

Daxing and Yuhua: One Business in Two Cities, 1921-1937

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Yuhua and Daxing, two Chinese cotton mills, were both established in 1921. Although registered separately, the two business undertakings had the same parent company: Chuxing Textile Company. Right before Chuxing was forced to close in 1921 for political reasons, its shareholders established Yuhua and Daxing in order to transfer their capital and continue their business careers. Therefore, the two sister companies shared almost the same group of stockholders, and were both under the control of the same chairman of the board. Moreover, they were both in cotton textiles and had comparable scale. While the businesses shared many similarities, their local contexts differed strikingly. Yuhua is located in Wuhan, a big metropolis that had the reputation of being “Chinese Chicago.” In contrast, Daxing’s Shijiazhuang was an insignificant town with a population of 600 at the turn of twentieth century.¹ Why did the owner-managers choose two locations with such a difference to establish the twin mills? What happened when the same business encountered two different contexts? How did local context shape local business, how did business react and influence its context, and how this reciprocal relationship differs from one city to another? By comparing Yuhua and Daxing, the first agenda of this project is to locate Chinese business back into its various local contexts and discover the intertwining relationship between industrial enterprises and their local context.

This case study will also shed lights to Daxing’s importance in shaping the urbanization process of Shijiazhuang area. Before Daxing chose to build

¹ According to *Shimen Zhinan* (The city guide of Shimen), 1933, Shijiazhuang was a small village with 200 household and 600 population in 1887.

its factory there, Shijiazhuang was only an underdeveloped place with two new railroads happening to cross there in 1907. The introduction of a modern industry transformed the area fundamentally: The modern architecture of the factory with its huge chimney changed the landscape; the emergence of industrial workers as a class transformed the social structure; the factory-built dormitory, the factory-run school, the factory-organized workers' club, and even the factory-owned consumers' union filled up the lives of local people with novel ideas. Forty years later, Shijiazhuang was selected as the capital of Hebei province with textiles as its major industry. How important was this industrial company to the rise of a modern city? To what degree can we understand this urbanization process by studying Daxing's history? In search for connections between the history of Shijiazhuang and the history of Daxing, I will signify industrialization in a Republican-era city.

Guided by these two agendas, the research is expected to contribute to our understanding of Chinese business as well as Chinese cities. Influenced by Fairbank's impact-response paradigm and historians' later efforts to revise of it, Chinese business historians have, for decades, engaged in asserting judgment on historical realities and been trapped in questions, such as "what aspect of Chinese society, economy, culture and politics were good or bad for its economic development" and "why was it good or bad." A critical question in understanding Chinese business has been neglected: how does it differ from place to place, and evolve from time to time. The research is a preliminary effort to draw economic historians' attention to this new issue. On the other hand, in the field of Chinese urban studies, the 1990s saw a conspicuous increase in the English language studies of Chinese cities during the early twentieth century. However, most of recent scholarships have focused on the conflicts between tradition and

modernity, while little attention has been given to the impact of industrialization in urban space.² Is it true that, outside Shanghai, the industrial impact was as negligible as recent scholarship implies? By exploring the interaction between Daxing and its hosted city, this paper argues that, at least in part of China, industrialization had become a major theme in the history of Chinese cities since the early twentieth century.

From Wuhan to Shijiazhuang: the establishment of Daxing and Yuhua

Daxing and Yuhua were both registered in 1920. These two cotton textile manufacturers were obviously related: they were established with the capital and human resources of the same parent company. They shared almost the same group of stockholders, and were both under the control of the same chairman of the board: Xu Rongting. However, the two companies were registered separately, and located in different locations---Daxing in rural Shijiazhuang, and Yuhua in metropolitan Wuhan. It was a rather strange arrangement. Why did Xu and his colleagues split their enterprise into two? Why did they choose two strikingly different locations for the two cotton mills? As the following narrative shows, this arrangement seems historically contingent: it was created by individuals who encountered serendipitous events. However, after situating the individuals and the events back in their historical context, the arrangement also appears inevitable-----no manager would make such a business decision if the national economy had not developed into a certain stage.

² For example, Joseph W. Esherick's *Remaking the Chinese City*, one of the most influential book in the studies of Republican-era cities, focuses mainly on the conflicts between modernity and national identity, whereas totally neglects the industrial impact on Chinese cities.

The Establishment of Daxing

Xu Rongting was 60 years old in the year of 1919. His career was typical of many Chinese businessmen at the turn of twentieth century. Born in a farmer's family in a suburb of Wuhan, he was sent at the age of eighteen to work at an herb store in the city. There he took up an apprenticeship for three years, and then worked as a *jingshou* (sales representative). After that he opened his own herb store in partnership with some friends, but the business was not very successful. Eighteen years later, in 1897, Xu gave up his failed shop and took a position in Dehourong, a big Hankou-based national product wholesaler and retailer. Here, he moved smoothly up the ranks and was promoted to assistant general manager within three years.³ Social popularity followed business success: he soon was elected chairman of the Wuchang Chamber of Commerce and became a public figure in the city. This was just the beginning. Xu's career reached a new height when he shifted from traditional business into industry in 1913. Right after the 1911 Revolution, the newly established local government decided to look for a new leaseholder for Hubei Textile Company, a bankrupt state-owned enterprise established by Zhang Zhidong. Xu's personal relationship with Li Yuanhong, the governor of Hubei province after the Revolution, gave him the privilege to take over the lease.⁴ The leased company, *Chuxing*, turned out to be an exceptional success under Xu's management---it earned a net profit of 4,400,000 taels in the first six

³ Xu Shanzhen & Xu Zhongxiao, "Gongsang juzi Xu Rongting ersan shi" (A couple of episodes of Xu Rongting, a business and industry tycoon), *Wuhan Wenshi Ziliao Wenku* (Selected reminiscences on History and Culture of Wuhan); Chen Lin, "Xu Rongting and Su Taiyu," *Zhongguo Jindai Qiyede Kaituo Zhe* (The Pioneers of Chinese Modern Corporations).

⁴ Li Yuanhong and Xu Rongting were originally from the adjoining villages. That was how they met and became sworn brothers.

years, compared to the initial investment of 270,000 taels.⁵ In 1919, the ten-year lease was approaching its end. Xu's lack of political support after Li Yuanhong left Hubei made it very unlikely that the lease would be renewed. Xu was worried about the future, and he began to prepare for a new business.

Money is probably the first thing a businessman should worry about when he starts a new business plan. But this was not an issue for Xu. During his years of running Chuxing, he obtained his share of dividends and bonuses of 500,000 taels.⁶ This was already enough to establish a small cotton mill or bank, two types of popular businesses that needed the largest amount of initial investment. If he wanted to build something bigger, he could invite his old colleagues to join him just as he had done to establish Chuxing. It seems that Xu had no difficulty picking a profitable business for his new company either. The enormous profit he had made from Chuxing convinced him that modern industry was a better choice than traditional inter-regional trade, and the textile industry seemed having a promising future. Location was an issue usually neglected by traditional Chinese businessmen. They took it for granted that their new enterprises should locate in one of two places: their hometown or the closest commercial centre.⁷ In Xu's case, these two places happened to be the same city: Wuhan. Therefore, Xu quickly decided to build a cotton mill with the capacity of 500,000 spindles.

⁵ Mao Yifeng, "Wuchang Yuhua fangzhi gongsi diaocha baogao," (Investigation report on Wuchang Yuhua Cotton Mill), *Hubei Shiye Yuekan* (Hubei Industry Monthly), vol.1, no.7, 1924.5

⁶ *Yudahua Fangzhi Ziben Jituan Shiliao*, (Selected Company Records for Yudahua Conglomerate) p28.

⁷ See the case of Shenxin Cotton Mill in Sherman Cochran's *Encountering Chinese Networks*.

Then, in a place two miles away from where Chuxing were located, he bought a piece of land for his new factory.⁸

The story of Xu Rongting and his Daxing Cotton Mill became increasingly interesting after he met Zhang Yingyu. As a businessman with no technological knowledge, Xu felt he needed to find a specialist to help him with his new enterprise. He had some basic criteria for his candidate: westernized education in engineering and working experience in big cotton mills. To find somebody like this, Xu believed that he should go to Shanghai, which was the centre of the textile industry. In the spring of 1921, Xu went to Shanghai. Through the introduction of a friend in the Association of Chinese Cotton Mills, he met Zhang Yingpu. It seems that Zhang was exactly the man Xu was looking for: he had taken a couple of courses in textile engineering in the United States, although he had not earned any academic degree there. And he was currently working as the factory director in Shanghai Huafeng Cotton Mill. Xu immediately made the decision to hire him as the chief manager of Daxing. Having some unspecified disagreement with his boss at Huafeng, Zhang happily accepted this new job offer.⁹

Zhang followed Xu from Shanghai to Wuhan. The first thing Zhang proposed was rather surprising. He suggested that Xu change the location of the new factory from Wuhan to Shijiazhuang---a small town in Zhili province, southwest of Tianjin. Later in 1921 Xu sent one of his nephews and Zhang Yingpu to Shijiazhuang to investigate. It is not clear if Zhang had been to Shijiazhuang before. He might have heard of the place as one of the fifteen stops along the Pinghan Railroad. He might have known it as the junction of two new railways after the Zhengtai Railway started to operate in 1907. He

⁸ Huang Shirang "Yudahua Qiye Sishi Nian" (Fourty years of Yudahua's history) *Wenshi Ziliao Xuanji*, (Selected Reminiscences on History and Culture) vol.44.

⁹Huang Shirang "Yudahua Qiye Sishi Nian" (Fourty years of Yudahua's history) & Yang Junke and Liang Yong, *Daxing Shachang Shigan* (A history of Daxing Cotton Mill), pp 6-8.

might have also acknowledged that Hebei province, where Shijiazhuang is located, has abundant cotton production and an active handicraft textile industry. What did Zhang feel when he walked out of the train station after a thirty-six hour ride?¹⁰ Considering Zhang's personal experience earlier in America, then in Shanghai, and currently in Wuhan, did the place disappoint him by only having 6000 residents, most of whom were farmers, and a couple of small restaurants and hotels?¹¹ Without a familiar social network in the place, would Zhang feel isolated and uncertain about the future? Whatever was on his mind during his short trip to Shijiazhuang, Zhang brought back good news: this was the place.

Xu was facing an unprecedented decision. On the one hand, Wuhan seemed a legitimate location for his new business. During the forty years of his career, Xu had built a solid social network here. He was the chairman of the Wuchang Chamber of Commerce and a special consultant for the provincial government. He had developed a long-term personal and business relationship with most of the big cotton suppliers and yarn traders in the city. He also knew enough creditors. Besides Xu's social network in Wuhan, the city itself seemed an attractive site for a new industrial enterprise. As the commercial centre of central China, Wuhan had a big capital market, a big market in necessary raw materials and finished products, and a big pool of skilled industrial workers. On the other hand, the challenger was Shijiazhuang, a tiny town rose from a 600-resident village

¹⁰ As recorded in *Wuhan City Guide*, 1933, the train trip from Wuhan to Shijiazhuang took around thirty six hours.

¹¹ According to *Zhonghuaminguo shengqu quanzhi* (Collected local gazetteers of Republican provinces and districts), 1924, the area has a population of 6000. Also see *Shimen Zhinan* (Shimen City Guide) 1933, for an overview of the city.

after the two new railroads jointed there in 1907.¹² Isolated from big cities, the place was far away from other potential competitors, but close to the production area for cotton and to the ultimate customers for cotton yarn---the farmers who used the industrial manufactured cotton yarn to weave their handmade cloth. Also, there was a large coal mine in the area. Compared to Wuhan, Shijiazhuang had cheaper cotton, cheaper coal, cheaper labour, and cheaper land. The demand for the manufactured product was ample here, while the competition with other producers was much less intense.¹³

Xu was hardly familiar with Shijiazhuang before he heard Zhang's report. He probably had passed the place on train on his trip from Wuhan to Beiping. But, obviously, he had no personal or business connections with people there. In other words, he had no social networks there. Still, he chose Shijiazhuang.

The establishment of Yuhua

When Xu Rongting started to prepare for his new textile company in 1919, his factory director at Chuxing, Zhang Songjiao, had similar plans. Also a typical Chinese businessman of the early twentieth century, Zhang Songjiao had a career strikingly similar to that of Xu. In 1870, Zhang was born in a farm family in a suburb of Wuhan. His father died when he was three. Raised by an unemployed mother, he and his three siblings had a deprived childhood. Luckily, Zhang had some fairly wealthy relatives. With

¹² According to *Huolu Xian Zhi* (Local gazetteer of Huolu Couty), 1878, Shijiazhuang was, at the turn of the twentieth century, a small village with 200 household and a population of 600, which covers no more than 0.1 square kilometre.

¹³ From 1915 to 1922, four big Chinese texture companies had been newly founded in Wuhan, which almost tripled the spindles from 90,000 to 240,000, and doubled the looms from 700 to 1500. By contrast, there was no industrial cotton mill in Shijiazhuang or the surrounding towns before Daxing was built there. For details of the cotton textile industry in Wuhan consult *Hubei Quansheng Shiye Zhi*, 1920.

the help of his uncle, Zhang went to a low-cost school sponsored by a philanthropic organization at the age of ten. During three years of studying, he learned basic reading and arithmetic. Then his uncle helped him find a job in a restaurant located on the busy dock of Hankou. As a hard-working young man, Zhang was greatly favoured by the restaurant owner, who later married his daughter to him. This generous sponsor helped his son-in-law open a small grocery store at the age of 18. But the small business soon went bankrupt after an unexpected burglary. To support his family, Zhang worked as a salesman for three years in a big grocery store specializing in foreign products, then as a low-ranking employee for eight years in Shunfeng Co., a Russian firm in Wuhan. In the year of 1902, Zhang's career life changed dramatically when his boss, the comprador of Shunfeng Co., established Yinchang Company to take the lease of Hubei Textile Company. Zhang was promoted as the assistant manager (*xie/li*) for the yarn factory, the most profitable branch of the company.¹⁴ His hard work in Yinchang earned him another promotion in 1909. After that, Zhang had been appointed as the factory director (*guanshi*) of the yarn factory, in charge of yarn production. When Zhang's old boss lost his lease to Xu Rongting's Chuxing, Zhang stayed on, and was repositioned as the factory director of Cloth Factory.¹⁵ The seven-year cooperation between Zhang and Xu was pleasant: they both made a fortune through the success of the company. In the year 1919, Chuxing's lease was about to end and the future of the company was uncertain. Zhang had the same worries as Xu, and he

¹⁴ All sponsored by Zhang Zhidong, the four factories in textiles---a cotton weaving mill, a spinning mill, a silk filature, and a hemp factory---were related financially and managerially. So, together, they were referred as "Hubei Simashabu Siju" (Hubei's four bureaus of yarn, cloth, linen and silk), which is translated into Hubei Textile Company in this paper.

¹⁵ "Wuhan fangzhi gongye juzi, Zhang Songqiao" (Zhang Songqiao: An industry tycoon in Wuhan), *Wuhan Wenshi Ziliao Wenku* (Selected reminiscences on History and Culture of Wuhan), P70—72.

responded similarly----he planned to establish his own cotton textile company.

Zhang was aware of Xu's plans for Daxing. Although he had a successful experience in running Chuxing with Xu, he did not want to follow Xu to Daxing. His choice was rather reasonable. Maybe he craved power. He had been working for somebody else for his whole life, except his short experience as a small grocery store owner. At the age of 49, Zhang probably wanted to move another step forward and to be the one in control----just as Xu was at Chuxing. Maybe he took it for granted that he should leave the old boss and build his new business empire. During his business career at the turn of twentieth century, Zhang probably had witnessed the division of a lot of successful businesses after incidents such as the death of the business founder. Usually, each partner used his share to build a new enterprise that was similar to, but smaller than, its parent company, and each partner would obtain full control in the new company.¹⁶ Above all, when Zhang heard that Xu was searching for some new college-educated engineers for his new factory, he felt uncomfortable that the new engineers could threaten his position as the factory director. Thus he made up his mind to leave Xu and build his own firm.

In planning his new company, Zhang invited his old colleagues to join him--most of them had been working with him since the Yinchang period. They soon collected 500,000 taels, of which Zhang's share made up the biggest portion. With this initial investment, they could build a small cotton mill with a capacity of 10,000 spindles. As the biggest investor, Zhang was elected general manager, the man in charge of the proposal company. It seems that everything was ready except one: that was an issue raised by

¹⁶ See Siu-lun Wong, "The Chinese Family Firm: A Model," *British Journal of Sociology*, 36:1 (March, 1985), 58-72.

Yao Yutang, Zhang's partner and the previous chief accountant at Chuxing. Yao suggested that a cotton mill with a capacity of 10,000 spindles was too small in scale and was not cost-effective to operate. It is not clear how much Yao and Zhang knew about the basic concept of cost accounting.¹⁷

Obviously, they understood, from the previous experience of running Chuxing, that the more they produced, the less each individual product would cost; to produce more products, they had to build a bigger factory.

The problem Zhang was facing now was that he needed to get more money to build a larger company. But with the same amount of personal investment he didn't want to lose control of the new business. This was difficult. The cotton mill would need at least a year to build, which meant it would make no profit in the first year. To borrow an amount as large 500,000 taels for more than a year would be impossible in the contemporary Chinese capital market. Therefore, in order to acquire more capital and maintain his leadership, Zhang had to find some new shareholders who would like to invest in the company, but had no ambition to manage it.

When Zhang heard about the plans of some members of the Hankou Yarn Traders Guild, he thought he had found the investors he was looking for. Intrigued by the boycott against foreign goods in the summer of 1919, these Chinese yarn traders decided to build their own cotton mill. They had already collected 700,000 taels for the planned enterprise. However, they needed an experienced manager, like Zhang. With neither the necessary experience nor any interest in running a cotton textile factory, the yarn traders saw the new company simply as a good investment for their personal savings and a secure source of supply for their yarn and cloth trading businesses. While Zhang needed money and wanted managerial

¹⁷Huang Shirang "Yudahua Qiye Sishi Nian" (Fourty years of Yudahua's history), *Wenshi Ziliao Xuanji*, (Selected Reminiscences on History and Culture), vol.44.

controls, the yarn traders had the money but needed a manager. Both sides were glad to cooperate. Therefore, the two streams of capital merged together. The new company was still called Yuhua; but it now had an initial investment of 1,200,000 taels, which was enough for a cotton mill with the capacity of 20,000 spindles. Since the yarn traders' had invested more money in the business, they elected Sun Zhitang, the chairman of the Hankou Yarn Traders Guild, as the general manager. Zhang was demoted to manager, but he would have more direct control in the business than he did at Chuxing.¹⁸

In this new arrangement, Zhang meant to gave up some personal control for more capital. But he soon realized the leadership he had lost to Sun was more than he had expected. It was true that the yarn traders did not have any interest in running the cotton mill, but that did not mean that they lacked interest in controlling the capital. Zhang's dissatisfaction with Sun grew after Sun made some poor business decisions without consulting him. First, Sun lent 50,000 taels of the initial investment to one of his business partners. Second, Sun brought significant losses to the company in purchasing manufacturing machinery: he expected the British pound would appreciate so he delayed currency exchange, but the pound depreciated instead. At this point, Zhang's old accountant, Yao, suggested that they go back to invite Xu Rongting and other old shareholders from Chuxing to take over the yarn traders' share. Yao seemed to believe that "the bigger, the better." With Xu's leadership, he suggested, they could solicit more money to

¹⁸ See Huang Shirang "Yudahua Qiye Sishi Nian" (Fourty years of Yudahua's history); Yang Junke and Liang Yong, *Daxing Shachang Shigao* (A history of Daxing Cotton Mill) p5; "Memoir of Zhang Songqiao," 1950, from *Yudahua Fangzhi Ziben Jituan Shiliao* (Selected Company Records for Yudahua Conglomerate), p35; and Mao Yifeng "Wuchang Yuhua fangzhi gongsi diaocha baogao"(Investigation report on Wuchang Yuhua Cotton Mill), *Hubei Shiye Yuekan* (Hubei Industry Monthly), vo1, no.7, 1924.5.

build an even larger factory. Frustrated in failing to build his business empire under his full control, Zhang accepted Yao's suggestion.¹⁹

Xu soon accepted Zhang's invitation. He and some of his partners in Daxing invested 700,000 taels and took over the shares of the withdrawing yarn traders. Xu was elected president of the board, who took charge of the company. Zhang was still the manager.²⁰

Industrialization and Chinese business enterprises

According to Albert Feuerwerker, modern industry in China began with the modernization of armaments. The desire to acquire Western military technology was one of the principal themes of the "Tongzhi Restoration." Consequently, the reformers' effects expanded to other industries. Coal mines were opened to furnish fuel for the newly established arsenals; China's first railroads were constructed to transport the coal from the pithead to a suitable port; iron and steel works were built to provide raw material for arsenals and rails; textile mills were established to furnish cloth for the new troops. Most of these early industrialization efforts, including Hubei Cotton Textile Company, were conducted under the pattern of "official supervision and merchant management" (*guandu shangban*). By the end of the Qing Dynasty, these *guandu shangban* enterprises were gradually eclipsed by privately owned undertakings. Thus, in his analysis, China's early industrialization failed in that it did not successfully transform China into a predominately industrial society before World War I, and in that these *guandu shanban* enterprises, never turned profitable. However, these same enterprises did succeed in introducing modern industries to Chinese

¹⁹ Huang Shirang "Yudahua Qiye Sishi Nian" (Fourty years of Yudahua's history).

²⁰ Huang Shirang "Yudahua Qiye Sishi Nian" (Fourty years of Yudahua's history) and "Memoir of Zhang Songqiao," 1950, from *Yudahua Fangzhi Ziben Jituan Shiliao* (Selected Company Records for Yudahua Conglomerate), p35.

businessmen and providing necessary transportation and communications facilities. Then, later, encouraged by the unprecedented opportunities presented by the First World War, the pioneering businessmen moved into other manufacturing industries; the process of Chinese industrialization continued after *guandu shangban* enterprises vanished.²¹

The new manufacturing companies, due to their intensity in capital and technology, were different from the wholesaling and retailing shops with which Chinese businessmen were familiar. First and foremost, they were huge in size. The initial investment necessary for a new manufacturing company, including the cost of building a factory, of purchasing foreign machinery, and of acquiring new techniques, was much higher than that of a pawnshop or a wholesaler. Furthermore, the fixed cost of a manufactured product accounted for a considerable portion of its total cost, which made small firms cost-inefficient.

Second, the ownership of such business institutions became increasingly complicated. A huge industrial company needed more capital investment, so that it involved more investors. Usually, there were three types of investors. First were the managers of the company; one or a few of them held the majority of the shares and were responsible for the business management. Second were the business partners of the company; they could be the suppliers of raw materials, the sales agents for the products, or the bankers who lent funds to the company. The third group was the investors who were personally related to the other two types of investors; they contributed a relatively small portion of the capital and treated the investment as some kind of high-interest, high-risk savings. Inside a company, the interests of these three groups occasionally conflicted. Among

²¹ See Albert Feuerwerker's *China's early industrialization*.

companies, one type of investor in one company could be another type in another company, or the same manager-investor could have a controlling share in two or more companies which had totally different shareholders with sometimes conflicting interests: the collaborations and conflicts between related business undertakings increased.

Third, big industrial companies tended to expand geographically. With the companies growing in size, they relied more and more on the market---the markets for both raw materials and finished products. On the one hand, to be profitable, modern industrial enterprises had to maintain a certain level of production; and to maintain consistently high production, they had to secure a constant supply of raw materials and sales of final products. Any small change in the marketplace could be fatal for these companies. On the other hand, unlike traditional businesses, industrial companies were less likely to be able to shift into other line of business when the market turned unfavourable, which made them more vulnerable in the face of the changing market. To secure a stable market share for both the raw materials and the final products, industrial companies like Daxing often moved their factories from big cities to small towns closer to the primary markets---where planters of cotton sold and where the ultimate customers bought. Of course, these places had to be reachable by modern transportation and communication facilities, which had been established by former *guandu shangban* enterprises during their early efforts of industrialization.

Alienated Twins: different business strategies in response to different social contexts

In the year 1921, Yuhua and Daxing were established, in Wuhan and Shijiazhuang. This unprecedented arrangement brought a new problem.

How did the company, as a business institution, respond to geographical expansion, and consequently, to the complexity of external social contexts? Comparison between the two companies shows that they were run separately during the first ten years: many aspects of their managerial arrangements were expediciencies formulated differently, according, mainly, to their different local contexts, and partially, to their diverse historical origin.

Leadership

As the initial founder, Zhang Songjiao was the first chief manager of Yuhua. However, he acted more like a factory director in the company. His responsibilities were limited to the business activities inside the factory walls, which were centred on the production process, such as hiring technicians and workers, supervising producing processes, and maintaining machinery. The rest of the activities, including purchasing, marketing, and financing, were under the control of Xu Rongting, the board chairman. Structurally, the major responsibilities and the top authority of the company were divided into two relatively separate parts, which were delegated, respectively, to the chief manager and the board chairman. This arrangement was a legacy of its parent company: Zhang's position was factory director in Chuxing, and his authority was consequently limited to the factory. As the top manager, Xu was in charge of the inter-business activities with the help of a chief accountant and a managerial assistant. After Yuhua was established, Xu and Zhang still played similar roles in the new business, though their titles had been changed.

Although the board chairman was the ultimate boss of the whole enterprise, the relationship between him and the chief manager were more like partners than supervisor-subordinate. Zhang and Xu shared the top authority in the organizational hierarchy. Both of them had the authority to

make final decisions in their specific fields.²² At the same time, cooperation between these two authorities was limited. Zhang's early efforts to free himself from Xu's leadership created tension between them. Suspecting Zhang's loyalty, Xu was unwilling to delegate any authority outside the factory to him. Striving for autonomy, Zhang guardedly kept everything inside the factory under his personal control. Sitting in his office located inside the factory in Wuchang, Zhang kept busy punishing undisciplined workers, solving technical problems, and examining everyday bookkeeping. As long as he could keep the factory running well enough to guarantee a consistent outflow of the standard products, he did not need to report to Xu--who had his office outside the factory in Hankou--- for weeks, or even months.

Compared to Zhang Songqiao, Daxing's chief manger had more autonomous power. During the first two years, Zhang Yinpu was in this position. His authority obviously went beyond the factory wall. A factory director and a vice manager were directly under his supervision. The factory director, who was Zhang Yinpu's younger brother, had the same managerial authority as did Yuhua's manager. The vice manager was Xu Rongting's nephew. He was responsible for most of the non-production managerial functions of the business, such as purchasing, marketing, and financing. As the company regulations clearly stated, "The chief manager and the factory director are stationed in Shijiazhuang to manage the enterprise. Other than personnel changes of some important positions, they have autonomy in most other business activities."²³

²²Mao Yifeng "Wuchang Yuhua fangzhi gongsi diaocha baogao"(Investigation report on Wuchang Yuhua Cotton Mill), *Hubei Shiye Yuekan* (Hubei Industry Monthly), vo1, no.7, 1924.5.

²³ "Zhili Huolu Shijiazhuang Daxing fangzhi gufen youxian gongsi zhangcheng" (Company Regulations of Daxing Corporation Limited) 1923, Company files of Daxing 111-1-28

Why did Xu Rongting delegate more authority to Zhang Yinpu? The distance between Shijiazhuang and Hankou was probably the decisive reason. Daxing was built in Shijiazhuang since the place had cheap cotton supply, cheap labour force, and sufficient demand for yarn. To capitalize on these advantages, Daxing's major business activities, including purchasing, producing, and selling, were supposed to be conducted locally. Consequently, business decisions were meant to be made based on familiarity with local condition and awareness of current events. However, Xu had to stay in Wuhan because his family and his other business enterprise, Yuhua, were there. The railroad and telegraph connected the two cities.²⁴ But neither of these allowed Xu to efficiently control Daxing's everyday business activities in Shijiazhuang while staying in his home in Hankou. Therefore, Xu had to assign Daxing's chief managers, who lived on the spot, more autonomous power.

Granted more autonomous power, Zhang Yingpu had, ironically, a weaker voice in the top management team. First of all, unlike Zhang Songqiao, Zhang Yinpu was not on the board of directors of either Daxing or Yuhua. Second, most of the middle-level managers in Yuhua's factory were Zhang Songqiao's old subordinates, while many of Zhang Yingpu's assistants were assigned by Xu Rongting. Xu Songzi, for example, as Xu Rongting's nephew and old subordinate, was vice manager in Daxing, and in charge of the money-related purchasing and selling---this was probably Xu Rongting's strategy to control Zhang Yingpu's activities and to limit his power.

²⁴ The local telegraph office was open in 1923. However, the telegram service between Shijiazhuang and Wuhan wasn't connected until 1929. For more information about the development of telecom industry, see Chen Tian, "Jiefangqian Shijiazhuang de dianxin tongxun" (Shijiazhuang's pre-liberation telecom industry), *Shijiazhuang Wenshi Ziliao* (Reminiscences on History and Culture of Shijiazhuang), 1990. 12.

Zhang Yingpu's lack of power was best demonstrated by his resignation in 1923. As Daxing's first chief manager, Zhang contributed significantly to the construction of the factory. He was the one who proposed to build Daxing in Shijiazhuang. He arranged the import and installation of the textile manufacturing machines. He designed the layout of the factory and selected the construction company. Under his supervision, the construction of the new factory was finished beautifully in seven and a half months. From the multi-story buildings and the water tubes installed on the ceiling to lower temperature, to the huge chimney, the big spray cooler, and the lovely flower terrace behind the factory gate, the Americanized architecture clearly associated Daxing with Zhang Yingpu and his early experience in America. Despite all his contributions, Zhang was forced to resign within one year after the factory started to operate.²⁵

What caused his resignation? As Zhang Yingpu's successor later recalled in a memoir, Zhang revealed his technical ignorance right after Daxing started to operate. Despite his overseas education and some experience in operating the Fuafeng Cotton Mill, Zhang was hardly an expert in cotton textile manufacturing. In fact, he left 6,000 spindles out of 20,000 spindles of newly purchased textile machines unworkable, because he couldn't understand the operating manual for the new models. Lacking the necessary technical knowledge, Zhang was obviously unqualified as the Commander-in-chief for a big cotton mill.²⁶ However, as the first chief manager who contributed significantly to the cotton mill, Zhang was forced to leave before he brought any observable output drop or profit loss for the

²⁵Yang Junke & Liang Yong, *Daxing Shachang Shigao* (A history of Daxing Cotton Mill) pp 9-10; "Plain figure of the factory," *Shijiazhuang Daxing Fangzhihan Chang Gaikuang* (A Survey of Daxing), 1937

²⁶ Shi Fengxiang, *Shi Fengxiang Xiansheng Zizhuan* (An autobiography of Mr. Shi Fengxiang).

company----Daxing's financial statements actually showed the company was running fine during the first year.²⁷ Therefore, a straightforward employer-employee relationship between the board chair and the chief manager was demonstrated here. By contrast, the relationship between Yuhua's board chair and its chief manager was more like business partners. An affair like Zhang Yingpu's resignation would probably never have happened to Yuhua's chief manager, the owner-manager Zhang Songqiao.

Organization

The business activities of Yuhua and Daxing were grouped according to function. Both companies had the following basic functions: spinning and weaving, machine maintenance, warehouse, purchasing and marketing, book keeping, cashier, statistic, general affairs, and general secretary. From the early years, the managers tended to sort business functions into two groups: one was centred on the production process, the other was associated with cash inflow and outflow, bookkeeping, and other issues that were not directly related to production---this is a functional institution derived from the *Dazhangfang* (general accounting office) during Chuxing period.²⁸ These two groups were labeled as *Gongwu* (affairs relating to manufacturing) and *Zongwu* (affairs relating to general issues). Consequently, spinning and weaving, engine and machine maintenance, warehousing, and statistics relating to production were categorized as *Gongwu*; Purchasing and marketing, general affairs, and general secretarial work belonged to *Zongwu*. Bookkeepers and cashiers had their positions in both *Gongwu* and *Zongwu*---there was a small accounts' office inside the

²⁷ Financial statements of Daxing, 1922.1-1923.2, personal collection of Mr. Yang Junke.

²⁸ *Yudahua Fangzhi Ziben Jituan Shiliao* (Selected Company Records for Yudahua Conglomerate), p.5 & p.25.

factory to handle worker's salaries and other small expenses, while another larger accounts' office was located in *Zongwu* department to deal with major purchases and sales, salaries for top managers, and dividends for stockholders. In Daxing, *Zongwu* and *Gongwu* Departments were both directly supervised by on-site managers. In Yuhua, the two departments were, respectively, under the supervision of the chief manager and the chairman of board.²⁹

Besides these basic functions, Daxing also had some related functional departments. These were created to meet the needs of its local context. Unlike Wuhan, which was a centre of China's early industries, Shijiazhuang didn't have any industrial manufacturers until Daxing built its factory there. Commercial underdevelopment required Daxing to be self-sufficient. First of all, Shijiazhuang did not have a public power plant. This made a generator necessary for the cotton mill. Therefore, a small power station was one extra functional unit of Daxing. Also, since Shijiazhuang had no industry, it had no industrial workers. The majority of the workers were selected locally, from farmers who had no experience with modern industries. Thus, some professional training was especially necessary for Daxing workers. A professional school was built inside the factory walls to institutionalize this training program; courses such as mathematics, Chinese, and fundamental engineering were taught here, and every worker was required to take one hour of after-work training every day.³⁰ Besides, Shijiazhuang had few business entities in related lines. There were not many existing dye shops in town, so that Daxing could not process their final

²⁹ Daxing's Structure Chart of 1937; Yuhua's Structure Chart of 1937; Yuhua's Structure Chart of 1924;

³⁰ *Shijiazhuang Daxing Fangzhiran Chang Gaikuang* (A survey of Daxing), 1937; "Daxing Fangzhichang guanli guize" (Regulations of Daxing Cotton Mill), 1930, Company Files of Daxing 111-1-982

products through contracts with independent dyeworks as Yuhua did in Wuhan. Rather, it had to build its own dye house. There was no existing market for cotton scrap, so Daxing couldn't simply sell its scrap on the marketplace as Yuhua did in Wuhan; it had to reprocess the cotton scrap to produce something marketable. As a consequence, Daxing established a blanket workshop in 1928 and wove cotton blankets using the cotton scraps.

Also driven by local requirements, Daxing had some additional social functions. Daxing built its own security office consisting of a team of ten security guards, since the town had only a small police office. They handled most of the conflicts in the community---disputes inside and outside the factory walls. When big worker conflicts occurred, such as strikes, would Daxing managers turn for outside military help, usually from the regional warlord rather than the weak local police. Similarly, the factory owned a fire brigade. Its main responsibility was to guard against fire and to fight them when they broke out. In addition to the professional school, Daxing had a primary school for the children of Daxing employees. The local education system of Shijiazhuang could not compare with that of Wuhan: the whole area had only one public primary school and no higher educational institutions. In order to help Daxing's employees, especially managers and technicians from big cities, to settle down in the new environment, Daxing built its own primary school in 1925 and offered their children an education comparable to that of the big cities. Out of the similar considerations, a consumer's union was established to offer daily necessities, which Daxing employees from big cities were used to in their everyday life, but couldn't find in Shijiazhuang; a small clinic with two doctors, one trained in Western medicine and the other trained in Chinese medicine, was established to offer standard health care for Daxing employees. Moreover, eight buildings were furnished as employees' dormitories. These rooms were to accommodate

Daxing's technical and managerial personnel hired from other areas and some other local shop-floor workers who didn't live within walking distance. To accompany the dorms, there was a small library with a very small collection of books and newspapers, so that the employees could get access to some reference books and keep them informed about current issues in a place without a public library. There was also an athletic field. Here, Daxing employees played some games unknown to local residents, such as gymnastics or soccer.³¹

Personnel

Since Shijiazhuang was an industrially underdeveloped place, its labour market was too small to supply a big industrial company such as Daxing. Therefore, as noted above, many Daxing employees, especially the technical and managerial personnel, came from areas outside Shijiazhuang. The majority of staff members and some technicians were from Wuhan. They were either old employees of Daxing's parent company, Chuxing, or students trained by Chuxing's textile school.³² Normally, Wuhan natives in Daxing had direct connections with Daxing's owner managers in Wuhan. There were also some employees who came from Shanghai with Zhang Yinpu, Daxing's first chief manger. These people included some mechanics and technicians. After Zhang Yinpu left, most of the remaining Shanghai

³¹ Information about social background in Shijiazhuang area comes from *Shijiazhuang Chengshi Fazhang Shi* (A history of Shijiazhuang's urbanization), *Shijiazhuang Kaibu Xiaoshi* (A unofficial history of the rise of Shijiazhuang as a commercial centre), and *Shimen Zhinan* (Shimen City Guide).

³² In the spring of 1918, Chuxing founded a textile school to train specialists for the cotton mill. The school had been operated for one year. More than 60 students graduated from the program. Accompanied by some graduates from Hubei Jiazhong Gongye Xuexiao, these students were sent to Chuxing and some other cotton mills in Shanghai for internship. They later on became the core members of Daxing and Yuhua's management system.

technicians worked in the factory-owned power station. Besides staff members and technicians, experienced workers were also important to a textile company. During Daxing's early years, its experienced workers were drawn exclusively from Henan province. When Daxing was established, its managers secretly hired over 300 experienced workers from three neighbouring cotton mills, all of them located in Henan. These workers had signed favourable contracts with the company. The company guaranteed an indeclinable wage for them and promised that they would never be fired. The rest of the employees, inexperienced workers, were selected locally: they were former farmers living in the Shijiazhuang area and the surrounding counties. Although local employees accounted for more than two-thirds of the shop floor workers, they had the harshest working conditions. Most importantly, they were paid less. Compared to the Henan workers, who were paid 0.8 yuan per day, local workers only earned 0.2 to 0.3 yuan per day. The salary difference created conflicts between Henan workers and Hebei workers. Similarly, Wuhan employees' special connection with the owner-managers created tension between them and the Shanghai employees. As a consequence, Daxing employees were divided according to native place.³³ People from the same native place tended to gather together. Within each group, employees held similar positions, earned comparable salaries, spoke the same dialect, and probably lived in the adjoining dormitories.³⁴ Between groups, conflicts arose and sometimes intensified.

Unlike Daxing's employees, who had different native places, Yuhua's employees were almost exclusively from Wuhan. Many of the employees

³³ Yang Junke & Liang Yong, *Daxing Shachang Shigao* (A history of Daxing Cotton Mill), pp11-13 and pp70-77; *Shi Fengxiang Xiansheng Zizhuan* (Autobiography of Mr. Shi Fengxiang), pp10-17.

³⁴ Since many employees were hired from other provinces, Daxing built 12 one-story buildings as its dormitory. Anybody who lived outside the walking distance to the factory can live in the dormitory.

came directly from Yuhua's parent company, Chuxing. Others were new workers hired from the local labour market. Consequently, the major conflicts among employees were conflicts between new employees and old ones, rather than conflicts among different origin groups. The conflicts between new and old were most intense among the lower level managers. The "old" group included foremen, technicians, and staff members who originally came from Chuxing. They were old subordinates of Zhang Songqiao. Most of them had close personal connections with Zhang, and many had been working for him for a long time even before Xu Rongting got involved in the business. Normally, these lower level managers began as shop floor workers, and then gradually climbed the ladder after gaining more practical experience. They seldom had any higher education. Some of them were even semi-illiterate. The "new" group consisted of new graduates from Chuxing's textile school. By contrast to old employees from Chuxing, the students were better educated, but less experienced. They were closer to the chairman than the chief manager, as Chuxing's textile school had been under the leadership of Xu Rongting. Although they had different background, the old employees and new students usually held similar managerial positions and often competed for the same promotion opportunities. Thus, conflicts were created between these two groups. The old employees from Chuxing considered new school graduates unqualified because they were inexperienced; the new graduates looked down upon the old employees because they were uneducated.³⁵

³⁵Mao Yifeng, "Wuchang Yuhua fangzhi gongsi diaocha baogao"(Investigation report on Wuchang Yuhua Cotton Mill), *Hubei Shiye Yuekan* (Hubei Industry Monthly) v.1, no.7, 1924.5; *Shi Fengxiang Xiansheng Zizhuan* (Autobiography of Mr. Shi Fengxiang), pp.7-10.

Purchasing

Yuhua and Daxing shared some similarities in their purchasing strategies. Usually, the two companies adopted two purchasing methods---- direct purchase and indirect purchase. On the one hand, the companies sent their employees---both companies hired a few employees with selecting and purchasing as their sole duty³⁶---to primary markets in the cotton producing area, to buy cotton on the local cotton market. This was known as direct purchase. On the other hand, the cotton manufacturers also acquired cotton indirectly through cotton traders. Sometimes, these trading shops were small local traders in the cotton producing area. It often happened in the following way: When one local trading shop became a frequent seller as well as the major supplier in one area, the textile company would have a formal written contract, or sometimes an informal oral agreement, with it. Through the contract or the agreement, the company authorized the shop to make purchases for it in the area. Then the shop would play a role similar to a local purchase representative: it was responsible to selectively collect cotton following the company's requirements, and it would be paid for the goods at a reasonable market price on the local market plus some predetermined commission.³⁷ Because these local shops were small in scale, they usually were not responsible for the transportation. The cotton mills would hire a transporter, sometimes with the help of the local trader, to ship the material back to the factory. They paid the freight and accepted took the risk on board. Sometimes, the agents were big trans-regional cotton traders. These big trading shops often supplied a larger amount of cotton that came from various cotton producing areas, since they had a bigger purchasing network

³⁶ In 1937, Yuhua had five, while Daxing had two, employees whose official title was purchaser.

³⁷ See contract between Yuhua and Lixingfa Cotton and Yarn Shop, Aug. 1935, Company files of Yuhua 109-1-240.

compared to the small local traders. Most of them had branches in Shijiazhuang or Hankou. They had been shipping goods from one place to another on a regular basis for a long time. Consequently, they preferred to take higher risk in exchange for higher profit. Therefore, these traders were also responsible for the freight and the risk on board; then manufacturers would pay for the cotton at a reasonable market price in the market where the factory was located.³⁸

In addition, each company had its own unique channels of purchasing. Daxing opened a small purchasing booth at its gate, to collect cotton directly from farmers during the harvest season. Since the cotton mill was located close to many cotton farms, these farmers were able to walk there with their cotton carried on a shoulder pole or in a small cart. Without any middleman involved, the transaction brought extra profit for both the farmers and the factory. Located in a big city, Yuhua could not build a purchasing booth within walking distance for the cotton planters. However, it could take the advantage of Hankou's huge cotton market by occasionally purchasing cotton inside the city. Sometimes, an inflow of cheap foreign cotton drove the market price down in Hankou. Then, the textile company would prefer to purchase its raw materials in the city, because the market price there was even cheaper than in the original cotton producing area. For example, in the summer of 1931, Wuhan area experienced an unprecedented flood. The cotton output in Hubei province was reduced significantly. Consequently, the cotton price rose while the quality dropped. At the same time, America cotton planters enjoyed a huge harvest in that autumn, and the cotton price on the world market slumped. Therefore, Yuhua managers bought 8000

³⁸ Yuhua's Shareholders' Meeting, Sept.9, 1928, Company files of Yuhua 109-1-310.

bags---enough for three month of production---from the international cotton market through local import and export companies.³⁹

Marketing

The majority of Daxing's products, its ten-count yarns, were sold locally to rural weavers in Hebei province. Here, Daxing's marketing policy went through two stages. Usually, it is very difficult for a company to enter a new, unfamiliar market, especially when the company itself is also newly established. Therefore, Daxing's managers began by seeking help from local yarn traders. At first, Daxing relied on the two biggest local yarn shops, Tianqingfeng and Longji, as its distributors. Daxing sold its products to the two wholesalers, who then distributed the products to other small wholesalers and retailers through their own sales networks. However, Daxing managers began to feel unsatisfied with the sales agent system when the two yarn traders made a collaborative effort to control the price---they asked Daxing to lower the yarn price, or else they would no longer distribute the products for it. Shijiazhuang was a small town; the company could hardly find other sales agents if the two biggest yarn traders shut the door behind it. At this point, Daxing managers began to consider building their own marketing networks. Secretly, they persuaded some Tianqingfeng and Longji employees to switch to the textile company by offering higher salaries. Then, in 1924, they began to bypass the two agents and sell directly to small yarn retailers in the surrounding counties.⁴⁰

Constructing its own marketing networks, Daxing adopted a new and more complex marketing policy. First, Daxing offered favourable terms to

³⁹ Yuhua's Directors' Meeting, Sept. 27, 1931 and Nov. 3, 1931, Company files of Yuhua 109-1-310

⁴⁰ Yang Junke and Liang Yong, *Daxing Shachang Shigao* (A history of Daxing Cotton Mill), p.56

attract small yarn shops. Daxing allowed the yarn traders to purchase on credit, so that they didn't need to provide any working capital. Daxing also bore all the risk; it allowed the yarn traders to sell on a commission basis, which means they didn't need to pay anything if the products were not sold. As a consequence, Daxing undertook the responsibility to advertise its products to consumers, while it also had control over the retail price. Targeting illiterate rural consumers, the advertising strategy used here was primitive, but effective. No media was involved. Rather, Daxing sent a group of salesmen directly to the consumers. They walked into weavers' homes, introduced the products to them, talked to the weavers, and brought back feedback. The pricing policy was also an important part of Daxing's marketing strategy. The yarn price was not simply set according to the cost, fluctuating with the market rise and fall. Daxing managers also strove for consistency of the price. They noticed that consumers had a tendency to be loyal to products that were stable in their price and quality. Therefore, they tried to reduce the frequency of price changes.⁴¹

Compared to Daxing, Yuhua had a simpler marketing policy. To protect the interests of big yarn wholesalers, the Yarn Trade Guild in Hankou prohibited cotton mills to sell their products directly to yarn retailers. Therefore, during the early years, Yuhua relied exclusively on big yarn trading companies to distribute its products. Actually, many of these wholesalers were shareholders of the textile company. Baohexiang Yarn and Cloth Shop, for example, was Yuhua's biggest distributor. It began doing business with Yuhua's owner in the Chuxing period. The shop owner, Sun Yutang, was a major director in the company. Yusheng Yarn Shop, another

⁴¹ Yang Junke & Liang Yong, *Daxing Shachang Shigao* (A history of Daxing Cotton Mill), pp55-58; Interview with Liu Yuming, 1963, from *Yudahua Fangzhi Ziben Jituan Shiliao* (Selected Company Records for Yudahua Conglomerate), p52-54.

example, also had an intimate relationship with Yuhua. The owner of Yusheng was a big shareholder in the textile company, and his son was appointed vice manager in the cotton mill. Usually, Yuhua sold its products to these big traders through a method similar to futures contract: the products were sold one or two months in advance and would be delivered directly to the buyers once they came out of the workshop. During the 1920s, when the national market for yarn and cloth was constantly growing and the competition between textile manufacturers was moderate, the cooperation between the cotton mill and the yarn traders was rather successful. It was only after 1931, when an unprecedented flood followed by aggressive commercial invasion of Japanese companies led to a crisis for Wuhan cotton mills, that Yuhua began to search for new marketing resources, such as internal sales networks.⁴²

Shijiazhuang: a city rising from the modern industry

The comparison between Daxing and Yuhua shows how internal business practices were shaped by the local contexts. However, the relationship between a business and its context is reciprocal: the local context shapes the business activities and the business also reshapes its context. While Yuhua's influence in Wuhan was probably trivial or untraceable, Daxing---because it was much bigger relative to its local economy than Yuhua was in Wuhan---had a significant impact on Shijiazhuang. Aspects of their impact included Daxing's industrializing the local economy, giving rise to an industrial working class, and participating in civil construction.

⁴² *Yudahua Fangzhi Ziben Jituan Shiliao* (Selected Company Records for Yudahua Conglomerate), p49-51.

Shijiazhuang's local economy

At the turn of the twentieth century, Shijiazhuang, as its name, “Shi Family village,” suggests, was still an insignificant place lying on the North China plain. According to the local gazetteer compiled in 1878, the village only had around 150 households and a population of 600, all of whom were farmers. The whole village covered an area slightly over half of a square kilometre, and the entire public facilities were just six roads, six Buddhist temples, and four wells. The year 1902 was the turning point in the history of Shijiazhuang: in this year, a newly built railway, the Pinghan Railroad, which connected Beiping and Hankou, passed through the village. In the following year, a new train station was built there. The name of the station once again manifested Shijiazhuang's triviality: because the village was so unknown, the station was initially named after a relatively bigger village, Zhengtou, eight miles away, though it was physically located in Shijiazhuang. Then, in April 1904, the construction of another railway, the Zhengtai Railroad, started. It was originally designed to start from Zhengding, a county seat near Shijiazhuang; but the French chief engineer insisted that the small village would be a better starting point from a technical point of view. Consequently, Shijiazhuang became the junction of two major railroads, one of which started from the village.⁴³

The railroads brought, first, people. Once the construction work started, Zhengtai Railroad Company set both its main administrative office and its machine repair plant in Shijiazhuang. The two business establishments hired around 1000 employees in total--- a number almost

⁴³ See Ma Hong, “Shijiazhuang Gongren Jieji de Dansheng he Zhaoqi Gonghui de Chuangli,” *Shijiazhuang Wenshi Ziliao*, vol. 1, 1983 and *Shimen Zhinan*, 1933 pp.1-21.

double the population of the village.⁴⁴ When trains started to pass through the village, travellers also followed. Transferring from one line to another, passengers often spent a night or two in this small town. Not only did they bring fresh faces and novel ideas for the village, but also they created the need for small businesses such as hotels and restaurants. The railways even brought foreigners: since the Zhengtai Railroad was initially financed and controlled by a French bank, it was designed and constructed by a group of French engineers. As its headquarters, Shijiazhuang housed the whole French community in the railway company. Consequently, small businesses in the service sectors such as restaurants, grocery stores, hotels, banks, drugstores, and cleaners emerged to provide services for the new immigrants, sojourners, and travellers. For example, in the fall of 1904, right after French engineers moved to the area, one small Western-style inn, two Western-style restaurants, and two western style liquor stores were opened. All of them were owned and managed by sojourning foreign businessmen assisted by Chinese employees hired from other big cities, such as Tianjin, the closest treaty port.⁴⁵ During the first decade after the railways started to pass through Shijiazhuang, these kind of businesses founded by and for the sojourners, gradually came to dominate the local economy: elderly farmers in the small village, except those who lost their land to the new construction works, were still working in their fields, but their energetic sons were trying to find new, non-agricultural opportunities in the railway company or in the newly-opened stores.

The railroads also created unprecedented opportunities for trading companies. Before the Zhengtai line started to operate, Shanxi province was

⁴⁴ See Ma Hong, "Shijiazhuang Gongren Jieji de Dansheng he Zhaoqi Gonghui de Chuangli," *Shijiazhuang Wenshi Ziliao* vol. 1, 1983.

⁴⁵ See Yang Junke "Shijiazhuang Kaibu Xiaoshi," *Shijiazhuang Ribao* 1986.4.4--1987.6.25.

relatively isolated from the outside world: without a convenient waterway, the inflow and outflow of goods had relied largely upon draught animals such as mules, which made transportation extremely costly and time-consuming. The railway soon eclipsed the old carrying method, and in the process made Shijiazhuang the gateway to Shanxi. Through the Zhengtai line, local products such as coal, wool, cotton, ironware, and grain, flew out, while machine-weaved cloth, kerosene, cigarettes, and other modern manufactured luxuries flew in. All these goods were gathered in Shijiazhuang, waiting to be trans-shipped to another train with a different gauge (since Zhengtai Railway and Pinghan Railway used gauges with different widths, trains could not go freely from one line to the other.) Therefore, Shijiazhuang became a “storehouse” for a variety of goods, attracting a considerable number of trading companies; these traders were usually specialized in importing to and exporting from Shanxi, and in the related storing and trans-shipping process. Before 1916, there were only ten trading companies of this type, but the number more than tripled in ten years. Fewer in total number, but bigger in average scale, the trading companies later rivalled the small stores which supplied daily necessities, and became another important component of the local economy.⁴⁶

In the early 1920s, right before Daxing's factory was built, Shijiazhuang had already grown from a small village to a commercial centre, with small stores and relatively bigger trading companies as its major businesses. The foundation of Daxing further enhanced the local economy, and gave it a new touch of industrialization. First of all, Daxing was a huge industrial manufacturer relative to the local economy. From its establishment to 1937, Daxing consistently had the largest capital of all the locally-

⁴⁶ See Yang Junke “Shijiazhuang Kaibu Xiaoshi,” *Shijiazhuang Ribao* 1986.4.4--1987.6.25.

registered companies; it was the biggest employer in town, and its workforce accounted for about one-tenth of the local population.⁴⁷ Its affiliated power station was the first power station in the city---earlier than the one built by Zhengtai Railway Company---and the capacity of the power station outshone all of those built later. Even its modern architecture, with a huge chimney, was so unique in both style and physical size that it soon became the icon of the industrializing city---whenever the train travellers saw the tall chimney they would know that they were arriving in Shijiazhuang. Moreover, Daxing created opportunities for small industries in related lines. Small business undertakings, which specialized in cotton-embroidering and cloth-dying, opened in rapid succession. Many of them engaged in processing the raw material entering Daxing's workshops, and final products departing Daxing's warehouses. Two small machine-making factories were established following Daxing; their business largely relied on repair and construction contracts with the cotton textile manufacturer. Yude Machine-making Company, the biggest local machine-maker, expanded its products to include embroidering machines, fluffing machines, and looms once Daxing provided new opportunities for small workshops in the cotton-cloth industry. Pulled by Daxing, as a consequence, Shijiazhuang transformed slowly, but steadily, from a commercial town to an industrial city.

The urban working class

In the autumn of 1933, the Shanxi Provincial Soccer Team en-route home from Beiping after participating in the North China Games. Like all the other passengers on this route, they stopped by Shijiazhuang to transfer from the Pinghan line to the Zhengtai line. Their stopover was detected by

⁴⁷ This is based on the data of 1925. See *Yudahua Fangzhi Ziben Jituan Shiliao* p85, and *Shijiazhuang Chengshi FaZhan Shi* pp117-118.

amateur soccer players in town. Having just learned rules from some alumni of the Shimen High School---who had gone to college in big cities after graduation and come back to their hometown for school breaks---and having just had their first soccer game in town earlier that spring, the local players were anxious to meet a real team. With the consent of the Shanxi players, a game was arranged. Right on Daxing's sports ground outside its factory gate, a temporarily established Shijiazhuang team encountered Shanxi players. The eleven players on Shijiazhuang's side included a teacher and a student from Shimen High School, two industrial workers from Pinghai Railway Company, two from the Zhengtai Railway, three from Daxing, and two from the British-American Tobacco Company.⁴⁸ How did they feel when they greeted the crowd right before the game started? Were they fighting for the small town, which was probably not their own native place? Or, did they consider themselves part of the Pinghan-Zhengtai-Daxing alliance, representing all the industrial workers of the city? Were there a lot of workers watching the game? Did workers from different companies socialize with each other during the game? In the end, the amateur team lost the game, but left us with a special opportunity to take a glance at the rising working class in Shijiazhuang.

First of all, the two railway companies and Daxing cotton mill constituted the majority of the working class in the town. The first industrial workers were the caretakers working in the Shijiazhuang Station along the Pinghan Line after 1903. Because Shijiazhuang was still a small village then, Pinghan Railway Company only assigned a dozen workers for everyday maintenance. Other technical support facilities such as an engine terminal, which demanded more industrial workers, were set in nearby Zhengding,

⁴⁸ See Zhang Tao, "Sanshi Niandai Woshi de Zhuqiu Yundong" *Shijiazhuang Wenshi Zilao*, vol. 5.

and were not relocated to Shijiazhuang until 1923. Then, after Zhengtai Railway Company established its headquarters in 1907, and Daxing started to reach its full manufacturing capacity in 1927, the three companies carried about 6000 industrial workers in total, including 1000 in the Pinghan Railway, 2000 in the Zhengtai Railway, and 3000 in Daxing. Based on later estimates, these 6000 workers accounted for around 20% of the total population, and over 60% of the working class in the town.⁴⁹

Because the working class were simply constructed by three major industrial companies, frequent connections between the three easily formed a rather integrated social group. Sometimes, workers in different companies were bound by blood ties: when a brother left home in a surrounding village to join one of the railway companies in Shijiazhuang, his younger sister was very likely to follow him to the town when Daxing started to recruit female workers. Sometimes, they knew each other if they came from the same village: when two friends travelled together to the town for new non-agricultural opportunities, they would possibly be hired by different companies, if they were both lucky enough to be hired. Sometimes, a former employee of one company would be recruited by another, since hiring and firing were both very common for each company. Not only did workers from these three companies have these natural links, but they also socialized with each other. The industrial workers in different companies often shared the same sentiments for each other, for they had similar personal backgrounds, received comparable pay-checks, and faced parallel problems in the manager-labour relationship; they also differed strikingly from other major components of the society, such as small merchants, farmers, and old gentry members. Therefore, it is not surprising that they often joined together

⁴⁹ *Shijiazhuang Chengshi Fazhan Shi*, pp.117-118.

in different social activities. When Daxing's labour union was founded in January 1926, many workers from the railway companies appeared at its first meeting on a public square---even the union banner was made by a railway worker who was the brother of the leader.⁵⁰ When Zhengtai Railway sponsored a sports meet in the spring of 1935, workers from Daxing participated as well.⁵¹

Clustering together, the working class in Shijiazhuang was likely to form an integrated class through intangible ties. However, inside each company, elements such as native-place origin still differentiated workers and pulled them apart. Since Shijiazhuang had developed from a small village without a sufficient labour pool for modern industries, most of its industrial workers were immigrants. According to Daxing's company documents, the majority of its workforce, inexperienced workers, were former farmers from the nearby countryside, while its skilled workers usually came from other provinces such as Henan and Hubei. In general, the skilled workers from other provinces were better paid; they were more likely to be educated; and often times they had a closer connection with the managers of the factory. Even their unusual accent alienated them from the others. Therefore, it is not surprising that when Daxing workers founded their first labour union in 1926, they excluded workers from other provinces. Then, during the later strike initiated by the labour union, the skilled workers stood by Daxing managers, and engaged in a bloody conflict with the union leaders.⁵²

Generally speaking, workers from surrounding villages were more attached to their adopted town than those from more remote areas. With the

⁵⁰ Wang Feiran "Daxing Shachang Gonghui Chengli de Jiandan Huiyi"

⁵¹ Yang Junke "Jiu Shijiazhuang de Tiyun Shiye"

⁵² See Yang Junke & Liang Yong, *Daxing Shachang Shigao*.

small town growing bigger and the nearby villages being merged into it economically and administratively, many workers who initially saw themselves as natives of other villages started to identify themselves as Shijiazhuang citizens. Others began to move their families to the city and recognize it as their second hometown. Most of them witnessed the rise of the city, and recognized themselves as part of it. Moreover, the original Shijiazhuang natives were too few in number to exclude all outsiders, and they usually found people from the surrounding areas more culturally acceptable than immigrants from other parts of China. This emotional attachment consolidated ties among the local workers, while further differentiating them from the others. Consequently, “Shijiazhuang workers” emerged in town as a special social group, which represented those workers who worked in Shijiazhuang and came from the town itself or from the nearby countryside. To return to the soccer game, the team was composed of primarily industrial workers and identified itself as a “Shijiazhuang team,” though many of the players were probably not Shijiazhuang natives. Local identity and class identity were combined. Fighting for the city, and for their brothers and sisters on the shop-floor as well, the players became a symbolic image of “Shijiazhuang workers.”

The Stone Bridge and the Grand Tunnel

Growing up from a small village, Shijiazhuang was initially under the administrative authority of Huolu County. The economic development and population growth following the arrival of the railways complicated local affairs, and made new forms of local administration necessary. However, the provincial government only granted the town a police office, which started in 1907 as a sub-office of the Huolu Office, and was upgraded as a “special

office” under the direct supervision of the provincial office in 1925.⁵³ With the absence of a local government, necessary civil construction was often undertaken by businesses and industries in town.

The Pinghai railway went through Shijiazhuang from north to south, dividing it into two parts. With trains passing by unpredictably, the rails could be fatal for pedestrians; therefore, the town was divided into two increasingly separate parts: the east and the west. The construction of a bridge and a tunnel connecting the two sides of the town was probably the most important civil construction work in the early history of the city. Both of them were funded by modern industries. The bridge was built by Zhengtai railway workers. After Zhengtai Railway Company was established in 1907, its railway workers started to find the rails troublesome---because many of them lived in the villages on the south side of the rails, and needed to cross the rails everyday to reach their workshops on the north side. Failing in their appeal for company funds to build a bridge, the workers decided to raise money themselves. Each of them donated one day’s salary for the new construction project, and the bridge was finished in the fall of 1907. Because the bridge was made of blue stone, it was called “Grand Stone Bridge,” or sometimes “Stone Bridge.”⁵⁴ The bridge became a major thoroughfare in town as soon as it was built, and the two roads connected by the bridge developed into the town’s busiest street. Named after the bridge, it was called “Grand Bridge Street.” Among the business undertakings listed on the *Shimen Zhinan* (City Guide of Shimen) published in 1933, twelve out of seventeen hotels and four out of nine restaurants were located on this main street.

⁵³ *Shimen Zhinan* 1933, pp.1-10.

⁵⁴ See *Shijiazhuang Chengshi Fazhan Shi*, pp.123-124.

Following the “Stone Bridge,” a tunnel was built twenty-three years later by Daxing Cotton Mill. Located on the opposite side of the city from the terminal of the Zhengtai line, Daxing had to move its coal, which came from Jinjing Mine through Zhengtai railway, across the rails by human labour. This was both inconvenient and costly. Therefore, in 1930, the managers solved this problem by building a tunnel through which they could easily transport their raw material and final products by small cart or big truck. As the only other way to safely cross the rails, the tunnel was as important as the bridge. Both sides of the tunnel became a new business district of the city. Taking advantage of the convenience in transport brought by the tunnel, trading companies such as coal dealers and cotton dealers clustered in this area.⁵⁵

The emergence of the bridge and the tunnel changed the spatial layout of the city fundamentally: at first, the town was only an extension of the train station, with a few restaurants and hotels circled around it. After the bridge was completed, the business centre moved to Grand Bridge Street, and the majority of the shops were those providing services for the train passengers and railway workers. Then, with the tunnel finished, a new business district specializing in trading business appeared on both sides of the tunnel.

Conclusion:

If the *guandu shangban* enterprises (privately-managed enterprises under government supervision) failed to transform China into a predominant industrial society before World War I,⁵⁶ they did succeed, however, in

⁵⁵ See Yang Junke & Liang Yong, *Daxing Shachang Shigao* & Yang, Junke “Shijiazhuang Kaibu Xiaoshi,” *Shijiazhuang Ribao* 1986.4.4--1987.6.25.

⁵⁶ See Albert Feuerwerker’s *China’s early industrialization*.

introducing modern industries to Chinese businessmen and providing necessary transportation and communications facilities. Then, later, encouraged by the unprecedented opportunities presented by the First World War, the pioneering businessmen surged into manufacturing industries; the process of Chinese industrialization continued long after *guandu shangban* enterprises vanished.

Following the War, if China's industrialization process did lose some of the momentum, it was by no means as negligible as it has sometimes been portrayed. In fact continued industrialization had a significant impact on both the internal managerial structure of Chinese firms, and the external social environment in which these firms were located. In the case of Daxing and Yuhua, the company responded to the new problems brought by modern industry by dividing a single business into two, and located one part of it in a relatively underdeveloped small town. This unprecedented business decision challenged the Chinese businessmen with a new problem of managing two similar business units located separately. Moreover, when the business moved from major metropolis of Wuhan to the small underdeveloped Shijiazhuang, the modern industry became the leader in the local society and economy. Industrialization, rather than the overemphasized conflicts between modernity and national identity, emerged as one major theme in the small city on the North China Plain.