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Bridging the Guomindang-Chinese Communist Party Ji Chaoding in New York, Shanghai, Chongqing, and Beijing, 1933-1963

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Ji Chaoding, born into an upper-class Shanxi family in 1903, became one of the earliest Chinese Marxist theoreticians in the United States. Ji joined the U.S. Communist Party in 1927, but was accepted into the Chinese Communist Party (CCP) hierarchy and government at the Party's Sixth Congress in Moscow (1928). He explored the Asiatic mode of production enroute to a Ph.D. in economics at Columbia University, and from there rose to prominence in both the Nationalist (*Guomindang*) and Chinese Communist Party governments. During a career that spanned more than three decades, Ji achieved distinction as

a scholar, teacher, propagandist, banker, diplomat, and foreign trade specialist.

Through Ji Chaoding, this essay will attempt to re-examine certain Guomindang-Chinese Communist Party financial structures, policies, and personnel from a post-Cold War perspective. Existing monographs on Chinese history typically end or begin with the Chinese Communist Party liberation in 1949. This demarcation has served to obscure certain vital continuities in Chinese banking, foreign trade, and commerce. Ji Chaoding is the best-known of numerous former Nationalist and so-called "democratic personages" who remained in the new People's Republic (PRC) to play key roles in China's economic recovery after 1949. His experiences as an "underground" communist while working for Universal Trading Corporation (1939-41), as secretary-general of the Sino-American-British Currency Stabilization Board (1941-44), and as economic research department chairman of the Nationalist's Central Bank of China (1944-49), are inextricably linked with his substantial contributions to PRC banking and foreign trade after 1949. At both the People's Bank and the China Commit-



Ji Chaoding's FBI file began in 1928 and included this photo

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tee for the Promotion of International Trade (CCPIT), Ji put in place personnel and organizational structures he had utilized prior to 1949. One could point to remarkable similarities in “corporate culture” between the several organizations Ji participated in as well.

The exigencies caused by the Sino-Japanese War thrust Ji Chaoding onto the political stage in December 1939. In the most harrowing decade of his life—a decade as a communist underground in the service of the Nationalist government—Ji gained invaluable knowledge that made him one of ‘New China’s’ most innovative administrators in the field of banking and foreign trade after 1949. His ascent began at the Universal Trading Corporation (UTC), a wholly-owned subsidiary of the Nationalists formed for the purpose of promoting Sino-American foreign trade. Chen Guangfu (K. P. Chen), Universal’s dynamic chairman and founder of the Shanghai Commercial and Savings Bank, engaged Ji as his secretary and almost immediately vested him with substantial responsibilities. By December 1940, Ji Chaoding was acting director of UTC’s General Affairs Department, assembling a wide variety of information for research and publication.

Although his tenure at UTC was brief (ending in mid-1941), Ji gained important insights into organization, recruiting, training and management from his mentor and superior, Chen Guangfu. This came about despite marked differences in the two men’s backgrounds and philosophies. Chen, a successful, self-made sixty-year old capitalist entrepreneur, believed that UTC could be the perfect vehicle for his stewardship of China’s postwar economic reconstruction. He also placed a premium on Sino-American cooperation and communication. By contrast, the younger Ji Chaoding (37), had used his formidable English language skills and abundant knowledge of China’s economy to produce anti-Nationalist and anti-imperialist Marxist political tracts for more than a decade.

Despite their differences, the achievements of Chen Guangfu and Ji Chaoding at UTC led to both men serving as chairman and secretary-general, respectively, on the Sino-American-British Currency Stabilization Board (CSB) from mid-1941 until its dissolution in early 1944. The Board, constituted for the purpose of using foreign exchange (dollars and sterling) to support the international value and stability of China’s currency, attempted to maximize its U.S. \$100 million fund by facilitating the import of raw materials and essential consumer goods. Unfortunately, the trade blockade that followed the Japanese occupation of Shanghai and Hong Kong in December 1941 rendered the CSB moribund and made the question of

China’s foreign exchange position moot for the duration of the entire Pacific War.

One former British official called the CSB an “abortive attempt at cooperation” between the West and China. Chen Guangfu’s and Ji Chaoding’s collaboration during these thirty months was similarly ill-fated. In his memoirs, Chen declared that CSB’s generous support of Shanghai business and trade in 1941 made a “great contribution” to the war effort. But he harshly criticized Ji Chaoding and Ji’s new-found mentor, Kong Xiangxi, for revisions to the three-nation CSB agreement that effectively quashed any possibility of the board’s continuation postwar. For his part, Ji feared the “denationalizing influence” (i.e., currency manipulation) of foreign banks in Shanghai and thus had advocated strict foreign exchange control to limit speculation and hoarding. Supported by Finance Minister Kong Xiangxi, Ji advanced several proposals in direct opposition to Chen Guangfu. The most significant of these was Chinese-only board membership which, when rejected by Chen, led to formation of the CSB’s Nationalist rival organization, the Foreign Assets Exchange Control Commission in 1943.¹

Ji Chaoding’s close relationship with Kong Xiangxi between 1943 and 1949 paralleled his liaison with Chen Guangfu in certain aspects, but yielded substantially greater rewards. Ji first gained Kong’s confidence through his CSB activities, and soon became his personal secretary. Ji also helped Kong launch the China International Economic Association (1943), formed for the purpose of promoting China’s foreign trade. Most importantly, Kong Xiangxi provided Ji entry into the Central Bank of China, the Nationalist government’s



Ji Chaoding in Shanghai (c. 1947). The mustache, to be shaved off in case Ji’s underground cover was exposed to the Nationalists, served as a daily reminder of his fragile existence.



Ji Chaoding (second from left) with his second wife, Luo Jingyi, during the liberation of Shanghai, May 1949

“banker’s bank,” by making him director of its Economic Research Department. In this capacity, Ji recruited numerous analysts who remained with him when he took a similar position with the People’s Bank after 1949.

Ji Chaoding’s achievements while under the patronage of Kong Xiangxi later caused many base area Chinese Communist Party members to view him with great suspicion. Remarkably, however, Ji’s most significant contributions came after the finance minister’s political eclipse in 1943. He attended the Bretton Woods International Monetary Conference with Kong in July 1944, and with Kong physically debilitated from illness, played a pivotal role in obtaining for China additional funds in the protracted Sino-American financial settlement negotiations (July 1944-June 1945) over U.S. military expenditures in China. Ji also strengthened the Central Bank’s economic research department over a five-year period after Kong was ousted as bank president (1944) by increasing its staff, the breadth and depth of statistical data collected, and its number of publications.²

Ji Chaoding’s years underground featured several near-misses in terms of exposing his real identity as a Communist Party member. This despite the fact that he ostensibly renounced communism prior to working for Chen Guangfu and Universal Trading Company in 1939. Thereafter, he received protection from Chen and Kong Xiangxi, but when Kong stepped down, Guomintang nemeses like Chen Lifu and Jiang Tingfu threatened to unmask him as a Communist. By 1948, Ji sported a mustache and at least once left his home hastily in the night to avoid the Guomintang’s secret police. Ji’s harrowing existence ended only with an extraordinary trip to Beijing arranged by Nationalist general Fu Zuoyi in January 1949. Within months he was recruiting many of his former subordinates to join him in the economic research department of the recently-formed People’s Bank.³

Three relatively distinct phases marked the last fourteen years of Ji’s life. In the first phase (1949-52), Ji put his considerable knowledge of banking, foreign exchange, and foreign trade to good use. He participated in the take-over of Nationalist banks in Beijing and Shanghai in 1949, and headed the Research Department at the People’s Bank. In addition, he handled foreign exchange and trade issues at the Bank of China. Once the new regime halted the inflationary spiral and recovered a measure of foreign trade, Ji moved to head the China Committee for the Promotion of International Trade (CCPIT). During this second phase (1952-57), Ji molded the CCPIT into a multifunctional organization that facilitated trade with capitalist countries. In these years he led trade missions to Western Europe which helped break open the nearly decade-long “blockade and embargo” the U.S. and Western Europe had imposed against China. Unfortunately, shifting political winds caused Ji to be underutilized during the last six years of his life (1957-63). In this third phase, Ji and the CCPIT relinquished imminent significant technological transfers from Great Britain and West Germany in favor of developing trade with less-developed nations in Asia, Latin America, and Africa. Ji’s role in this largely unsuccessful effort, conducted through the Afro-Asian People’s Solidarity Organization (AAPSO), ended with his sudden death from a cerebral hemorrhage in August 1963. He was sixty years old.

Despite reverses associated with the Great Leap Forward and after, Ji counted significant triumphs after 1949 that vindicated his years underground. First, the People’s Bank played a critical role in halting inflation in the cities in 1949-50, especially in Shanghai. Ji’s experience with Shanghai speculators and currency stabilization in 1941 and again from 1946 to 1949 helped bank president Nan Hanchen and Politburo member Chen Yun formulate policies that brought stable prices and increased production by mid-1950. Second, following formation of the CCPIT in 1952, Ji facilitated U.S. \$56 million in trade contracts with British “red capitalists” and a U.S. \$400 million “rice for rubber” agreement between China and Ceylon (Sri Lanka). Since the CCPIT interacted only with those countries not formally recognizing the People’s Republic of China, Ji’s pre-1949 contacts in these two countries provided the impetus for successful relationships that lasted until the Cultural Revolution.

Finally, the structure of several PRC institutions like the People’s Bank, the Bank of China, and the CCPIT, bore Ji Chaoding’s distinct imprint. At the two banks, Ji employed people and implemented procedures he had utilized or observed while working for Chen Guangfu and Kong Xiangxi. At the China Committee for the Promotion of International Trade, Ji combined his considerable and varied talents to build

an organization in his own image. He advanced the number and quality of PRC trade exhibits abroad, and originated numerous activities that carry forward to today, including arbitration, copyright laws and registration, publications, data collection, and vocational training.⁴

Ji Chaoding's experiences in banking and foreign trade offer an opportunity to measure continuities in these areas both before and after 1949. This essay has shown how the influence of Chen Guangfu and Kong Xiangxi prior to 1949 shaped Ji's thinking about organizing, staffing, and training the economic research departments of the Central Bank of China (1944-49), the People's Bank of China (1949-50), and the CCPIT (1952-63). Part and parcel of this continuity were the many "democratic personages" working in Shanghai prior to the liberation who were utilized by Ji Chaoding and Nan Hanchen in the People's Bank of China and the CCPIT after 1949. Ji began recruiting economic analysts for the Central Bank's research department soon after returning to Shanghai in 1946 in anticipation of a CCP victory. Accordingly, analysts' research efforts were directed to post-liberation problems as early as January 1948. Most of the Central Bank's substantial research library, assembled by Ji and others, was preserved and provided invaluable assistance to the People's Bank in 1949 and 1950. These materials and relative continuity in personnel and procedures represent an often-overlooked contribution to the successful inflation fight of 1949-50.

1. Chen Guangfu requested memoir accounts of CSB activities from members Bei Cuyi and W. H. Evans Thomas before compiling his own sanitized and self-serving account. K. P. Chen Papers, Columbia University.
2. Volume Two of the *Morgenthau Diary (China)* (U.S. Government Printing Office, 1965) offers fascinating information which Ji Chaoding's three Chinese biographers were unaware of.
3. Ji Chaoding's extensive FBI file (about 200 pages) reveals contrary views regarding who knew about his Marxist beliefs. Other accounts indicate that both Chen Guangfu and Kong Xiangxi knew Ji was a communist.
4. A remarkable reference to Ji's "far-sightedness" is made in *Mao cu chun qiu* (A chronicle of the CCPIT), published in Beijing in 1995.



The British "Icebreaker" trade mission at the Peking Hotel in 1953 with Roland Berger (center), Ji Chaoding (right of Berger), and Lu Xuzhang (reading statement).

Coming in Spring 2002 issue

MARILYN SLAUGHTER on migrant women workers in
China's Special Economic Zones

SCOTT LEVI on Hindu moneylenders in Chinese Turkestan
in the nineteenth & twentieth centuries

MORRIS BIAN, review of State and Economy in Republican
China

The Hongkong Shanghai Bank Group Archive, London

CATHERINE R. SCHENK
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The Hongkong and Shanghai Bank (hereafter HSBC) was founded in Hong Kong in March 1865 and a month later the first branch was opened in Shanghai. Its main purpose was to finance trade and commerce along the China coast and between East Asia and Europe and, in its early years, it did focus on financing trade along with bullion and foreign exchange. Later the bank engaged in the full range of merchant banking activity as well as retail banking. Its prominence in East and Southeast Asia was exhibited by the fact that it issued currency notes in Hong Kong as well as in a variety of Southeast Asian territories. It was also the first bank to open in Thailand. HSBC Holdings plc is now a dominant actor in global banking in Asia and has 6,500 offices in 78 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. A twenty-page history of the Bank is available in pdf form on the corporate website: www.hsbc.com.

As the centenary of the bank approached, the HSBC began to gather historical material for a commemorative volume (M. Collis, *Wayfoong; the Hongkong and Shanghai Banking Corporation*, 1965). This generated a sustained interest in the Bank's history within the corporation and prompted the inauguration of an archive project associated with the University of Hong Kong in the late 1970s. The project collected and collated the archives of the Bank, including its many branches throughout China, Southeast Asia, Europe and the USA and also produced a conference volume, *Eastern Banking: Essays in the History of the Hongkong and Shanghai Banking Corporation*, 1983. Its crowning achievement, however, was a monumental scholarly biography and history of the bank by Professor Frank H.H. King that was published in four volumes between 1987 and 1991 (*The History of the Hongkong and Shanghai Banking Corporation*, Cambridge University Press). In the process, the archive was catalogued and centralized, creating an extraordinarily rich resource for the research of a variety of aspects of China's domestic and international economic, social and business history.

HSBC took over the Midland Bank (a London clearing bank) in 1992 and the archives of the HSBC were trans-

ferred to the offices of the Midland Bank in London at the end of 1993 (Midland was re-named HSBC Bank plc in 1999). The archive is now located in the Bank's head office at 10 Lower Thames Street, London, and is managed by a dedicated team of professional archivists led by Edwin Green (group.archives@hsbc.com). The collection comprises nearly two kilometers of shelf storage covering members of the HSBC Group.

The records cover the entire historical range of the operation of the bank, although many of the nineteenth century records have not survived. The collection is richest for the period from the end of the First World War up to the 1950s, but this should not discourage scholars interested in earlier periods. The Bank was a vital element in the conduct of Chinese monetary and financial policy and therefore had deep and long-standing relations with Chinese governments, both with respect to currency and arranging international loans in the late nineteenth and early twentieth centuries. The operations of the Chinese branches in this period are particularly detailed, but there is also a range of material on branches in Europe and Southeast Asia. Given the structure of the Bank's activities, the largest collections concern the offices in Hong Kong, Shanghai, Tianjin and London. They include ledgers and accounts as well as managerial and official correspondence (letters and telegrams) between branch offices and the head office in Hong Kong. There are also bankers' opinions on customers and market intelligence. Of course, there are gaps with respect to time and geography, but altogether the records give detailed views of many aspects of the business—the development of lending and commercial policy, relationships with the bank's customers, internal administration of personnel and buildings—as well as general views of the economic and political environment in which the bank operated.

In addition to the documents of the Bank, there is an ongoing oral history collection of interviews with many officers and managers in the bank since the postwar period. These are almost exclusively British expatriate employees rather than Chinese, although there is an interview with the Bank's last Chinese comprador. The archi-

vists are now engaged in interviewing a selection of the wives of the postwar officers to preserve their memories of life with the HSBC in China and in Hong Kong. The archive also includes a large selection of photographs relating to the Bank's premises.

The Hongkong Bank subsequently took over other banks whose records are also in the archive. The British Bank of the Middle East and the Mercantile Bank of India were acquired in 1959. In 1999 the archivists Edwin Green and Sara Kinsey produced *The Paradise Bank: The Mercantile Bank of India, 1893-1984*. A controlling interest in the Hang Seng Bank was acquired in 1965 and the detailed records of the takeover are in London, although Hang Seng's own archive remains in Hong Kong.

My work on these archives has concentrated on the postwar period. I have used the correspondence with the Shanghai office extensively to examine the economic and political implications of the establishment of the PRC for relations between China and Hong Kong and the experience of British business in the new PRC. The Bank had a dominant role in the Hong Kong financial and economic system and so the records are particularly rich on the banking system of the colony in this period. The Chairman's files contain especially colorful letters and memoranda on a wide variety of topics that have helped to document the sometimes rocky relationship between the Bank and the colonial administration. I am currently using the records of Head Office to get an impression of the role the Bank played in the postwar industrialization of Hong Kong. During the buy out of Hang Seng, the HSBC completed a detailed internal audit that gives a wealth of information on the lend-

ing practice of this important Chinese bank. I have also had access to the correspondence between the Bank and some of its industrial customers in the 1950s.

There is considerable scope for scholars at the archive. Beyond the financial history of China and Southeast Asia, the archive holds material of interest on the social history of the British influence in Asia, the relationship with the local Chinese community through transactions of compradors, and, of course, on business in China and Hong Kong. Recent books that have used the archive include mine on *Hong Kong as an International Financial Centre* (Routledge, 2001), F. Wood, *No Dogs and Not Many Chinese; Treaty Port Life in China 1843-1943* (1998), B. Baker, *Shanghai; Electric and Lurid City* (1998), S. Muirhead, *Crisis Banking in the East: The History of the Chartered Mercantile Bank of India, London, and China, 1853-93* (1996). The archive has also attracted a large number of Japanese historians.

An informal thirty-year rule operates in the Archive and scholars are asked to allow the archivists to review any research that uses the records before publication or circulation. The actual documents are stored in a building not far from the archive's office and so documents are usually delivered a day after ordering. Researchers work in the office of the archivist, which can sometimes be busy, but the archivists are a very helpful guide to the collection and are most willing to answer questions and give advice at any time. In sum, the HSBC archives is a rich but rather underused resource that promises to enrich our detailed understanding of the nature and practice of business and banking in East Asia.

Conference of the Economic and Business History Society

Chicago, April 25-27, 2002

Paper proposal deadline: January 15, 2002

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<http://www.ebhsoc.org>

***Encountering Chinese Networks: Western, Japanese, and Chinese Corporations in China, 1880-1937.* By Sherman Cochran** Berkeley: University of California Press, 2000, 257 p., xii

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As the debate about the role and significance of networks in Chinese business institutions and business environment continues, Sherman Cochran's monograph presents an important contribution to the discussion through detailed comparative analysis. With its case studies of two Western, two Japanese, and two Chinese enterprises and their complex operations in China from the late nineteenth century to 1937, *Encountering Chinese Networks* addresses specifically the debate about the function and use of networks and their relationship with corporations, or rather corporate hierarchies, operating successfully in the early twentieth century. As Cochran states in his introduction, the question driving his argument is whether corporations in China transformed existing Chinese networks, or whether Chinese networks resisted, "causing corporations to assign or delegate authority to networks" (p.1).

By detailing the specific circumstances of each enterprise's historical and institutional development, the author develops a convincing argument with regard to the dynamic interaction between corporate hierarchies and social networks in large industrial and trading firms. Cochran demonstrates that regardless of their specific Western, Japanese, or Chinese background, all the firms in his discussion developed into successful enterprises not only because they adopted their own "way" as Chinese, Western, or Japanese corporations when doing business in China, but also because they decided to do adopt "other ways" when interacting with social networks in the Chinese environment. Based on thorough analysis of archival sources from China, Japan, the U.S. and Europe, Cochran shows that the companies of his case studies were all characterized by corporate hierarchies for managerial purposes, but simultaneously also relied on social networks for their control over employees and factory workers.

Standard Oil and the British-American Tobacco Company (BAT) serve as examples of successful Western corporations operating in China with very different approaches towards marketing and distribution. After using local networks for distribution in the 1880s and 1890s, Standard Oil installed its own marketing system in China between 1903 and 1914. Imposing its own Western business organization turned the corporation into the kerosene market leader. However, as Cochran admits, in terms of size and financial investment, Standard Oil must be considered rather an exception than the norm among Western corporations doing business in China at the time, and even then it was never completely staffed with Westerners at all levels. In contrast, BAT decided from 1919 onwards to shift responsibility from its hierarchical setup as a Western corporation to social networks by appointing Chinese commission agents and giving them a free hand in conducting their business, even if they did not comply with BAT's company regulations. BAT also relied on Chinese foremen, the so-called Number Ones, and Chinese merchants for mediation and control in the cigarette factories and tobacco fields.

The Japanese corporations, Mitsui Trading Company and the Nagai Cotton Company, exerted a high degree of managerial control over their operations in China by extending their company hierarchies to their operations in China. In order to reduce costs and forge company loyalty, Mitsui instituted a drastic restructuring by replacing not only all Chinese compradors and wholesale merchants in Shanghai but also Chinese long-distance distributors and other regionally based merchants with Japanese China specialists. Guided by similar motives, the Nagai Cotton Company applied this approach to its shop floors in the

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The Salt Merchants of Tianjin: State Making and Civil Society in Late Imperial China. By Kwan Man Bun

Honolulu: University of Hawai'i Press, 2001, 239 p., viii

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Kwan Man Bun's history of the Tianjin salt merchants in the Qing period is based on thorough and thoroughly impressive research. For such a concise book, the details are rich. We learn, for example, that in 1910 Li Shizeng, son of a Grand Secretary, induced his father-in-law to lobby fellow salt merchants to invest in a tofu company which Li hoped to set up in France (p. 107). Closer to home, Tianjin salt merchants generously funded local parades, with floats representing scenes from *Shuihuzhuan* (Water Margin) and *Baishhezhuán* (Legend of the White Serpent), stories that the city's commoners loved but that Qing officials considered subversive and sometimes tried to suppress (p. 86).

These details, colorful as they are, serve to illustrate one of Kwan's main points: through careful cultivation of both officialdom and the local community, the Tianjin salt merchants established a relatively secure place for themselves in the Qing sociopolitical order between the seventeenth and early twentieth centuries. The merchants made themselves invaluable to Tianjin and the Qing court, especially during the Taiping and post-Taiping years. They organized militia, funded charities, and set up schools, all the while promoting a distinctive urban culture.

After a succinct introduction of the book's main themes, the first five chapters of the book uncover aspects of the world of the salt merchants in this long period marked by "useful compromises" (p. 11) between the Qing state and the merchants. Chapter one shows us their base, the city of Tianjin, which "did not exist for Beijing alone" (p. 26), but was a vital node in the network of trade tying together the North China plain and Inner Asia. The second chapter analyzes the business of salt, emphasizing the flexible and mutually beneficial nature of state-merchant relations in the years before 1911. The third explores the role of family ties among salt merchants and within the realm of business law, disputing a number of theories about Qing law and the role of women in the economy. Based on his extensive examination of legal

cases involving the salt merchants, Kwan argues that officials often ignored the formal Qing Code when ruling on business disputes. Instead, they tended to issue decisions that benefited the state, while balancing "the formal rights of ownership" and "substantive claims of kinship" (p. 64). Widows participated actively in these disputes, as managers of the estates of their deceased husbands and as litigants.

Chapter four examines the urban culture fostered by the salt merchants in Tianjin and the complex motivations behind their "cultural entrepreneurship" (p. 74). Merchants seduced literati (and even the Qianlong emperor) with their lavish parties and elegant gardens, just as they wooed the common people with parades and opera performances. Here I longed for some illustrations of Tianjin culture, such as examples of the beautiful Yangliuqing New Year's prints. With the exception of four maps in the first chapter, however, the book has no illustrations. The fifth chapter describes the social services funded and often organized by salt merchants in Tianjin.

The final three chapters of the book concern the late Qing period. Chapter six discusses changes in the economy in the late nineteenth and early twentieth centuries and the establishment of a chamber of commerce in 1904. This chapter, which lacks analysis of the impact of Tianjin's new Treaty Port status on commerce in the city, seemed rather sketchy. Chapter seven explores the leadership role that salt merchants played in the chamber of commerce and new representative assemblies set up in the Constitutionalist period between 1907 and 1911. Chapter eight tells the dramatic story of the bankruptcy and arrest in 1911 of ten leading salt merchants, who were unable to settle debts they had contracted with foreign banks.

Kwan argues in chapter five that, in post-Taiping Tianjin, "the reach of both the merchants and the state expanded together. The merchants made little attempt to

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Encountering Chinese Networks
by Sherman Cochran
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cotton mills where Chinese-speaking Japanese supervised the Chinese workforce.

However, Cochran points out that Nagai still continued to rely on the use of Chinese Number Ones in order to prevent strikes, at least until 1925. Not surprisingly, once Nagai tried to eliminate this system of controlling its workforce, the company was exposed to the disruptive effects of the labor movement like many other enterprises at the time.

Finally, Cochran explores the issue of Chinese enterprises and their ways of dealing with networks through his analyses of the Shenxin Cotton Mills and the China Match Company. Although Shenxin as a business institution was characterized by an unclear distinction between ownership and management under the tight control of the Rong family, the enterprise achieved long-term business success by transforming its hierarchical social networks to fit a corporate framework for managerial purposes. In contrast, the China Match Company under Liu Hongsheng adopted a Western-style impersonal corporate structure in 1930, but reverted to family management and personal control in the late 1930s and 1940s. As Cochran points out, the cases of Shenxin and China Match prove that Chinese businesses were never exclusively characterized either by social networks or by corporate hierarchies.

In his conclusion Cochran elaborates how adaptation characterized the development of all Western, Japanese, and Chinese enterprises under discussion. He argues convincingly that the limitations of Chinese social networks and corporate hierarchies created a contingency and dynamic interaction without the domination of either networks or corporations on a long-term basis. Both corporate hierarchies as well as social networks can be used to exercise control and thus were applied by the enterprises according to their specific managerial strategies. As Cochran shows, the degree of dynamic interaction and adaptation and time of implementation varied according to the individual enterprise's managerial needs, but were certainly always part of rational business decisions.

Cochran's argument is important because it demonstrates clearly that the analytical focus on networks or corporate structures alone—as previously pursued by other scholars—will not sufficiently enhance our understanding of Chinese business structures and the business environment in China. I think that Cochran's argument also

confronts us with the question of whether 'corporation' is the appropriate term to be used in the context of Chinese business enterprises at all. Further research, creating detailed information for a larger pool of case studies of Chinese business enterprises, will be able to answer that question. *Encountering Chinese Networks* raises important issues for business and social historians in regard to the emergence of corporate enterprises in late Imperial and Republican China, but also in regard to our interpretation of new business forms in contemporary China. For better and for worse, the many complex organizational, managerial, financial, and legal structures of business enterprises that have emerged in the wake of the economic reforms demonstrate vividly the ongoing dynamic interaction between corporate hierarchies and social networks in Chinese business.

The Salt Merchants of Tianjin by Kwan Man Bun
(Continued from page 8)

confront the state, much less to overthrow it" (p. 103). If China can be said to have developed a "civil society" in the late nineteenth century, a question on which Kwan is a bit equivocal, it was not marked by competition between a "state" and "society" that were "exclusive domains, locked in a zero-sum game over power" (p. 153). Given the historical flexibility and compromise in state-merchant relations that Kwan describes so well, why then did the official Tianjin salt commissioner destroy the city's salt merchants in 1911 by arresting them and confiscating their property? Because, according to Kwan, the Manchu court wanted "China to become 'modern' and withstand the threat of foreign imperialism" (p. 11). The innovative and customary business practices of the salt merchants entangled the court in the complications of foreign loans and stood in the way of centralization efforts.

Kwan's discussion of the tensions of the New Policy period in the final two chapters is sophisticated and gripping. It lays the groundwork for a more thorough examination of the politics of economic development in the pivotal final decade of the Qing. For example, it would be interesting to compare the destruction of the salt merchants with the nationalization of railroads, a topic that Kwan touches on briefly. Although there was a large outcry in Tianjin in defense of the arrested merchants—and one salt merchant tried to persuade nearby Qing garrisons to abandon the emperor after the Wuchang uprising—the destruction of the salt gabelle does not seem to have led to political crisis on anywhere near the scale of the railroad protection movements in Jiangnan and Sichuan. Those pro-

tests contributed directly to the downfall of the dynasty.

No doubt far greater numbers of people shared an interest (financial and otherwise) in and sympathy with the local railroad companies than cared about the fate of the Tianjin salt merchants. How many were actually happy to see the destruction of the salt gabelle? Not many in Tianjin, Kwan implies. But, then again, how many people in Seattle welcomed the U.S. government's (apparently ephemeral) victory in the antitrust case against Microsoft? I would have liked to have learned more about how people outside of Tianjin—including salt consumers, merchants in other lines of trade, and economic theorists in the national and provincial assemblies—viewed the fall of the Tianjin salt merchants.

Kwan ends the book on a note of regret, but he does

not tell us much about how the salt market developed in the early Republic (nor whether that French tofu venture was a success), so it is difficult to judge whether the misfortune of the “merchant princes” of Tianjin in 1911 was an economic tragedy of serious dimension. His argument, though, focuses more on the political: a culture of compromise between state and merchants that seems to have worked fairly well in the Qing died a sudden death in 1911. Might it have been resurrected to some degree by the Nationalists in the 1930s and the Deng-Xiaopingists in the 1980s and 90s? Being a sensible historian, Kwan does not speculate on this. His stimulating account of the world of the Tianjin salt merchants, however, will both encourage and enable us to think more carefully about continuities and discontinuities in state-merchant relations in modern China.

Chinese Business History Events at the Association for Asian Studies Washington, D.C., April 4-7, 2002

PANEL

Can Capitalists Serve the Nation: the Party-State
and Private Enterprises in 20th Century China

Saturday, April 6, 5-7 p.m.

See AAS Brochure for locations.

MEETING

Chinese Business History Research Group

Saturday, April 6, 7:15-8:30 p.m.

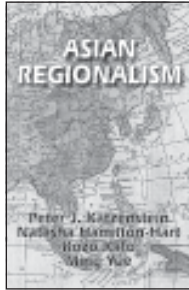
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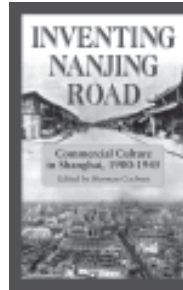
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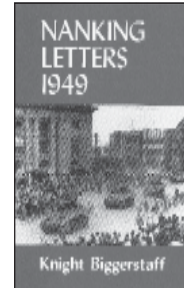
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