Almost a quarter of a century has passed since a major business history journal has devoted a special issue to East Asia. In his introduction to that issue, Yen-p’ing Hao, one of the pioneers of Chinese business history, lamented the paucity of historical work on Chinese business compared to studies of China’s political revolution.\(^1\) There is no question that the latest stage in the Chinese revolution has stimulated a new interest in the legacy of industrial and commercial development in China, and not simply because China is becoming an economic power whose business past takes on new relevance for a business present. Reform has created new opportunities for the historian, as well as for the entrepreneur. The opening of Chinese archives and the publication of company records compiled by Chinese researchers have resulted in a renaissance in empirically based Chinese business history.\(^2\) Moreover, the vigor with which China’s industrial and commercial economy has responded to both internal and external opportunities has stimulated a reevaluation of the paradigms by which Chinese business has, until recently, been understood.

---


\(^2\) Chi-kong Lai lists several dozen such compilations for Shanghai alone. Franco Amatori and Geoffrey Jones, \textit{Business History around the World: Comparative Perspectives in Business History} (New York, 2003), 299–300.
The authors of the articles presented in this issue of *Enterprise & Society* have each benefited from this new research environment and represent different aspects of the revisionist turn in Chinese business history. All four articles were first presented as part of a panel on Chinese business networks at the annual meeting of the Association for Asian Studies in April 2004. Kwan and Chang’s approach to Chinese business also received an earlier exploration on a panel at the Business History Conference in June 2003. It is therefore no accident that these articles all speak to common themes, in particular, the historical role of networks in Chinese business organization, financing, and competitive strategies. These articles also grow out of larger studies that combine what might be called thick description of particular enterprises and entrepreneurs with careful attention to the task of placing China within the larger literature on international business. As such, they contribute to both the methodological and empirical reframing of what might be called China’s first trip down the capitalist road.\(^3\)

Works on modern Chinese business history tend to take as their analytical starting point the dramatic moment when, having lost the Opium War (1839–1842), Chinese elites came face to face with the superior technological and economic power of the West. It is in the post–Opium War period that government officials joined forces with private merchants and members of the educated elite in what has come to be known as the “self-strengthening” movement. In addition to making efforts in the diplomatic and military realms, self-strengthening proponents helped found China’s first mechanized industrial plants. The quasi-state enterprises that emerged during the late nineteenth century, the Jiangnan Arsenal, the Shanghai Cotton Cloth Mill, the Kaiping Mines, China Merchants Steam Navigation Company, and others, are known to all students of China’s early modern history.

The need for collaboration between officialdom (personified by provincial governors like Li Hongzhang) and merchants (most often imagined by the state as men with accumulated capital and experience as compradors to foreign firms) is generally attributed to weak capital accumulation across the Chinese economy and the reluctance

---

of Chinese merchants to invest in new and risky business ventures. However, officials also recognized China’s weak competitive position and saw their collaboration with the private sector as an opportunity to provide incentives that would overcome the disadvantages faced by Chinese firms.

Measured in the numbers of new firms or the general growth of industrial production, self-strengthening was not a notable success. Albert Feuerwerker has estimated that between 1895 and 1913 Chinese investors founded approximately 549 manufacturing and mining enterprises. Many of these were small, with an estimated 116 Chinese-owned and 40 foreign-owned firms employing over 500 workers. By the end of the nineteenth century, the joint state-private venture had largely been discredited as a business strategy. At the same time, the ability of the Chinese state to contribute to development in the form of state subsidies or direct investment in infrastructure had been seriously compromised by war, both foreign and domestic. While the Qing dynasty (1644–1911) tried to stimulate indigenous business investment, promulgating China’s first company law in 1904 and offering incentives to investors who could contribute to the recovery of land development, mining, and other rights lost in loan and treaty negotiations, growth remained slow. In 1911 the imperial state was overthrown, and a republic was founded. However, until the establishment of a Nationalist (Guomindang) government in Nanjing in 1928, and arguably long after that, China

4. Albert Feuerwerker, whose *China’s Early Industrialization* is considered the classic work on state supervised–merchant managed enterprises (guandu shangban), argues variously that this business form was constructed by the state because Chinese merchants lacked sufficient capital to support the kind of industrial development China required (p. 19), and that Chinese merchant culture lacked the entrepreneurial and managerial skills to serve as the engine of industrial development in China (p. 33). Albert Feuerwerker, *China’s Early Industrialization: Sheng Hsuan-Huai (1844–1916) and Mandarin Enterprise*, Harvard East Asian Studies no. 1 (Cambridge, Mass., 1958).


7. In the wake of the Taiping and other uprisings during the 1850s and 1860s, the central government of China lost control of about half of its land tax revenue to provincial administration and defense. By turn of the century, the Chinese government had obligated about 4.5 times its annual revenues to the payment of indemnities and loans to foreign governments.
suffered from intermittent civil war, military rule, and political fragmentation under the guise of a national state.

Recent research raises questions regarding some of our assumptions about Chinese business and business culture in the late nineteenth and early twentieth centuries. Work on handicrafts, commerce, and living standards raises the possibility of far greater rates of savings across the economy, and particularly in coastal areas, than previously suspected. Until the late nineteenth century China’s overall tax rate was between 4 and 10 percent of gross domestic product (GDP). Because taxation was concentrated on land and the licensed sale of salt, the rate of taxation on commerce and manufacturing was even lower. This would change in the late nineteenth century as a result of foreign pressure and may explain some of the difficulty that entrepreneurs experienced in raising capital. However, it is far more likely that political instability and the persistence of alternative opportunities hampered the development of impersonal capital markets. Yen-p’ing Hao has documented high levels of Chinese investment in foreign shipping and insurance companies, banking, export processing, and in a variety of manufacturing firms founded after the Treaty of Shimonoseki (1898), which allowed foreign investment in production on Chinese soil. Chinese businessmen even sat on the boards of foreign firms. Hao rightly points to the almost Tls. 16,000,000 in Chinese capital in firms like the Shanghai Steam Navigation Company, Ewo Silk Filature, and the Trust and Loan Company of China, Japan, and the Straits as evidence that a large amount of Chinese capital was available for investment in firms that appeared well run and profitable. He is also correct to point out that not all of this capital should be viewed as merchant capital. More to the point, the activity of Chinese investors in foreign firms should be seen as part of the general familiarity with shareholding

9. For one of the few studies of attempts to found a Chinese stock market, see Andrea McElderry, “Equity Financing and Shareholding in Early Twentieth-Century China,” paper presented to The Social, Economic, and Cultural History of Modern East Asia: Symposium in Honor of Albert Feuerwerker and Ernest P. Young, Ann Arbor, Mich., Nov. 5-6, 2004.
11. Ibid., 257.
12. Ibid., 246, 257, 258. Indeed, Hao notes that Chinese investment would have been higher, but many firms limited the number of shares that could be subscribed to by Chinese investors. On Chinese investment in foreign firms see also Eiichi Motono, Conflict and Cooperation in Sino-British Business, 1860–1911: The Impact of Pro-British Commercial Network in Shanghai (New York, 2000).
and the general practice whereby households and lineages with capital invested in corporate entities of various kinds.

Investment in shareholding corporations for both ritual and religious purposes and as a way of diverting savings from land to income-producing shares can be documented in many parts of China in the late imperial period. Merchants and others participated in such activities. Myron Cohen has collected voluminous evidence of shareholding in land corporations among farmers in Qing Taiwan. Kenneth Pomeranz’s study of the Yutang Company provides an important case study of bureaucratic elite investment in business (processed food, flour milling, and foodstuffs) long before the self-strengthening movement. My study of Zigong, Sichuan salt manufacturers provides evidence of highly capitalized shareholding entities consisting of numerous non-kin partners.

It is against the background of a weak state, increasing foreign economic presence, and traditions of the shareholding corporation that we should approach the case studies presented in this issue. Read together they remind us of the variety of Chinese business models in the early twentieth century. Individually, each provides new evidence of the diverse origins of Chinese entrepreneurship, Chinese adaptation to Western technology and business models, and the importance of international trade in China’s economy on the eve of World War II. Although each of these articles was written to explore the issue of Chinese networks, their most important lesson is that networks were highly contingent products of an industry’s origins, its relationships with the state, and its competitive position both within and beyond the Chinese market. Just as there was no one model of the “family

13. See, for example, the essays in Madeleine Zelin, Jonathan K. Ocko, and Robert Gardella, eds., *Contract and Property in Early Modern China* (Stanford, Calif., 2004).


"firm" in China, so too were Chinese networks very different in their architectures and their functions.  

The revision of Chinese business history represented by the studies presented here has implications for the broader field of business history, as well as for the study of contemporary Chinese business. If there were no one Chinese business model, one comparative case that has played an important role in the development of single or narrow track theories of development is removed. In view of China’s current economic takeoff, development theories that can accommodate a variety of institutional and cultural foundations are becoming increasingly important. While China’s early twentieth-century development trajectory was not steep, it was peppered with intriguing examples of entrepreneurship, industrial as well as commercial. These case studies demonstrate the ability of Chinese entrepreneurs to make use of the resources at hand, be they customary rules for the creation and sale of shares, family and trade-based networks, or the protocols by which contract became central to business and personal transactions, even when the state did not establish formal rules for business transactions. While much has been written about foreign joint ventures, former state-owned industries, and town and village enterprises in China’s economic growth today, in the future we are likely to see more and more firms that do not have their roots in these institutions. The current state of Chinese law provides little guidance for such firms. The experience of the late Qing dynasty and Republic may be most telling for our understanding of the new Chinese enterprise.

Bibliography of Works Cited

Books


*Articles and Essays*


