



BRILL

EUROPEAN JOURNAL OF  
EAST ASIAN STUDIES 13 (2014) 155–162

European Journal  
of  
East Asian Studies  
[brill.com/ejea](http://brill.com/ejea)

# The Great Spoliation

## *The Socialist Transformation of Industry in 1950s China*

*Christian Henriot*

Université de Lyon (Lyon 2), Institut d'Asie orientale

[christian.henriot@univ-lyon2.fr](mailto:christian.henriot@univ-lyon2.fr)

In 2014, according to *Fortune* magazine, China was home to 2.4 million millionaires, with a robust growth of 900,000 over the previous year.<sup>1</sup> Thirty-five years after Deng Xiaoping launched the train of reforms that radically altered the impotent socialist economic system put in place in the 1950s, China seems to have transformed into a full-bloomed capitalist market economy. Although the actual picture is much more complex than it appears at first glance—the genuine private sector remains small, while the state holds a firm grip through an overwhelming and multi-faceted presence—it is undeniable that the Chinese Communist Party has scrapped the system of planned economy, market mechanisms have become the driving factors of economic growth, and a lot of people have taken to heart Deng's famous 1985 statement, 'Let some people get rich first.' In view of the massive inequality in today's China—in 2011 the Gini Index for China and the United States was almost the same<sup>2</sup>—one may wonder not just what remains of the socialist experience in China, but how one can read and assess the 'first transformation' of the Chinese economic and social system in the 1950s.

This special issue addresses and explores this 'first transformation'—what the CCP termed the 'socialist transformation' (*shehuizhuyi gaizao*) of the Chinese economy—through a series of case studies in industry and the funeral business. Quite recently, thanks to access to new materials, the study of post-1949 China has taken on bright new colours.<sup>3</sup> For a long time, research on

---

1 Benjamin Snyder, 'Number of millionaires is growing', *Fortune* (9 June 2014), <http://fortune.com/2014/06/09/millionaires-global-rise/> (last accessed: 31 October 2014).

2 'Gini Index', World Bank, <http://data.worldbank.org/indicator/SI.POV.GINI> (last accessed: 31 October 2014).

3 For contrasting and stimulating views, see Jeremy Brown and Paul Pickowicz, *Dilemmas of Victory: The Early Years of the People's Republic of China* (Cambridge, MA; London: Harvard

the Maoist era was constrained by access either to the field for sociologists and anthropologists or to source materials for historians. Political scientists did a tremendous job for decades, combing official documents and the press to document and study Chinese history in the early years after 1949. It would be futile to even attempt to review this large body of literature. Yet, owing to these documentary constraints and with only a few exceptions, especially for cities, the approach was often geared towards a macro perspective. Since the 2000s, archives in a few places have started opening up their post-1949 collections to research. It is still a very uneven development, but Shanghai is such a place. Moreover, both institutions and individuals have also started collecting archival documents that were being discarded by various government agencies, mostly at the local level, and by industrial companies. One of the papers in this issue relies precisely on such incredibly rich and candid documentation.

The history of the early years of the People's Republic of China has for a long time been described as a phase of reconstruction of the economy and consolidation of political power. Compared to the utopian madness of the Great Leap Forward (tens of millions of Chinese lost their lives during the famine that resulted from this movement), then of the Cultural Revolution ('only' a few millions died, but one fifth of the population, mostly in cities, suffered from political persecution), the early 1950s appear almost uneventful. Of course, the CCP justified its early economic reforms, especially the land reform, and political movements (the campaign to suppress the counterrevolutionaries) as a prerequisite to eliminate potential political opponents and to establish its control over the whole country in the wake of its military victory. At the same time, however, it also claimed that it wished to bring together and even accommodate all social classes, including the capitalists, under the political umbrella of the 'New Democracy'.<sup>4</sup> The bourgeoisie—at least that section of the elites vetted by the CCP as the 'national bourgeoisie' (as opposed to the comprador and bureaucratic bourgeoisie)—had a role to play in China's democratic revolution.<sup>5</sup> More pragmatically, however, the CCP was eager to mobilise and use

---

University Press, 2010); Frank Dikötter, *The Tragedy of Liberation: A History of the Chinese Revolution, 1945–1957* (New York: Bloomsbury Press, 2013).

4 Mao Zedong, 'On New Democracy', in *Selected Works of Mao Zedong* (Beijing: Foreign Languages Press, 1965), Vol. II, p. 340. See also Arif Dirlik and Maurice J. Meisner, *Marxism and the Chinese Experience: Issues in Contemporary Chinese Socialism* (New York: M.E. Sharpe, 1989), p. 372.

5 Yu Huai, 'The national bourgeoisie in the Chinese revolution', *People's China* (January 1950). See also Tony Saich and Benjamin Yang, *The Rise to Power of the Chinese Communist Party: Documents and Analysis* (New York: M.E. Sharpe, 1995), pp. 726–727

the resources and skills of the 'national bourgeoisie' to rebuild the country. It went to great lengths to persuade Chinese entrepreneurs who were outside the country or who had sought refuge in Hong Kong to come back.

Was there ever an open road to a middle ground where all social groups, including the elites, could participate in building a new China on the ruins of war and revolution, or was this just a tactical ploy to present a non-threatening face to those who were the major players in economic reconstruction? One can argue, as Chen Zhengqing points out in his paper, that as soon as the CCP took over Beijing in May 1949, Mao Zedong had his eyes set beyond the restoration of production 'to move towards the industrial system of a socialist country firmly and gradually'. But rather than speculate on what the communist leaders had in mind and how far and how fast they were prepared to 'lean on one side', it is enough to observe what actually took place in succession throughout the 1950s. Aside from the 'obvious targets'—landowners in the land reform, opponents of all sorts in the campaign against counterrevolutionaries—the CCP combined the use of words and actions to impose its political agenda. From day one, there was only one aim and one truth: to remould society according to the class-based ideological vision of the CCP. It was a totalising project to which no one could stay indifferent. Thought reform, through techniques the CCP had mastered in previous rectification (*zhengfeng*) movements, became the norm for all, especially the intellectual elites.<sup>6</sup>

If there was any doubt about the road the CCP was pursuing, the Three Antis Movement and the Five Antis Movement must have dispelled any illusions the economic elites may have entertained about their role. The first, actually a *zhengfeng* campaign, targeted the cadres of the CCP itself in order to restore discipline and party ethics after the sudden development of the post-1949 period.<sup>7</sup> Cadres were suspected of bureaucratic attitude, of wasting resources, and, worst of all, of becoming corrupt through contact with capitalist economic agents. The Three Antis Movement has received scant attention, perhaps because the focus shifted almost at once to targeting the alleged source of corruption, the world of merchants and industrialists.<sup>8</sup> The Five Antis Move-

6 Aminda M. Smith, *Thought Reform and China's Dangerous Classes: Reeducation, Resistance, and the People* (Lanham, MD: Rowman & Littlefield, 2013); Frederick C. Teiwes, 'The origins of rectification: inner-party purges and education before liberation', *The China Quarterly*, Vol. 65 (March, 1976), pp. 15–53.

7 On rectification movements within the CCP, see Frederick C. Teiwes, *Politics and Purges in China: Rectification and the Decline of Party Norms, 1950–1965* (New York: M.E. Sharpe, 1993).

8 Theodore Hsi-En Chen and Wen-Hui C. Chen, 'The "Three-Anti" and "Five-Anti" Movements in Communist China', *Pacific Affairs*, Vol. 26, No. 1 (March, 1953), p. 3.

ment unfolded almost simultaneously, but with far more social and economic impact. It turned into a blunt attack on all those labelled 'national bourgeois' whatever their actual status, even if most were small craftsmen or shop owners. The Five Antis Movement was designed to undermine the political status and social legitimacy of the 'national bourgeoisie', to destabilise and undercut the economic and financial situation of the targeted companies, and fundamentally to demoralise the large entrepreneurs. Even when they had returned upon the CCP leaders' pressing invitation—this was the case of Wu Yunchu and Liu Hongshen (see Chen Zhengqing and Zhao Jin in this issue)—or when they had been at the forefront of the patriotic 'national goods movement', such as Li Kangnian (see Xiaohong Xiao-Planes in this issue), irrespective of the honours and positions the CCP had bestowed upon them, none were spared. From the end of 1953, under Mao's push for a radicalisation of policies, politics overrode all previous considerations to reform gradually.

The Five Antis Movement prepared the ground for the takeover of all commercial and industrial companies by the state and their transformation into state-run and state-owned collective work units. The CCP designed a scheme by which the state would compensate the original private owners for their share of the property they handed over to the state. This was the principle that applied to all but foreign companies. Jon Howlett's paper examines how the CCP succeeded in driving out British firms, not through outright confiscation, but by wearing them down until their owners gave up and 'voluntarily' entrusted their property to the state. British companies in China, especially in Shanghai, represented a considerable industrial asset and provided work to tens of thousands of workers. In the textile industry, they churned out a substantial share of national production. The CCP was eager to terminate the presence of companies that in its view embodied both capitalist and imperialist exploitation. There were a few desperate entrepreneurs who resisted and tried to go with the tide to save their companies from outright bankruptcy, but within the constraints the Chinese state imposed on the use of profits, access to bank loans, supply of primary materials and sale of products, all companies were cornered. Despite inconsistencies in the design of policies, the CCP maintained a façade of cohesiveness and a strong ideological grip on its cadres to achieve its objectives.

In view of the immensity of the task and the complexity of the Chinese economic system, especially in a major city like Shanghai, one of the most intriguing questions is how the CCP managed to acquire enough relevant and usable knowledge on the tens of thousands of existing companies, their networks, accounts and modes of operation. This was the prerequisite for any reform. With a limited pool of reliable cadres, the CCP could hardly reach out to all

the various spheres of economic activity. Christian Henriot's paper examines the very specific and specialised sector of the funeral business. Based on a wide range of archival documents, especially the minutes of meetings of the Funeral Business Trade Association (FBTA), Henriot argues that a key component in the CCP's ability to monitor and reform the companies was the direct use of the FBTA as its major instrument. The FBTA knew all the tricks of the trade, which made it a very knowledgeable monitoring agency. At the same time, it was placed under the command of the Federation of Industry and Commerce and its leaders were fully accountable to the Federation. In fact, a few were purged in the course of the various political campaigns. The CCP skilfully made use of its own limited pool of cadres, not by exercising control over each individual company, but by using the FBTA to act as its armed wing. Of course, coercion and a few selected arrests guaranteed that the FBTA would be a pliant executor of the CCP's policies.

The large industrial companies represented a major challenge, as well as a paramount stake for the CCP. On the one hand, their owner-managers were high-profile figures with technological expertise, considerable social networks and national fame. On the other hand, their companies played a fundamental role in national production in their respective fields. They were the result of decades of ingenious development against all odds, be it the temptation by the Nationalist state to oversee their activity to its own advantage or the disaster of the Sino-Japanese hostilities on two occasions in the 1930s. Neither Wu Yunchu, the leading chemistry industrialist in Cheng Zhengqing's paper, or Liu Hongsheng, the 'king' of matches, coal and woollen textiles and the focus of Zhao Jin's study, could be expected to turn their back on companies they had developed from scratch. They were hopeful that after the end of civil war and the return to normality, they could again devote their energy and acumen to their companies. Instead, after a brief period of economic euphoria, they both became the object of vicious political and personal attacks during the Five Antis Movement, which ultimately opened the way to their social and economic demise. In the course of 'socialist transformation', the CCP actually dismantled Wu Yunchu's corporation. It imposed mergers, while it transferred the control of the factories to the industry bureaus in their various locations. Wu died just as the process was nearly complete. In Liu Hongsheng's case, the process was very similar, even if the Liu family tried to fight back and keep leadership positions in the socialised joint public-private company. Yet their positions were nominal and power shifted to the state-appointed officials.

The case of Li Kangnian in Xiaohong Xiao-Planes' paper offers yet another perspective on a crucial aspect of the 'socialist transformation' of industry and commerce in the 1950s. She examines the proposal set forth by Li to extend

the period of financial compensation ('redemption' in merchants' vocabulary) from 7 to 20 years. By all accounts, the period of 7 years fell short of compensating the original owners by a very large margin. Moreover, Li proposed renaming this compensation to remove its 'exploitative' label and hence the class distinction that set all company owners and their management staff apart from the new society. In other words, Li Kangnian followed up on the CCP's avowed aim of creating a society from which relations of exploitation were expunged and yet adequately compensating private entrepreneurs, solely on the basis of what they had previously created, through a contractual relationship devoid of other considerations. Li put his finger on two essential aspects of the CCP's authoritarian means of transforming the social and economic system. He pointed out the inadequacy of the compensation that ultimately meant depriving the private entrepreneurs of a fair and deserved settlement. He also pleaded, logically, for the complete removal of the 'capitalist hat', since these capitalists had handed over all their assets to the state. Li's proposal generated a fierce contradictory debate at the national level, until the tide turned against the initial call for candid criticisms and the Anti-Rightist Campaign put an end to Li's proposal and his career.

What the papers in this issue make plain is that the Chinese bourgeoisie never had a chance. The multitude of entrepreneurs who at all levels formed the economic engine of China had come out of the Sino-Japanese war badly battered and weakened. And yet, within a few years, they had managed to put their factories, workshops and shops back on track.<sup>9</sup> After 1949, however, they faced a regime that was prepared to use all its resources to assert its control over the means of production and to render powerless the members of the 'national bourgeoisie'. During the Five Antis Movement, the CCP did not just direct its attack at the entrepreneurs themselves in the workplace: it also sought to enlist the support of their family members, their wives and children, in criticising and pressuring the targeted businessmen. Feng Xiaocai's paper unveils this sinister side of 'family policy' in the 1950s, which, Feng argues, may have dealt a serious blow to family relations and family ethics in China. He demonstrates that, throughout China, the CCP instrumentalised 'emotions' quite systematically in the mobilisation of family members through visits by work groups, special study meetings, school pressure, etc., to persuade them that it was in their interests to pressure their husband or father to 'come

---

9 Christian Henriot, 'Regeneration and mobility: the spatial dynamics of industries in wartime Shanghai', *Journal of Historical Geography*, Vol. 38, No. 2 (2012), pp. 167–180; 'Shanghai industries in the Civil War period', paper presented at the international conference 'City—Culture—Space', Fudan University, 19–21 October 2012.

clean' and 'confess' his alleged 'five poisons' behaviour.<sup>10</sup> The CCP's manoeuvre succeeded to a point where entrepreneurs, seemingly cornered from all sides, chose to commit suicide in far greater numbers than official records admit.

The process that led to the transfer of industrial and commercial property to the state in the 1950s had little to do with ostensibly similar examples of state intervention in economic development in post-war societies elsewhere in the world, as Chinese entrepreneurs may have been led to believe, or even in China. The Nationalist state itself had at various points sought to acquire a domineering position to lead the development of the country.<sup>11</sup> War and its own internal contradictions foiled any such attempt. Under the 'New China' flag, the CCP appealed to the entrepreneurs' patriotism to pool energies to rebuild the economy and build a nation in which they had a legitimate place. The CCP reneged on its pledge and its promises, even on its own programme. From the 'New Democracy', the regime hastily moved to socialising all the means of production, with little or no preparation, no concern for actual economic management, a full disregard for a proper assessment of assets, and a complete disparagement of the expertise and skills of the former owners or their management staff. There was never any effort towards an external objective evaluation, despite the mountains of forms that the entrepreneurs had to fill in. The CCP cadres were not interested in the details of cross-investments, debts, cash flow, etc. They followed a political agenda in which there was no room for genuine discussion, which eventually hampered production and undermined economic development. Finally, Chinese entrepreneurs did not choose to hand over their companies: they were coerced into it. What they received in return was not just a derisory financial compensation, but also a political tag that would haunt and sometimes hurt them—and their children—for a lifetime.

The 'socialist transformation' of industry and commerce in the 1950s, then the rise of the work units (*danwei*) and the complete disappearance of a labour market took China on to a disastrous path, albeit certainly less so than the massive political upheavals that shook the whole country in the following decades. Chinese industry lost the capacity for innovation and creativity it had exhibited throughout the 1920s–1940s against all odds. Given the political context in which it took place and the coerced nature of the handover, 'socialist transformation' was nothing less than a massive spoliation of the legitimate

---

10 On this aspect, see Yu Liu, 'Maoist discourse and the mobilization of emotions in revolutionary China', *Modern China*, Vol. 36, No. 3 (1 May 2010), pp. 329–362.

11 Margherita Zanasi, *Saving the Nation: Economic Modernity in Republican China* (Chicago: University of Chicago Press, 2010).

and legal property of Chinese business owners and industrialists. After 1949, all legal protection and contract-based relations were gone. Political power was the sole and ultimate source for legitimising or demonising all political, social and economic activities in China. Unfortunately, the CCP not only proved unable to reconstruct a stable political environment, but it also placed all individuals at the mercy of the whims and impulses of its charismatic leaders. The clear acknowledgement of the failure of the 'socialist transformation' after three decades moved Deng Xiaoping and his successors to deviate sharply from their past model and to return to an economic system based on the market, autonomous companies and genuine entrepreneurs. The sacrifice of the formidable capital, both human and material, that private entrepreneurs represented for China's future in the 1950s can now be seen as a legacy of the past, one the regime is not prepared to discuss and to acknowledge. The CCP in its current 'reform and open' attire may have drastically reopened the gates for individual initiative, but its concerned citizens remain extremely wary that their fortunes only hang by a thread in a system that does not guarantee legal rights. As of January 2014, foreign reports showed that 64 per cent of Chinese millionaires had emigrated or planned to emigrate, while the total amount of capital stashed abroad, mostly in the United States, ranged between 450 and 658 billion dollars.<sup>12</sup> The lesson of the 1950s may not have been lost to all.

---

12 Robert Frank, 'Rich Chinese continue to flee China', *Inside Wealth* (17 January 2014), <http://www.cnbc.com/id/101345275#> (last accessed: 31 October 2014).