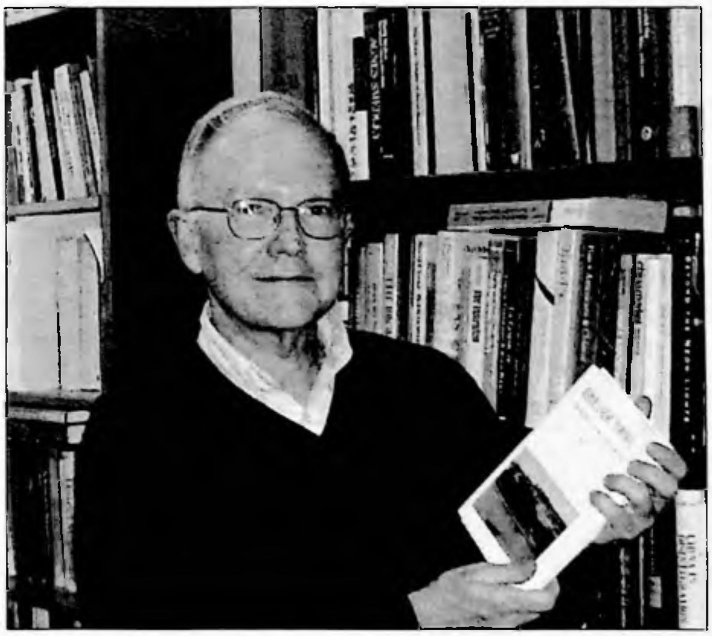
From Private Investment Company to State Enterprise: The Development and Operation of the China Development Finance Corporation. Hong Kong: The Chinese University Press, 2001

Parks M. Coble

Today's China contains an array of public-private business organizations, including purely governmental state-owned enterprises attempting to privatize and purely "private" companies whose managers have family and political connections of the highest order. Most have emerged in the last quarter century. Yet nearly seven decades ago such an institution appeared—the China Development Finance Corporation *(Zhongguo jianshe yin gongsi)*, founded by T.V. Soong (Song Ziwen), a key official during the Guomindang years and brother-in-law to Chiang Kaishek (Jiang Jieshi) and H.H. Kung (Kong Xiangxi). Not only was this corporation of importance in and of itself, but a study of its history sheds significant light on the development of Chinese business and politics during the Republican era. Despite this, the China Development Finance Corporation (CDFC) has received scant attention until the study under review. Chinese scholars in the Maoist era usually denounced it as "bureaucratic capitalism." More recent Chinese work on business history has focused on private entrepreneurs such as the Rong brothers and Liu Hongsheng. This reviewer discussed the corporation briefly in *The Shanghai Capitalists and the Nationalist Government, 1927-1937*, originally published in 1980, but no archival material was available at that time.

At long last we have a definitive history of this organization written by Professor Cheng Hwei-shing of the Chinese University of Hong Kong. Professor Cheng is the ideal scholar to undertake such a study. Graduating from Nanjing University in 1982, he then worked for several years in the Number Two Archives in Nanjing. In the 1980s he undertook graduate work at Hong Kong University and the Chinese University of Hong Kong, completing his doctorate at the latter institution in 1998. The book under review is a revision of his dissertation. Cheng's background and training allowed him to comb archival sources in China, Hong Kong, Taiwan, and North America and to use secondary material in Chinese and English. The result is a study unlikely to be surpassed.

Cheng sees the CDFC as a genuine example of joint merchant-official activity. The central figure in its organization was T.V. Soong, who laid the groundwork for the company during the pivotal year of 1933. Soong traveled overseas during that period and attempted to gain economic support from the Western Powers for the development of China. In part Soong hoped to block Japanese efforts to monopolize China's economy. Yet as Chiang Kaishek sought to appease the Japanese at that point, he forced Soong to resign from his position as Minister of Finance, replacing him with brother-in-law Kung. Operating as a "private" individual, Soong persuaded most of the major banking leaders in China to serve on the board of the CDFC, holding shares on behalf of their institutions. Cheng details the board of directors of the company, which was headed by H.H. Kung and included Soong's two younger brothers T.L. (Ziliang) and T.A. (Zi'an) in addition to key bankers. Indeed the list reads like a who's who of the Zhejiang-Jiangsu financial clique.



Parks Coble

The corporation found itself in the thick of a complex diplomatic situation. The Japanese strongly opposed Soong and the CDFC, and this frightened some foreign governments and businessmen. But, Cheng notes, Soong got backing from the League of Nations and Jean Monnet, the French official who later developed the plan for the Common Market in Europe. Some of this material has been available earlier, although not in the detail presented by Cheng.

The great strength of this study is Cheng's revelations about the actual business operations of the company informed by his archival research. The corporation was all about connections—Soong's ties to government, banking, and international diplomatic and financial circles. In sum, the CDFC opened doors and put together financial deals. Operating in the quasi-public-private domain, it gathered capital from key government banks, such as the Bank of China which Soong himself headed from 1935 until 1943. It used diplomatic leverage to open doors to foreign capital and benefitted from government connections. Outsiders saw it as a Soong family operation, with good reason. Most of the companies in which the CDFC operated or invested had T.V. Soong as the chair of the board of directors. As Soong resumed a more active political career, especially during the Sino-Japanese War, T.A. Soong headed many of the enterprises. Other players included T.L. as well Xi Demao (T.L. Soong's father-in-law) and Hu Yuzhuang (T.A. Soong's father-in-law).

Much of Cheng's study examines the investments of the CDFC. Among the more important of the prewar actions was the raising of domestic and foreign capital to complete railway projects. Working with Zhejiang province and Minister of Railways Zhang Jia'ao (former head of the Bank of China), the CDFC put together the finances for the completion of the Shanghai to Hangzhou Railway. Alas, the bridge over the Qiantang River opened in September 1937 only to be blown up a few weeks later to prevent its use by the invading Japanese. In February of 1936 CDFC officials met with Zhang and Lu Zuofu representing Sichuan province and developed a plan to finance the Chengdu to Chongqing Railway. Other railway projects attempted to draw in French and British capital, although most were cut short by the outbreak of war in Europe.

Not long after it was organized, the CDFC provided emergency loans to the Yong'an (Wing On) company whose banking arm had suffered losses in 1934. Desperate for short-term loans, Guo Le, the senior leader of Yong'an, arranged the loans, but at a price. Like most Chinese entrepreneurs, Guo jealously guarded his control. T.V. Soong made it clear that in exchange for aiding Yong'an, he expected to become an important shareholder. According to Cheng, Guo had no way out and took on Soong and the CDFC as partners.

The company moved into virtually every realm of economic activity. Using government connections it obtained the right to manage the government's revenue stamp tax. Parceled out to associated banks, this earned the company nearly 650,000 yuan in profit the first year. The CDFC took over operations of several existing government-connected enterprises, including the China Cotton Company and China Lumber Company. It reorganized several electric power plants, including that for the city of Nanjing, consolidating them into the Yangzi Electric Power Company in 1937. The Huainan Mining and Railway Company was a major supplier of coal to Nanjing and Shanghai. After these two were reorganized they became the key subsidiaries of the CDFC, with T.V. Soong heading the board of directors of both.

The outbreak of war was a blow to the company—many of the enterprises in the lower Yangzi came under Japanese control; others suffered extensive damage. Yet the move to the interior provided new opportunities for investment. T.V. Soong's political career rebounded, including a stint as acting head of the Executive Yuan, solidifying the company's connections. T.A. Soong took over as chairman of the board and spent much of the war in Hong Kong and the United States, where he could direct efforts to gain foreign capital. When the Japanese surrender occurred, T.V. used his authority to make certain that the CDFC could regain possession of its enterprises which the Japanese had seized, dispatching personnel to East China by plane.

Yet postwar China actually brought about the decline and downfall of the CDFC. Many of their facilities had been damaged by the war, and hyperinflation made raising investments very difficult. Key was the decline of T.V. Soong's political fortunes and with it the connections needed to make the CDFC viable. In one of the most interesting sections of the work, Cheng details the mounting attacks on the Soongs in the aftermath of the war. Soong was blamed for the collapse of the Chinese currency and economy. He along with H.H. Kung, Kung's son, and T. L. Soong were attacked for corruption and for

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Book Review. Parks M. Coble: *Chinese Capitalists in Japan's New Order: The Occupied Lower Yangzi, 1937-1945*

Berkeley and Los Angeles: University of California Press, 2003

ROBERT GARDELLA

Myth-making has long been a central factor in the foundation of narratives of national consciousness, but sustaining political myths is a precarious business in the face of modern critical historiography. Parks Coble demonstrates this anew in this engaging, scrupulously researched account of China and Japan at war from 1937 to 1945. Following up his path-breaking 1986 study of prewar relations between Shanghai's Chinese capitalists and the Nationalist regime and his further analysis in 1992 of the politics of anti-Japanese resistance in the 30s, Coble here takes on a particularly sensitive facet of Sino-Japanese wartime encounters. China's protracted and calamitous experience with Japanese aggression and military occupation continues to generate both popular and academic controversy. At the mythic core of this experience resides the tangled issue of collaboration with or resistance to China's brutal conquerors. In this case the target group involves a broad spectrum of China's big business elite in the lower Yangzi region (the hub of prewar Chinese capitalism centered around metropolitan Shanghai).

Readers retaining visual memories of Frank Capra's cinematic propaganda classic *The Battle of China* will doubtless recall footage of heroic scenes of mass wartime migrations. Entire factories and their workforces journeyed westward up the Yangzi to support China's war effort in the vastness of an unoccupied interior. This vividly epitomizes the "patriotic nationalist narrative" embedded in many recent Chinese accounts of the war years, an intensely partisan historical genre which praises capitalists who migrated and relocated as valiant heroes and vilifies those who remained behind (and thus presumably colluded with the enemy) as despicable traitors. As Coble effectively demonstrates, reality was far removed from both patriotic imagery and nationalistic historiography, and far closer to the immediate imperatives of circumstance, happenstance, and personal and above all familial interests.

Coble's account unfolds in three phases. The first sets the stage by describing the onset of total war in the lower Yangzi, most especially the virtual "island" of Shanghai, its International Settlement serving as a privileged sanctuary until December 1941. Part 2 details the implications of Japan's "New Order" for China as a whole and the lower Yangzi in particular, as Japanese military-industrial exploitation fronted by puppet authorities manipulated occupied China's battered economy. Part 3, at least for historians of Chinese business, is the core of Coble's narrative. It describes and compares the behavior of a select sampling of China's major industrial and commercial capitalists, both measuring them against "patriotic nationalist" iconography and offering an alternative analysis of their operations focused around a paradigm of the Chinese family firm.

The battle for Shanghai in the opening months of the conflict in 1937 cost the lives of 300,000 Chinese troops—the most costly engagement since Verdun in World War I, as the author notes. Losses to industry in the lower Yangzi region were colossal, with up to half of Shanghai's industrial capacity alone destroyed. While some 600 factories were indeed relocated to unoccupied China, thus accounting for much of Free China's nascent industrial production, many Chinese businessmen lacked the ability or desire to trek westward. They settled instead for the relative tranquility, security and comfortable profit margins of Shanghai's International Settlement over the next four years. Under the umbrella of foreign protection, and frequently using foreign cover for their enterprises, Shanghai's businessmen hunkered down in their temporary refuge

Robert Gardella

while Japanese militarists, bureaucrats and capitalists competed to determine China's servile role in their "New Order."

There was never any single Japanese plan for occupied China—there were a number of contradictory schemes, malleable concepts whose scope depended on Japan's battle victories and whose contents altered with Japan's war requirements. With the wariness of the recently vanquished, most Chinese correctly assumed that Japan sought to colonize China and exploit it savagely or subtly as circumstances dictated. Coble traces three stages in the evolution of Japanese occupation policy: an initial chaotic period of crude, short-range economic plunder and wholesale destruction lasting until late 1938, followed by a spate of efforts down to late 1942 to reinvigorate regional economies using large holding companies as tools, and ending in the collapse of policies, hyperinflation and economic collapse during the last two years of the war.

A common thread throughout the war years was Japanese reluctance to grant Chinese capitalists anything but a limited and subordinate economic role. This was obvious in North China, which was perforce integrated into Japan's preexisting military-industrial complex in Northeast Asia under the aegis of the "North China Development Company." Even in Central and South China, however, where Japanese strategic interests had historically been much weaker and Chinese local manufacturing much more developed, poor incentives and obtrusive Japanese administration did much to curtail Chinese participation in the so-called "Central China Development Corporation."

Coble reinforces the common perception that the puppet regimes set up by the Japanese lacked real authority or much capacity to curb military excesses—this was certainly true of Wang Jingwei's Nanjing regime from 1940 onward. Most capitalists remaining in the lower Yangzi had nonetheless been constrained to make some form of voluntary or coerced accommodation with the Japanese and the Nanjing authorities by 1943. Many participated in commodity control programs, while occupied China's economy disintegrated around their heads due to rapidly mounting shortages of transport, energy, and raw materials. Compounding these economic problems as a plague upon all houses was the resounding collapse of all forms of Chinese currency in both occupied and Free China. With four authorities issuing paper money poorly backed by wartime revenues—the Nationalists, the Nanjing regime, the Beijing regime, and the Japanese military itself—black market transactions became essential for day-to-day survival.

The concluding chapters of the book shift down to the more conventional focus of business history by comparing case studies of major Chinese capitalists and their firms operating in disparate sectors of the wartime economy. China's business elite did not after all experience the war as a class, but as individuals in particular circumstances. Certain enterprises such as banking, chemical manufacturing, and the rubber industry were so strategic that they found it virtually impossible to escape Japanese controls. Commercial establishments involved in wholesale and retail trade were also limited in their freedom of action, although the overseas branches of these firms (such as the Guo Brothers' Yong'an [Wing On] Group) gave them more financial flexibility. The capital incorporated in textile factories and flour mills could be relocated, initially to Shanghai and later to the interior.

The determining factor in all such decisions—to collaborate or not, to relocate or remain behind—rested with the family firm. As Coble succinctly puts it, "The nature of the Chinese business firm conditioned the response to war. Most industrialists placed survival of the firm and the family ahead of abstract concepts of nationalism" (p.140). Attaching ideological labels such as "collaborator" or "patriotic nationalist" to the singular, often ill-documented careers of these protagonists in wartime situations marked by ambiguity and huge uncertainties does little justice to the history they lived.

Chinese business historians will assuredly be familiar with the principal cast of characters featured in this monograph: the Rong family's industrial empire centered on textiles and flour mills, the aforementioned Guo Brothers and their Yong'an retailing and textile businesses, the chemical and match industrialists such as Fan Xudong, Wu Yunchu, and, above all, Liu Hongsheng (O.S. Lieu), the virtual archetype of "patriotic industrialists." Lesser known figures are also introduced, notably the flour and textile industrialists of Wuxi, but Coble's analysis centers upon these major exemplars of family firm management. Readers may question the author's extensive reliance upon that time-honored paradigm with its usual fellow travellers (distrust of government, reliance upon *guanxi*, opaque business practices) as *the* primary explanation for

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Book Review. Cheng Linsun: *Banking in Modern China: Entrepreneurs, Professional Managers, and the Development of Chinese Banks, 1897-1937.*

New York: Cambridge University Press, 2003.

GEORGIA MICKEY

The publication of Cheng Linsun's monograph is a welcome event because it is the first English-language survey of Chinese banking in the Republican period. Chen's study breaks ground by refuting long-standing assumptions about the reliance of modern Chinese banks on government financing for their growth and profitability. He also restores the reputations of the leading Chinese modern bankers of the Republican era, whose critics unfairly labeled them "robber barons" and charged them with lining their pockets at the expense of fostering China's industrial development.

Cheng describes a historical trajectory for the modern Chinese banks that begins with the dominance of the "three kingdoms" at the end of the nineteenth century and ends on the eve of the war against Japan in 1937 with the modern banks having displaced this financial triumvirate. The so-called "three kingdoms" refers to the three types of financial institutions that constituted China's financial sector prior to the establishment of the first modern bank (*yinhang*) in 1897: the remittance banks (*piaohao*), the local banking houses (*qianzhuang*), and the foreign banks. It was an efficient and rational system, well-suited to the needs of the commercial sector of the Chinese economy.

As Cheng points out, this system had one flaw that became increasingly important toward the end of the nineteenth century. It was not geared to raising capital to support the development of an industrial sector. Officials and gentry merchants attempted to fill this gap with a new type of financial institution structured as a limited liability corporation and modeled on the Western commercial bank. How this new type of financial institution gradually displaced the "three kingdoms" is one focus of Cheng's analysis. He attributes the success of the modern banks to a variety of factors. Although government sponsorship was a spur to their initial growth, other more sustaining factors began to emerge during the second decade of the twentieth century. Cheng identifies these factors as (1) a tendency to privatization and concentration, (2) the adoption of modern business practices, and (3) the emergence of banking "entrepreneurs with Chinese characteristics." The tendency to concentration produced a group of nine *yinhang* that by 1936 held 24 percent of the total capital of the modern Chinese banks. These nine banks and their senior managers led the transformation of the Chinese banking sector during the Republican period, and they are the focus of Cheng's analysis.

The senior managers at what became China's nine largest modern banks carried out similar business tactics that proved critical to the rapid growth of China's modern banking sector during the 1920s and 1930s. These banks adopted a strategy of mutual cooperation, which Cheng attributes to the strong competition they faced from the entrenched *qianzhuang* and foreign banks, as well as to the personal characteristics their senior managers shared, such as education and native-place ties. These men established institutional linkages by developing professional associations, publishing banking journals, and investing in each other's banks. They were each committed to bringing modern business practices to Chinese banks. They hired "the brightest and the best" young men

Banking in Shanghai, 1993

graduating from foreign schools and China's top universities and established worker welfare systems to retain this talent. They introduced double-entry accounting, compiled and shared economic statistics and reports, and set up credit-checking agencies. They developed strict procedures for collateralized loans, which allowed them to finance riskier industrial enterprises. They campaigned to convince Chinese people to begin a habit of saving and to keep their savings in banks, which became an important source of capital that fueled the growth of the banks. All of these practices contributed to the success of the modern Chinese banks, because they brought stability to China's banking sector and encouraged public confidence in the modern banks.

Cheng emphasizes the entrepreneurial bent of this group of Chinese bankers, showing how their innovative practices owed as much to their Western education as to their roots in Chinese culture. They espoused certain Confucian precepts, such as the primacy of social responsibility and the identification of the individual, whether the customer or the employee, with the greater interests of society. In light of the considerable body of work published in the past fifteen years on the economic successes of Taiwan, Singapore, South Korea, and other Asian nations that touts entrepreneurship and the positive influence of Confucian values, Cheng's conclusions on this aspect of the careers of the modern bankers are not new, but his analysis does address the long-standing prejudice among Chinese scholars against the Republican-era banking pioneers, which has also been reflected in English language studies and textbooks.

A problem for Cheng and other scholars who use the wealth of materials now available on the modern banks is that reading certain types of these materials at face value can result in an idealized view of the accomplishments of the modern bankers. Memoirs and interviews reveal how these men wished to be remembered for posterity: their articles in trade journals were intended to convince others to adopt their ideas; speeches and essays in in-house bank magazines were for the purpose of training employees. These types of sources, which Cheng relies upon in his analysis of practices at the modern banks, reflect what the bankers wanted to accomplish, not necessarily what they were able to achieve. What these sources do reveal is the almost missionary zeal that these Chinese bankers brought to the task of modernizing Chinese industry and society, a critical aspect of their success which Cheng's work beautifully captures.

In addition to laying out in detail the strategies that brought success and growth to China's modern banking sector during the 1920s and 1930s, Cheng also refutes misconceptions that Chinese and Western scholars have perpetuated about the modern Chinese banks. Probably the most pernicious is the hypothesis that it was the modern banks' reliance on financing the government through the purchase of government bonds that caused them to grow so quickly.

Cheng's analysis shows that government bonds, far from being a financial bonanza, never amounted to more than ten percent of the total assets of China's nine largest modern banks and were actually a drag on their earnings. Since this important conclusion relies upon the financial

CBH Events at the 2004 AAS Meeting in San Diego

Beyond Market and Hierarchy: Cartels and Network Capitalism in Republican China

Panel #156, Saturday, March 6, 2004, 2:45-4:45 pm

Sponsored by the Chinese Business History Research Group statements of the banks that Cheng surveyed, it would have been useful to analyze the accounting policies they employed in order to address the issue of the quality of the financial results the banks reported and thus the reliability of the ratios Cheng calculated. Cheng's claim that the largest modern banks did not speculate in government bonds is not entirely borne out by Chinese-language secondary sources. For example, Deng Xianhong in a scholarly article on the Bank of China cites a specific instance where Zhang Jia'ao in 1926 profitably sold government bonds in the bank's portfolio on the news of a plan to reorganize government debt.[1]

Unfortunately, this volume has not received the editing attention from Cambridge University Press that it deserves. In the first place, the glossary of Chinese terms does not include all of the terms and phrases appearing in *pinyin* in the text. Second, bank names are not uniform. For example, the name of the Jincheng Bank in the text is its *pinyin* equivalent, yet the Yanye Bank is called Yien Yieh Bank in the text and in the index, and by its *pinyin* equivalent in the glossary. Part of the problem lies in the inconsistency with which bank names appeared in English-language newspapers during the Republican period. As a survey of the modern banks, this volume should have contained an appendix giving the names of the major banks as they appeared in English during the Republican era, with their corresponding *pinyin* and Chinese-character equivalents. Other errors have crept into the text, particularly with the names of individuals. The senior manager of the Bank of Communications, for example, is Qian Yongming, not Yongmin. The Qing institution, *Hubu*, is always translated in English-language works as the Board of Revenue, yet this volume chose Board of Household, a literal translation of the character *hu*, which neither conforms to general usage nor to the actual function of this institution by the late Qing.

These are mere quibbles, however, and should not detract from the importance of Cheng's work on the modern Chinese banks. Particularly valuable has been his clear-eyed assessment of the contribution that these financial entrepreneurs made to China's modernization during the 1920s and 1930s. Future more-focused studies of individual banks or groups of banks will have a solid foundation from which to proceed.

1. Deng, Xianhong, "Zhongguo yinhang yu Beiyang zhengfu de guanxi" (The relationship between the Bank of China and the Beiyang government). *Jingji yanjiusuo jikan* ,1988, 11: 275-381.

China Maritime Customs and Trade Statistics

A new book by Tom Lyons (Professor of Economics, Cornell University), *China Maritime Customs and China's Trade Statistics, 1859-1948,* guides the reader through Customs documents, explaining what sort of information is available in them, where to get them, and how to use them effectively. It shows readers how to interpret trade statistics produced by the Customs service and demonstrates, in particular, how to gather and use statistics that pertain to specific regions and commodities. Maps, graphs, tables and sidebars supplement the main text. Willow Creek Publishing, 2002, 181 pages plus CD with additional 75 pages of text and 65 spreadsheets, $34.95.

Coming in Spring 2004

DANIEL MEISSNER
Casting Bread Upon the Waters: Researching China's Industrial Response to the Global Flour Trade, 1880-1910.

BRETT SHEEHAN
Research on Chinese Banking: The State of the Field

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using their special privileges to garner foreign exchange and importing luxury goods for resale. Attacks came not only from leftists but from within the Guomindang. The Political Study Clique, CC Clique, and others joined in and the Control Yuan leveled charges. T.V. Soong resigned on March 1, 1947, while making a public gesture of donating CDFC profits to aid war refugees. In a final act the CCP seized CDFC properties in May 1949 on the grounds that they were bureaucratic capitalist enterprises.

Cheng attempts to unravel the question of who actually held stock in the CDFC, providing carefully constructed lists of stockholders at three different periods in the company's history. In doing so he corrects errors made in earlier studies, including one by this reviewer. Cheng demonstrates that ownership shifted dramatically over time, with the big government banks holding much of the stock in the initial period, but being dramatically reduced as the majority of the holdings were held by individuals in the later years. Of course the individual stockholders were the Soongs, Kungs, and prominent bankers for the most part. Cheng also tries to pin down the profits of the CDFC. It certainly made money in the pre-war period, but the evidence of the distribution of profits is less certain.

Cheng's study thus provides major insights into the political economy of the Guomindang years. He attempts to avoid the pejorative rhetoric which has plagued earlier studies on these issues. He sees the CDFC as having undertaken important actions in China's economic development while recognizing the centrality of its political connections. Cheng's study can be read profitably both to increase our understanding of the Republican era and to place issues concerning contemporary China in historical perspective. This is an important contribution to our understanding of the relationship between business and state in modern China.

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effective business operations. (The two cases cited of textile enterprises with old *guandu shangban* origins—the Hengfeng and Dasheng Companies—are too few to serve as convincing organizational counter-examples of wartime business failures.) Recent studies in the field, notably Sherman Cochran's, serve to emphasize the "diversity of successful business forms" in the modern Chinese context, as well as placing greater stress upon hitherto neglected aspects of Chinese business life such as civil law and contracts.[1] Notwithstanding such caveats, *Chinese Capitalists in Japan's New Order* provides a brilliant, elegantly crafted and balanced account of the paradox of modern Chinese capitalism as both a compromised survivor and political casualty of total war.

1. See Sherman Cochran, *Encountering Chinese Networks: Western, Japanese, and Chinese Corporations in China, 1880-1937*, University of California Press, 2000, p.186; and Madeleine Zelin, Jonathan Ocko and Robert Gardella, eds., *Contract and Property in Early Modern China*, Stanford University Press, forthcoming 2004.

Contributors

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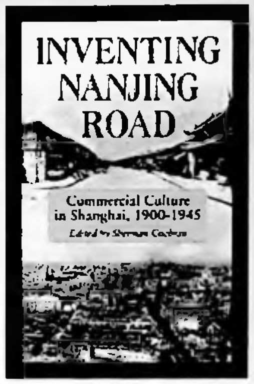

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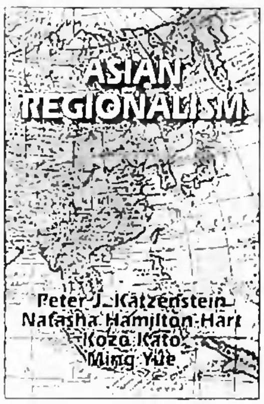

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