

Editor's Note: This handout is to be used with Juanjuan Peng, "Twentieth-Century Chinese Entrepreneurs before 1949: Literature Excerpts for the Classroom" from the winter 2019 issue of *Education About Asia* beginning on p.11.

Handout A: Excerpt from "The Shop of the Lin Family," by Mao Dun, trans. Sidney Shapiro

Introduction: In September 1931, Japan invaded and soon acquired the Manchurian region of China. On January 18, 1932, five Japanese monks were beaten severely near Shanghai's Sanyou Factory by agitated Chinese workers, causing the death of one monk. Two days later, a group of Japanese burnt down the factory as revenge. One Chinese policeman was killed and several more were injured when they arrived to help put out the fire. The conflicts soon caused an upsurge of anti-Japanese protests calling for a boycott of Japanese-made goods. The situation continued to deteriorate over the next week and eventually led to a war between Japan and China at Shanghai that lasted slightly over a month. The incident had a devastating effect on small general stores in the lower Yangtze region that carried Japanese-made household products like umbrellas, wash basins, handkerchiefs, soap, and socks. Many of them went bankrupt during the crisis. In the following story, Mr. Lin is a fictional owner of such kind of general store.

But out in the shop, although Mr. Lin was devoting his whole being to business, though a smile never left his face, he felt as if his heart were bound with strings. Watching the satisfied customer going out with a package under his arm, Mr. Lin suffered a pang with every dollar he took in, as the abacus in his mind clicked a five percent loss off the cost price he had raised through sweat and blood. Several times he tried to estimate the loss as being three per cent, but no matter how he figured it, he still was losing five cents on the dollar. Although business was good, the more he sold the worse he felt. As he waited on the customers, the conflict raging within his breast at times made him nearly faint. When he stole glances at the shop across the street, he had the impression that the owner and salesmen were sneering at him from behind their counters. Look at that fool Lin! They seemed to be saying. He really is selling below cost! Wait and see! The more business he does, the more he loses! The sooner he'll have to close down!

Mr. Lin gnawed his lips. He vowed he would raise his prices the next day. He would charge first-grade prices for second-rate merchandise.

The head of the Merchants Guild came by. It was he who had interceded with the Guomindang (China's Nationalist Party) chieftains for Mr. Lin on the question of selling Japanese goods. Now he smiled and congratulated Mr. Lin, and clapped him on the shoulder.

"How goes it? That four hundred dollars was well spent!" he said softly. "But you'd better give a small token to Guomindang Party Commissioner Bu too. Otherwise, he may become annoyed and try to squeeze you. When business is good, plenty of people are jealous. Even if Commissioner Bu doesn't have any 'ideas,' they'll try to stir him up!"

Mr. Lin thanked the head of the Merchants Guild for his concern. Inwardly, he was very alarmed. He almost lost his zest for doing business.

What made him most uneasy was that his assistant Shousheng still hadn't returned from the bill collecting trip. He needed the money to pay off his account with the big Shanghai wholesale house. The collector had arrived from Shanghai two days before, and was pressing Mr. Lin hard. If Shousheng didn't come soon, Mr. Lin would have to borrow from the local bank. This would mean an additional burden of fifty or sixty dollars in interest payments. To Mr. Lin, losing money every day, this prospect was more painful than being flayed alive.

At about four p.m., Mr. Lin suddenly heard a noisy uproar on the street. People looked very frightened, as though some serious calamity had happened. Mr. Lin, who could think only of whether Shousheng would safely return, was sure that the river boat on which Shousheng would come back had been set upon by pirates. His heart pounding, he hailed a passer-by and asked worriedly:

"What's wrong? Did pirates get the boat from Lishi?"¹

"Oh! So it's pirates again? Travelling is really too dangerous! Robbing is nothing. Men are even kidnapped right off the boat!" babbled the passer-by, a well-known loafer named Lu. He eyed the brightly colored goods in the shop.

Mr. Lin could make no sense out of this at all. His worry increased and he dropped Lu to accost Wang, the next person who came along.

“Is it true that the boat from Lishi was robbed?”

“It must be A Shu’s gang that did it. A Shu has been shot, but his gang is still a tough bunch!” Wang replied without slackening his pace.

Cold sweat bedewed Mr. Lin’s forehead. He was frantic. He was sure that Shousheng was coming back today, and from Lishi. That was the last place on the account book list. Now it was already four o’ clock, but there was no sign of Shousheng. After what Wang had said, how could Mr. Lin have any doubts? He forgot that he himself had invented the story of the boat being robbed. His whole face beaded with perspiration, he rushed into the “inner sanctum.” Going through the swinging doors, he tripped over the threshold and nearly fell.

“Papa, they’re fighting in Shanghai! The Japanese bombed the Zhabei section!” cried Miss Lin, running up to him.

Mr. Lin stopped short. What was all this about fighting in Shanghai? His first reaction was that it had nothing to do with him. But since it involved the “Japanese,” he thought he had better inquire a little further. Looking at his daughter’s agitated face, he asked:

“The Japanese bombed it? Who told you that?”

“Everyone on the street is talking about it. The Japanese soldiers fired heavy artillery and they bombed. Zhabei is burned to the ground!”

“Oh, well, did anyone say that the boat from Lishi was robbed?”

Miss Lin shook her head, then fluttered from the room like a moth. Mr. Lin hesitated beside the swinging doors, scratching his head. Mrs. Lin was hiccuping and mumbling prayers.

“Buddha protect us! Don’t let any bombs fall on our heads!”

Mr. Lin turned and went out to the shop. He saw his daughter engaged in excited conversation with the two salesmen. The owner of the shop across the street had come out from behind his counter and was talking, gesticulating wildly. There was fighting in Shanghai; Japanese planes had bombed Zhabei and burned it; the merchants in Shanghai had closed down— it all was true. What about the pirates robbing the boat? No one had heard anything about that! And the boat from Lishi? It had come in safely. The shopowner across the street had just seen stevedores from the boat going by with two big crates. Mr. Lin was relieved. Shousheng hadn’t come back today, but he hadn’t been robbed by pirates either!

Now the whole town was talking about the catastrophe in Shanghai. Young clerks were cursing the Japanese aggressors. People were even shouting, “Anyone who buys Japanese goods is a son of a bitch!” These words brought a scarlet blush to Miss Lin’s cheeks, but Mr. Lin showed no change of expression. All the shops were selling Japanese merchandise. Moreover, after spending a few hundred dollars, the merchants had received special authorizations from the Guomindang chieftains, saying, “The goods may be sold after removing the Japanese markings.” All the merchandise in Mr. Lin’s shop had been transformed into “native goods.” His customers, too, would call them “native goods,” then take up their packages and leave.

Discussion Questions:

1. What kind of challenges to his business did Mr. Lin face? How did Mr. Lin respond to them? What would you do if you were faced with the same challenges and what is your rationale for your decisions?
2. What kind of state-business relation does this story reveal? Would it probably promote or hinder economic growth in China? Why?

NOTES

1. Lishi is a fictional town in the story.

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Handout B: Excerpt from The Pen and I: The Autobiography of a Shanghai Businesswomen by Tang Diyin

Introduction: In the early twentieth century, middle- and lower-class women in China were gradually offered more job opportunities. Many became cotton mill workers, schoolteachers at all-girls schools, salesgirls in modern department stores, and secretaries. Tang E, or Tang Diyin (1916-1988), in the following story was one of them. At age of fourteen, right after graduating from elementary school, she responded to a newspaper job advertisement and was then recruited by a big Shanghai stationery store, Yixin, as its salesgirl. In two years, due to her exceptional performance, she was promoted twice and put in charge of the purchasing department.

Then something else happened that shook me deeply.

The boss, already in his forties, suddenly started to have ideas about me, a teenager. He and his wife were in agreement about this, and both tried to talk me into becoming his concubine.

The mistress came first. She went to my mother and praised me to the skies . . .

A few days later the boss suddenly invited me to go to the movies with him. I had read reviews of a new movie from Mingxing Studios which I very much wanted to see, so I agreed. It was called *The Women's store*. It was about a girl from a poor family who, after many trials and tribulations, finally got a job as a salesgirl in a department store. There she was subjected to daily insults from her boss, jibes and provocations from idle youths, and cut-throat competitions from her associates. Finally she couldn't stand it any longer. She resigned from her job and decided to do the unheard-of: to open her own shop. With a great deal of difficulty, she finally got enough financing to open a women's store and became her own boss. It was just a movie story, but it struck a strong responsive chord in my heart.

After the movie the boss walked me home, and on the way he started to say: "Tang E, I want to talk to you about . . ." I knew what was coming and cut him off: "please don't continue. The movie has given you my answer. I'm going to take her as my example."

In the next breath I naively blurted out: "I want to be my own boss too."

The boss chuckled. "You, a boss? A girl with her own business? Listen, that was only a story on the screen! Stop dreaming!"

I did not answer; I just turned and walked away . . .

Later, my mother tactfully told the mistress of my refusal. From then on, my days at the shop were a torture. I hardly dared lift my eyes to the boss. I lived in constant dread of other plans they might be making, and decided I had to give up the job. But where could I go . . .

At that time, my brother and some friends had decided to set up some trade between Shanghai and Hong Kong. At some risk I agreed to lend him 500 dollars for capital. He took native products and medicinal herbs to Hong Kong and brought back Parker pens, ink, perfume, cosmetics and nylon stockings. The goods were sold at a good profit at the numerous stalls in Chenghuangmiao (City God Temple) Bazaar. He made several successful trips.

I finally made up my mind. With my aptitude for business, why couldn't I make as good a shop owner as I had a salesperson? I hung a sign before my door which read: "Modern Goods Company". I now had my own business, and my brother assisted me every way he could. I printed company stationery, bills, receipts, and made an office stamp; my living room was the wholesale office.

I copied a list of all Yixin suppliers from the purchasing department, as well as a directory of all retail outlets from the wholesale department. I printed a price list of the goods I meant to deal in: pens, stationery, drafting and copying instruments and materials, sporting goods, and so on, putting down slightly lower prices than Yixin's for the fast-selling items. I sent the price list to all the outlets in the country, telling them they could place mail orders, as I had arranged with the post offices to collect payments for me.

The response was heartening because of my competitive prices. Actually, I carried no inventory, and was what was called a “briefcase company”. When I received orders, I had my brother buy the goods from the wholesalers. If the orders were for Chinese goods, I bought them direct from the manufacturers.

I did all the packing at night after coming home from work, and my brother sent the packages off at the post office. Some packages went as far as Sichuan and Yunnan provinces. The customer would pay the local post office upon delivery of the goods, and it forwarded the money to me. I had learned this from Yixin, and had no trouble doing it on my own.

It didn’t take long for my “secret” to be unveiled. Three or four months later, the boss asked me icily: “Tang E, what have you been doing at home?”

“My brother is out of work, and I’ve been helping him start a little business.”

He took out a price list from my Modern Goods Co.

“You call this a little business?”

I was silent. He gave me an ultimatum: “ You can’t have it both ways. Either you work at home, or in this store. You better fold that one up. I expect an answer in three days.”

I answered without hesitation: “I don’t need three days. I resign right now.”

He was startled by my firmness. After a moment, he said: “You can’t expect to get off that easy. This store spent a lot of time teaching you all you know. You can’t leave until you’ve trained a replacement.”

As my business was doing well, I duly handed in my resignation. Out of fairness, I did stay to train my replacement. After dragging it out another month or so, I left. I left everything for my replacement neatly and in order. Then I went and said good-by to the mistress. I hated her for what she had done, but she had been ill treated too, and she was sick in bed. She held my hand and cried. I told her to take good care of herself and went down the stairs. When I said good-by to the boss before I left the shop, he softened for a moment and said: “Go home and think it over. A movie is just a movie, life is life. If your way doesn’t work, you’re always welcome back here.”

I thanked him and left. I had no regrets, and I was not coming back.

Discussion Questions:

1. Tang was only seventeen when she opened the Modern Goods Company. What characteristics made her a successful entrepreneur? What strategies did she adopt to start a new business?
2. How did being a woman in early twentieth-century China shape Tang’s entrepreneurial career path? In the story, Tang was forced to start her own business due to a marriage proposal and possibly sexual harassment from her boss. Would the story be any different if Tang was a young man? What can you find through reliable print or internet sources about the status of female business employees or managers, in the contemporary Chinese workforce relative to men? How does the status of women in the workplace in contemporary China compare to women in other East Asian nations such as Japan or South Korea? Or to the workplace status for contemporary women in Western Europe or the US?

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Handout C: Excerpt from The Lius of Shanghai by Sherman Cochran and Andrew Hsieh

Introduction: Liu Hongsheng (1888-1952), was a prominent Shanghai businessman in the early twentieth century, whose investments involved many different industries such as coal mining, match manufacturing, woolen textile production, cement manufacturing, and commercial wharves. To support his business empire, he and his wife raised twelve children, nine of who were boys, and sent all of them overseas for higher education. During the Second Sino-Japanese War (1937-1945), he left Shanghai for seven years and allowed his four oldest sons, who just came back from abroad, to manage the family business as top executives. Although he still retained the ultimate authority and tried to supervise his sons from Hong Kong, Liu sometimes had difficulties persuading his sons to take his advice.

In late June 1938, a year after the Japanese military invasion of China, Father fled Shanghai. . . . By then, he had lost control of parts of his business (his match mills, cement plant, enamel factory, and wharves) because these had been seized by the Japanese forces under their occupation of Shanghai. But he still retained control over a considerable amount of property (his eight-story headquarters building, bank, insurance firm, and real estate agency) because these were located in the British-dominated International Settlement, which the Japanese left untouched until December 1941 . . . With his family and these assets in Shanghai, he had good personal and professional reasons to remain in his hometown.

Father left his family and his family firm behind and fled Shanghai because he was afraid of being assassinated by combatants on both sides of the Sino-Japanese War . . .

. . . while not relinquishing his authority over the family firm, he took steps to shift it all into his sons' hands in the event of his death. Within a week of his arrival in Hong Kong, he sent his sons in Shanghai legal documents that would, if necessary, grant them power of attorney. As he wrote in a cover note to Eldest Son and his other sons on July 6, 1938, "I have signed twelve copies of powers of attorney & witnessed by two friends. I did it simply against any emergency. Nobody can be too careful. Please keep them locked & only use them when it is necessary." Although straight-forward and matter-of-fact, Father's handwritten note was a grim reminder that "any emergency" might well include an attempt to assassinate him. Even if he were to die, he believed that the family firm would live on because his sons had become mature adults and potential leaders. As he wrote from Hong Kong to Fourth Son in Shanghai on September 24: "I have grown up sons, whose minds have developed & matured, therefore I am always ready to take your opinions into consideration. In fact I have more faith in you boys than anybody else including myself."

If, as he claimed, Father really did have greater faith in his sons than himself, this faith was severely tested during the war. Within the first year after Father had fled to Hong Kong, he clashed with Eldest Son over the handling of the family firm's finances in Shanghai. In May 1937, just two years after Eldest Son had returned from his studies at Harvard and the University of Pennsylvania and only a few months before the war broke out, Father had appointed Eldest Son as the general overseer and head of Liu Hong Ji, the family's accounts office. In Eldest Son's first year at this post, Father had closely supervised him both in person and indirectly through senior managers whom Father assigned to work with him. But after Father left for Hong Kong, Eldest Son did not heed his warnings or follow his senior managers' advice as closely as he had when Father was in Shanghai. Instead, he began appropriating funds from Liu Hong Ji for real estate speculation and making decisions on his own.

When Eldest Son first neglected to consult Father about financial decisions, Father tried to reason with him. In April 1939, less than a year after Father had left Shanghai, he became annoyed with Eldest Son for putting the Liu family home up for sale without mentioning it to him, and he mildly chastised him and his brothers for it. Explaining to them that he had learned what they had done from the buyer, whom he had met by chance on a business trip, Father wrote from Hong Kong to his sons in Shanghai on April 23: "I didn't have any idea of this until he told me this time. I hope you can let me know of things like this next time before they are put into effect." But Eldest Son and his brothers did not take this admonition to heart.

In June, Eldest Son made another financial decision without considering advice from Father and the business's senior managers, and this time Father lost his temper. Eldest Son made the mistake of keeping Liu Hong Ji's funds largely in Chinese currency and buying only US\$10,000 in foreign currency just before the value of Chinese currency suddenly dropped. Other senior managers of the family's businesses, notably Xu Shihao, a lawyer and accountant at the Lius' Great China Match Company in Shanghai, had followed Father's orders to buy large amounts of foreign currency and had made substantial financial gains . . . But Eldest Son and his brothers had gone their own way, bought too little foreign currency, and suffered heavy losses.

When Father learned that his sons had ignored his advice on currency exchange, he came down hard on them. Barely containing his anger, he reminded them that he had deliberately loosened their leash and allowed them to play a greater role in the decision-making process in Shanghai during his year in Hong Kong. Now, he declared, he would no longer grant them such latitude. "You are aware," he wrote to his sons on June 25, "that in spite of the complexities in the affairs of my various companies in Shanghai, all along I have been endeavoring to keep things as quiet as possible, at least on the surface, by [the] method of compromise. Circumstances have convinced me however that I have now to take a more firm attitude."

In these unequivocal words, Father ordered Eldest Son and his other sons to relinquish their authority over financial decision making to Xu Shihao. "Whatever development may come in future," Father told them, "Mr. Hsu [Xu] will have full power to deal with it as he likes." His sons, by contrast, were to play a strictly subordinate role. "I cannot emphasize to you too strongly," Father told them, "that in all matters you should listen to his advice and not be too independent and do things on your own account. It is my wish that in case of any difference in opinions Mr. Hsu's views shall prevail."

. . . In light of their financial losses, Eldest Son and his brothers could not deny that they had failed in this case. In fact, Third Son admitted in a letter to his brothers that Father was right about the mistakes they had made. At the time of Father's tirade against them, Third son was working with him in Hong Kong, and after hearing Father's complaints in person, he conveyed them to his brothers in Shanghai. "This time," he wrote, implicitly reminding them that it was not the first time, "Father is really justified in making his complaint as he has been asking us to buy foreign currency all the time and we did not carry out his instructions. From now on I hope you will read his letters carefully and give a little thought to his instructions."

In making this criticism and recommendation, Third Son took his share of the blame, acknowledging that he, along with his brothers, had been wrong not to take Father's advice seriously. "Please," he told them, "do not think that I am shifting the blame on you. In fact I was in Shanghai myself at the time when his letters came and consider myself equally responsible. I think the practice of passing father's letters along is not very good. Next time if he gives any specific instructions we must," he emphasized, "consider what action we should take." But even as Third Son took the blame in this case and proposed to his brothers that they should be more attentive in the future, it is notable that he assumed that he, Eldest Son, and his other brothers would continue to hold ultimate decision-making authority in their own hands, as he implied in saying that they would be the ones to "consider what action we should take." Despite the bad outcome in this one case in 1939, Third son and his brothers had no intention of relinquishing their newly acquired authority in the family business at Shanghai for the foreseeable future.

Discussion Questions:

1. In 1937, when Eldest Son was appointed as the general overseer and head of the family's accounts office, he was only twenty-eight with barely two years of real-world business experience. In subsequent years, the four older sons headed by Eldest Son were all catapulted into top executive positions despite their inexperience and young age. Why did Father make this seemingly risky business decision?
2. How would you describe the relationship between Father and his sons? What about the relationship between the brothers? Are these family relationships similar to that of your own home? How might these relationships shape the Liu family business?