

Editor's Note: Because of print journal space limitations, the three classroom excerpt handouts discussed in this article, including discussion questions, are available in the online supplements for this issue.

Twentieth-Century Chinese Entrepreneurs before 1949

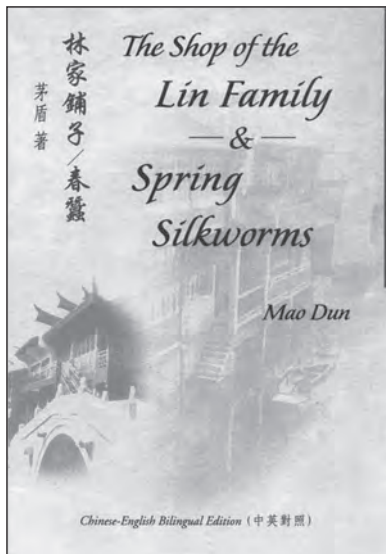
Literature Excerpts for the Classroom

By Juanjuan Peng

China has amazed the world with its rapid economic growth during the past four decades. Since 2010, China has passed Japan to become the world's second-largest economy behind the United States.¹ By 2018, 111 Chinese companies had joined the *Fortune* Global 500 list,² and 373 individuals had made the *Forbes* Billionaires list.³ How do we understand the recent success of the Chinese economy and Chinese businessmen? If there are continuities in modern Chinese history, can we possibly trace the story back to the early twentieth century, when the Chinese economy was sometimes perceived as a failure due to its tardy industrialization?⁴ Are there historical roots of the Chinese miracle in the Republican era (1912–1949)?

This essay discusses source materials for use in the high school and college survey classroom that identify some early twentieth-century Chinese entrepreneurs, whose stories reveal some enduring themes in the Chinese business world, such as the precedence of politics over economy, the important role family plays in private businesses, and the special emphasis on personal and business independence of Chinese businesswomen. It introduces a 1932 novel about a shop owner, an autobiography of a businesswoman, and a historical study of a Shanghai business family. Because the search for connections between its post-1979 economic success and the pre-1949 “tardy industrialization” has been a relatively new topic for Chinese business historians, these materials—although they are accessible and might be highly appreciated—are rarely discussed in textbooks and sourcebooks.

“The Shop of the Lin Family”



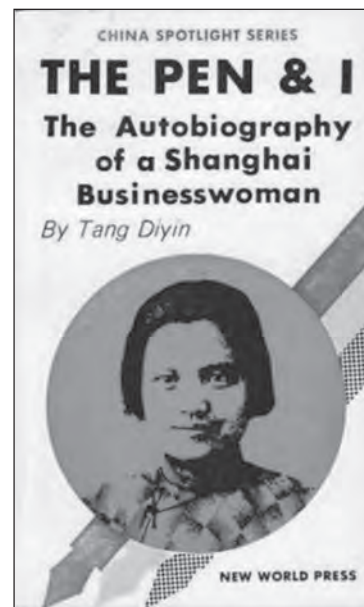
Among the early twentieth-century Chinese novelists who occasionally wrote business fiction, Mao Dun is the most celebrated one. He is also one of the few who has many books translated into English. To a certain degree, the author gained his popularity through the support of the Communist government, who shared his left-wing ideology with him and appreciated his harsh criticism of the previous Nationalist regime. Mao's short story “The Shop of the Lin Family” could be an excellent reading assignment for students to understand the Chinese way of doing business in historical context.⁵

Mr. Lin, a local shopkeeper in a small town of Zhejiang Province and the main character of this story, is a shrewd businessman with, unfortunately, an unsuccessful business. Facing the crisis caused by the anti-Japanese boycott following Japan's invasion of Manchuria in 1931, he first initiates a clearance sale to cut losses. Then, he pays a bribe to the local Nationalist officials so that he can continue to sell Japanese goods by

concealing them under Chinese brand names. He is also able to quickly identify new opportunities and respond to the military conflicts in Shanghai by starting another sales campaign aimed at the war refugees from the metropolis. But still, Lin's shop closes in the end after he is pressured to pay more bribes. Despite the business failure, the flexibility he demonstrates in an unfavorable business environment is typical for any successful entrepreneur worldwide. More importantly, the state-business relation described in the story, although it might be exaggerated to fit the author's political agenda, reveals an important continuity in modern China: the precedence of politics over economy.⁶ In other words, the success or failure of a Chinese business is often determined by the support or suppression of the government.⁷

When adapting this short novel for the classroom, we can use this excerpt and focus on two questions (see Handout A in the online supplements). The first question allows students to think as businesspeople and identify key decision-making problems entrepreneurs face. Students will likely understand that Chinese businessmen are rational entrepreneurs, just like their Western counterparts, although they sometimes behave differently simply because they are in different social, political, and cultural contexts. The second question helps students understand that active intervention of a strong government is a double-edged sword in today's Chinese economy. For example, at least in part, the rise of private business during the 1990s and the subsequent decline of the same sector since the late 2000s are both results of changing state policies.⁸

The Autobiography of a Shanghai Businesswoman



Another longer, but even more interesting, nonfiction work on the trials and travails of a business owner is *The Pen and I: The Autobiography of a Shanghai Businesswoman*.⁹ The author, Tang Diyin, was an early twentieth-century entrepreneur who started as a salesgirl when she was only fourteen years old, opened her own stationery shop three years later, invested in a fountain pen factory at age thirty-one, and became one of only a handful of female industrialists after the end of World War II.

Compared to her professional life, Tang's personal life seems even more dramatic. At age sixteen, she turned down her first marriage proposal. Her date was a young man with a college degree from a prestigious university and holder of a well-paying job at a foreign bank. But he showed no respect and demanded Tang quit her “humiliating” salesperson job. Shortly thereafter, she was pursued by her own boss, who encouraged her to continue working for him, but as a concubine instead of

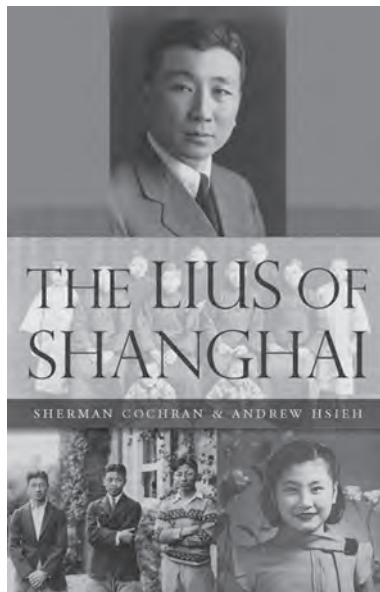
an employee. Tang declined the marriage proposal again and was forced to resign. The last man in her life was her true love. But still, they parted ways because, due to his devotion to his own career, the man she most loved asked Tang to sacrifice hers. Later, his sudden death at age twenty-five left Tang with sorrow and memories for the remaining years of her lonely, unmarried life. But she never regretted her choice. To her, the career she built was both the means and the ends of her independence, which was the most important thing to her as a woman. This mentality is also shared by many businesswomen in today's China, who dislike banks and prefer to rely on themselves to make further investments on retained earnings because they value the feeling of independence and being in control, which could be threatened by the interference of state banks.¹⁰

Handout B might help personalize a period that encompasses over fifty years of Chinese history through some critical vignettes in an unusually successful female entrepreneur's life. After reading the excerpt, students are encouraged to discuss the two questions that are part of the online handout (see Handout B in the online supplements).

Students should be able to answer the first question based on a close reading of the document itself. For example, they can recognize that successful entrepreneurs often rely on family resources at the early stage of their careers. Regardless of gender, these entrepreneurs usually have a strong, positive personality that includes firm resolve to work hard. For the second question, students can easily identify that Tang's gender is probably the key reason she is mistreated by her boss. They might also rightly infer that being a woman makes Tang's career life harder. But the instructor may want to further point out that despite how Tang feels—the autobiography was written about half a century later, and the author's memory could already be distorted—the boss's marriage proposal is not meant to humiliate. It is likely intended to secure the bond between the owner-manager and his most able employee. The boss's wife may also want to bring a capable female household manager into the family, who can also supply more children. In a society in which polygamous marriage is legal, such

as China before Mao, becoming the rich boss's concubine could be taken as a promotion for somebody from a humble background. The situation Tang encounters is the Chinese reality rather than one indecent proposal. After the 1950 marriage law banned polygamy, things gradually improved. Similar stories are much less likely to happen to early twenty-first-century Chinese women. Still, female entrepreneurs continue to face gender-based prejudice. Some can be repeatedly asked for sexual favors in exchange for business deals. Many, like Tang, receive strong demands to give up their career for family. This is probably why Chinese businesswomen continue to value personal and business independence. But as students who explore the issue of gender status more deeply will find, these phenomena are not necessarily uniquely Chinese, although frequencies of occurrence can dramatically differ based upon cultural variance.¹¹

The Lius of Shanghai



The last source is a scholarly monograph on the history of a prominent Chinese business family—*The Lius of Shanghai*.¹² Coauthored by leading Chinese business historian Sherman Cochran and his collaborator, Andrew Hsieh, the book has made significant academic contributions.¹³ Still, based on more than 2,000 family letters and focused largely on personal and business decisions of the fourteen family members—Liu Hongsheng; his wife, Ye Suzhen; and their twelve children—it is also an interesting book that can be enjoyed by people with minimum knowledge of Chinese history.

The key figure of the book, Liu Hongsheng, was one of the pioneering Chinese entrepreneurs of the early twentieth century. He is often known as the “King of Matches” due to the prominence of his Great China Match Company, although his investments involved many other industries such as coal mining, cement manufacturing, woolen textile production, real estate, and commercial wharves. Liu is the typical patriarch of a family enterprise, who controls and grooms his sons to take over designated roles in the family business. The story, chronicling key family events from the marriage to the deaths of the parents, reveals how the father makes strategic plans for both his family and his business by dictating decisions on children's educations, marriages, and positions in the family business empire. But to contradict the stereotype of a Chinese patriarchal family, the father does not always retain total authority. His decisions are repeatedly challenged by the children and their mother through the alliances they make temporarily during the debates.

Although as a 472-page monograph, this book most probably will not be able to make the short list of required reading in survey courses, it can be used as a valuable reference book for instructors and students who are interested in Chinese family firms—an institution that continues to dominate the private sector of the Chinese economy in the early twenty-first century. Short excerpts like Handout C can also help students explore the internal dynamics of Chinese family businesses in the classroom. The handout includes two questions for discussion (see Handout C in the online supplements).

For the first question, students should be able to quickly identify the wartime crisis as one key reason for Liu Hongsheng to empower his sons because he was forced to flee Shanghai. Some may also recognize top positions as a necessary step to prepare aspiring sons to become competent leaders, so they would be ready to inherit not only the ownership but also

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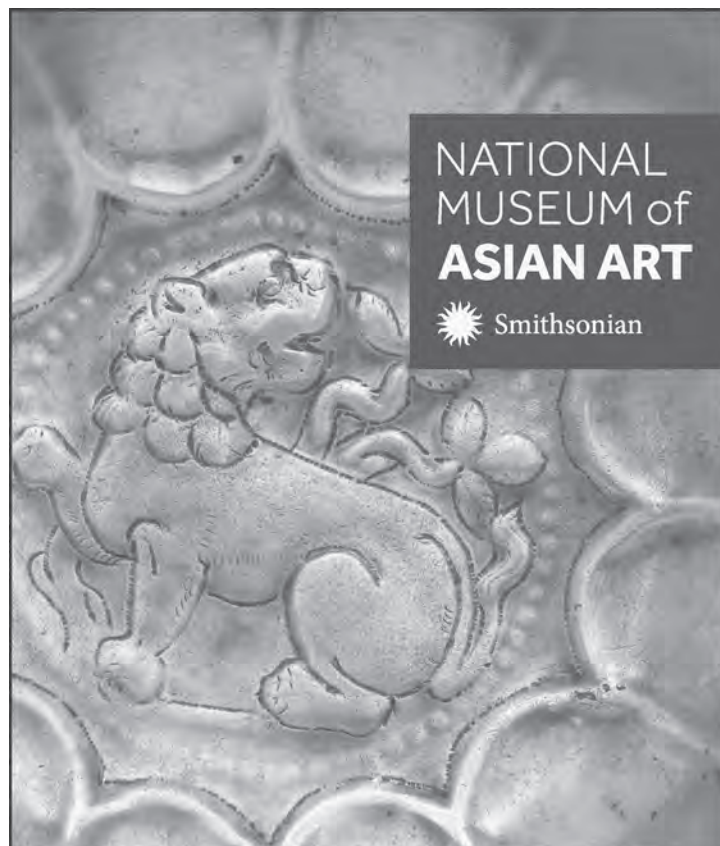
managerial control of the father's business empire. In a culture where family plays a crucial role in business, the entrepreneur sometimes prioritizes family control over business success. The father's decision is therefore easily justified. The second question reveals the dynamic father-son relationship of the Lius. In both the family and the business, the father might have the ultimate authority, but his authority is not always absolute. It is also interesting to notice the friendly, cooperative relationship between the brothers. This is relatively uncommon because conflicted financial interests can easily cause hostilities among children of a business tycoon. This healthy relationship is probably one reason the Lius' business had thrived.

Perhaps some knowledge of the problems entrepreneurs faced in early twentieth-century China can help us more deeply reflect upon social, cultural, and political factors present in both China's past and present. Literature, even nonfiction, is inherently subjective, but it also tends to humanize history in positive ways. ■

NOTES

1. David Barboza, "China Passes Japan as Second-Largest Economy," *The New York Times*, August, 15, 2010, <https://tinyurl.com/y23aqzy9>.
2. "The List," *Fortune*, August 2018, 112–117.
3. Russell Flannery, "Track China's Rising Clout through the Forbes Billionaires List," *Forbes*, March 11, 2018, <https://tinyurl.com/u626krb>.
4. Before the late 1980s, prior scholarship tends to portray the early twentieth-century Chinese economy negatively. One main discussion was centered on why China failed to industrialize like Japan. A representative work on China's "tardy industrialization" is Albert Feuerwerker, *China's Early Industrialization: Sheng Hsuan-huai (1844–1916) and Mandarin Enterprise* (Cambridge: Harvard University Press, 1958). Although this old view has already been challenged during the past three decades by new revisionist studies, it continues to shape many textbooks and source books, which see economic growth during the late Qing and Republican periods as unimportant, and therefore rarely discuss economic- and business-related topics for the early twentieth century.
5. The story is translated and collected in Mao Dun's *The Shop of the Lin Family; Spring Silkworms* (Beijing: Foreign Languages Press, 2006); *The Vixen* (Beijing: Chinese Literature, 1987); *Spring Silkworms, and Other Stories* (San Francisco: China Books, 2013); and *The Shop of the Lin Family* (Beijing: Foreign Languages Press, 2015). The full text can be accessed at <https://tinyurl.com/y6g3vcwy>. The same story is also available in a film version with English subtitles as *The Lin Family's Shop*, directed by Shui Hua. This movie is included with prime membership at Amazon.com.
6. See Albert Feuerwerker, "Doing Business in China over Three Centuries," *Chinese Studies in History* 31, nos. 3–4 (1998): 16–34 for a detailed discussion on the precedence of politics over economy in China.
7. The cases in Wu Xiaobo, *China Emerging: 1978–2008* (Singapore: Cengage Learning Asia, 2009) confirm similar state-business relations in today's China.
8. See Nicholas Lardy's *Markets over Mao: The Rise of Private Business in China* (Washington, DC: Peterson Institute for International Economy, 2014) and *The State Strikes Back: The End of Economic Reform in China?* (Washington, DC: Peterson Institute for International Economy, 2019) for detailed analyses of both developments.
9. Tang Diyin, *The Pen and I: The Autobiography of a Shanghai Businesswoman* (Beijing: New World Press, 1985).
10. Julia Perez-Cerezo, *China's New Leaders: Profiles of Female Entrepreneurs in Modern-Day China* (London: LID Publishing, 2011), 269–282. With few exceptions, most of the banks in today's China are state-owned.
11. For further readings on pre-1949 Chinese businesswomen, there is another well-written biography available in English: Pang-Mei Chang, *Bound Feet and Western Dress: A Memoir* (New York: Doubleday, 1996).
12. Sherman Cochran and Andrew Hsieh, *The Lius of Shanghai* (Cambridge: Harvard University Press, 2013).
13. See Juanjuan Peng, "Book Review: Sherman Cochran & Andrew Hsieh, *The Lius of Shanghai*," *American Review of China Studies* 14, no. 1 (2013): 141–143 for the academic contributions of this book.

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