

The Capitalist Dilemma in China's Communist Revolution



EDITED BY SHERMAN COCHRAN

public-private enterprise, Jincheng Bank had a future. Zhou returned to the mainland and threw himself into organizing the Five Northern Banks. That consolidation proved only a temporary stage toward the elimination of all independent commercial banks. The Chinese Communist Party and Chairman Mao implemented a revolutionary change so sweeping that even a skilled player such as Zhou Zuomin was rendered helpless.

8 WU YUNCHU AND THE FATE OF THE BOURGEOISIE AND BOURGEOIS LIFESTYLES UNDER COMMUNISM

Karl Gerth

In the first half of the twentieth century, the spread of thousands of new consumer goods, the proliferation of discussions about them, and the reorientation of social life around them contributed to the formation of a distinctive consumer culture in urban China. This new culture included nationalistic and anti-imperialist strains that were often in direct opposition to the actual consumption patterns of Chinese. As the notion of nationality was applied to commodities, products became “Chinese” and “foreign,” and commodities themselves defined a nationalistic consumer culture. Consumption thus became a politicized act that called into question—and even sanctioned attacks against—“unpatriotic” consumers who knowingly or unwittingly bought imports. Likewise, this nationalistic consumer culture created heroic patriotic producers such as Wu Yunchu, the manufacturer of a food seasoning powder.

This chapter examines what happened to this nationalistic consumer culture and to its patriotic producers after 1949, when “foreign products” (*yanghuo*), especially those from capitalist countries, were largely removed from the market and the Communists could finally impose nationalistic consumption not only in the usual ways—through tariffs, exchange controls, and outright bans—but also through state-sanctioned mass campaigns. It traces how the Chinese Communist Party (CCP) and its new state promoted hostility toward consumption in general and consumerism in particular and how the criticism of what the official rhetoric called “the tendency to seek pleasure” was linked to the CCP’s attack on merchants and industrialists in 1952, paving the way for the formal abolition of the capitalist class four years later. Beyond an analysis of short-term CCP policy goals or Communist ideology, it examines how the campaign against capitalists and consumerism represented the fulfillment of a vision toward commodities, markets, and consumption

public-
the mai
That cc
of all i
and Cl
that ev

that had begun in the decades before the Communist Revolution. Despite ideological differences between the Nationalist and Communist regimes, they both established the role of the state as the central arbiter of the meaning of consumption, climaxing in the Three Anti, Five Anti campaign (*sanfan wufan yundong*) of 1951–1952. By examining the case of Wu Yunchu, this chapter demonstrates how, in the course of the campaign, the state destroyed the power, absorbed the wealth, and discredited the lifestyles of capitalists, effectively preparing their final elimination as a class a few years later.

The chapter's examination of the expropriation of Chinese capitalists in the early and mid-1950s focuses on contingencies—the legacies of decades of ruinous international and civil war, fears of inflation, social instability, financial crisis caused by the Korean War, and even rank intimidation—that obviously shaped and sustained the state's ideological objectives. Yet it also argues that without a consideration of those longer-term, deeply embedded objectives, focusing on contingencies inadequately explains the speed, thoroughness, and popular acceptance of the state's takeover of private enterprise and the heightened vilification of the legacies of pre-1949 consumerism. In the Communists' attempt to subordinate all merchants and industrialists and politicize all consumption, particularly consumption deemed excessive, their penetration extended the scope of earlier Nationalist attempts to control the owners of large-scale, modern industries and the consumer class created by such production.¹ Yet, at least at this early stage, the differences between the Nationalists and the Communists were more of degree rather than of kind. As the eminent Chinese economic historian Shih Kuo-heng observed on the eve of the Communist takeover in 1949, "If the [Nationalists win], most of the new industries will be owned and dominated by the government or by officials. If the Communists win, probably all major new industries will eventually be nationalized and put under Party control. In either case there would be not much room for independent industrialists to develop."²

1. William Kirby has succinctly described this phenomenon: "What distinguished the Communist party-state, and indeed ultimately set it apart from its predecessor, was its attempt to take these trends—political, economic, and military—to the most extreme conclusions." William C. Kirby, "The Nationalist Regime and the Chinese Party-State, 1928–1958," in Merle Goldman and Andrew Gordon, eds., *Historical Perspectives on Contemporary East Asia* (Cambridge: Harvard University Press, 2000), 230.

2. Marion J. Levy and Kuo-heng Shih, *The Rise of the Modern Chinese Business Class: Two Introductory Essays* (New York: International Secretariat Institute of Pacific Relations, 1949), 19.

LOSING OR WINNING?

As I have demonstrated in *China Made* (chapter 8), Wu Yunchu was not just any capitalist; he became a hero to Chinese of all political persuasions. In the Republican era, Wu Yunchu, along with dozens of other manufacturers, was heralded as a model for others to follow, a primer for defending China.³ Wu was a Chinese-educated scientist and entrepreneur whose flavor-enhancing monosodium glutamate (MSG) powder successfully replaced an "enemy product," the Japanese powder Ajinomoto (or Weizhisu, as Chinese consumers knew it), in the Chinese marketplace. That is, in a time of increasing imperialist domination of the Chinese economy, such "patriotic producers," as they became known, demonstrated that the Chinese could combine commercial activity and anti-imperialist national rejuvenation. Although the reality behind these producers' heroism was, of course, more complicated than the myth might indicate, biographers then and now have included Wu in a roster of Chinese entrepreneurs who successfully defended the nation by producing national products and displacing imports. Among these capitalists, Wu Yunchu was, as one contemporary biographer labeled him, "a shining star in the world of national products."⁴

Wu made his name by manufacturing and establishing his brand of MSG in a very competitive market. According to the nationalistic biographies of Wu Yunchu, his brilliance and patriotism lay in identifying the inexhaustible market potential and nationalistic significance of producing a Chinese alternative to a foreign product sold throughout the world.⁵ In 1920, Wu noted the virtual monopoly in the Chinese market

3. See "Tianchu wei chang jing" (A brief history of the Heaven's Kitchen Factory), in Guohuo shiye chubanshe, ed., *Zhongguo guohuo shiye xianjin shilüe* (Brief histories of model Chinese national product enterprises) (Shanghai: Guohuo shiye chubanshe, 1934), 221; "Tianchu weijing zhizaochang shi" (A history of Heaven's Kitchen), in Kong Xiangxi, ed., *Gongshang bu guohuo chenlieguan kaimu jinian tekan* (Special commemorative volume of the opening of the Ministry of Industry and Commerce's National Products Museum) (Nanjing: Gongshang bu, 1929); and Liu Taotian, "Huaxue gongyejia Wu Yunchu xian-sheng zhuanlüe" (A biography of chemical industrialist Mr. Wu Yunchu), *Jiaoyu yu zhiye* 3 (1935): 207.

4. Guohuo shiye chubanshe, ed., *Zhongguo guohuo*, 221.

5. His primary competitor, Suzuki Pharmaceuticals, remains the world's largest producer of L-monosodium glutamate (MSG) and other amino acid products used in pharmaceuticals, foodstuff, and feed additives. For a chronology of the company, see <http://www.ajinomoto.com/about/history/index.html> Accessed May 14, 2012. National Industrial Investigation, ed., *China Industrial Handbook: Kiangsu* (Shanghai: Ministry of Industry, Bureau of Foreign Trade, 1935), 589–594; Gao Shi, "Tianzhiao xitong chanpin yu waihao de douzheng" (The struggle between the products of the Heaven Conglomerate and

enjoyed by Ajinomoto, one of the many low-priced Japanese consumer goods that had entered the market during and immediately after the war. The sudden spread of these products in China was conspicuous, their advertisements springing up throughout Chinese cities and expanding the visual dominance of imperialism.

Patriotic producers like Wu took advantage of nascent Chinese nationalism, promoting their products in terms of "national salvation" (*jiuguo*). The managers of his company, Heaven's Kitchen (Tianchu), advertised their product as a "completely Chinese product" (*quanguohuo*). But Chinese capitalists frequently had to navigate between their own interests and their stated commitment to economic nationalist principles. For instance, when the boycott called for by the May Thirtieth movement of 1925 crippled Ajinomoto sales, Heaven's Kitchen took advantage of the situation by widely advertising itself as a "national product" (*guohuo*) and urging compatriots to perform their patriotic duty and consume Chinese products. But as sales skyrocketed and orders poured in from throughout the country and from patriotic Chinese communities overseas,⁶ Heaven's Kitchen could not keep up with demand and was forced to purchase additional product from Ajinomoto and sell it under its own brand.⁷ Manipulating economic nationalism for private ends helped investors in the company make enormous profits, and not for the last time. The boycotts following the September Eighteenth Incident of 1931 and the Shanghai Incident of 1932 again fueled demand for products from Wu's companies, giving him the resources necessary to branch out into new enterprises, including complementary industries such as his Tianyuan Electrochemical Factory, Tiansheng Ceramics Factory, and the Tianli Nitrogen Plant.⁸

foreign products), in Pan Junxiang, ed., *Zhongguo jindai guohuo yundong* (China's Modern National Products Movement) (Beijing: Zhongguo wenshi chubanshe, 1996), 118–121.

6. *Ibid.*, 119.

7. Wang Pilai and Wang Yu, "Dongfang weijing dawang Wu Yunchu" (Wu Yunchu, the king of the East's MSG), in Zhao Yunsheng, ed., *Zhongguo da zibenjia zhuan 5: Gongshang dawang juan* (Biographies of major Chinese capitalists, no. 5: Captains of industry) (Changchun: Shidai wenyi chubanshe, 1994), 367.

8. By the mid 1930s, Wu's group of enterprises, consisting of four companies, became known as the Heaven Conglomerate (*Tianzehao*) because each company's name began with the character *tian* (heaven). The Tianyuan Electrochemical Factory manufactured hydrochloric acid (a fundamental ingredient used to make corn syrup and glucose from cornstarch), caustic soda (used in the manufacture of, among other things, paper, rayon, and photographic film), bleach powder (a standard bleaching agent used to whiten or remove natural colors), and other chloride products. In 1932, Heaven's Kitchen itself was reorganized and it opened two more MSG factories and two additional plants to produce starch and fructose. In response to tremendous domestic pressure to manufacture its own con-

In addition to repeating and amplifying this nationalistic rhetoric, Wu contributed directly to China's defense. Following the Shanghai Incident of 1932, Wu briefly attempted to manufacture poisonous gas, but dropped these efforts and instead helped arrange the production of gas masks. Wu also purchased several airplanes in 1933–1934 and donated them to the Nationalist army, an act for which he received considerable positive press at the time.⁹ According to historian Parks Coble, Wu also fits into what Coble terms the Nationalists' patriotic capitalist narrative because he moved his enterprises to Free China during the war and restarted production there despite numerous obstacles. The financial setbacks of doing this took a toll, however, and in 1943, after years of struggling to maintain his independence, Wu turned to the Nationalist government's National Resources Commission for capital.¹⁰

During the Civil War, however, Wu and many other capitalists came to despise the Nationalists. Although the Nationalist government tried to tackle both longstanding and new problems, it remained weak at all levels of government, which fostered corruption and incompetence. It also bungled the takeover from the Japanese. Rather than returning wealth and property to its previous owners, Nationalist troops engaged in looting, reinforcing the negative image of the Nationalist government. Furthermore, despite shortages of consumer goods, industry was slow to resume production, though it did not help matters that in addition to the massively destructive war, the Soviets had dismantled numerous factories in Manchuria. Nationalist leaders also attempted to solve the problem of inflation, and indeed often enacted policies that the CCP later adopted successfully. Although the Nationalists tried freezing wages, setting commodity price ceilings, banning private gold trading and hoarding, and prohibiting capital flight to Hong Kong, these efforts had only a limited effect. The ineffectiveness of the Nationalists' policies destroyed the purchasing power of those earning salaries, namely the urban middle

tainers, in 1934–1935 the Heaven Conglomerate launched the Tiansheng Ceramics Factory. Finally, in 1935–1936, the conglomerate formed the Tianli Nitrogen Plant to use the by-products of Tianyuan's operations, such as hydrogen and ammonia.

9. Wang Pilai and Wang Yu, "Dongfang weijing dawang Wu Yunchu," 372; Guohuo shiye chubanshe, ed., *Zhongguo guohuo*, 21. Wu also became a member of several important Nationalist committees that managed China's economy, including the National Economic Council (*Quanguo jingji weiyuanhui*), the National Resources Commission (*Ziyuan weiyuanhui*), and the Ministry of Finance's Planning Committee (*Jihua weiyuanhui*).

10. Parks M. Coble, *Chinese Capitalists in Japan's New Order* (Berkeley: University of California Press, 2003), 181–182; Wang Youping, "Wu Yunchu yu jindai Zhongguo minzu huagong gongye de xingqi" (Wu Yunchu and the Rise of the Chinese domestic chemical industry), *Sichuan shifan daxue xuebao* 1 (2008): 120.

classes, and turned the currency itself into a constant material reminder of Nationalist economic incompetence. Between 1937 and 1948, the Nationalists went from having 1.3 billion yuan in circulation to 24.6 quadrillion (i.e., 24 thousand billion). Between the end of the war in 1945 and the effective end of the Civil War in August 1948, prices rose an average of 30 percent each month. The growing worthlessness of the Nationalist currency redounded on the government, which was more of an abstraction to most Chinese than the currency they held in their hands.¹¹

But the policy blunder that most alienated Wu was the Nationalists' last, desperate attempt to gain control over the economy by reforming the national currency, the *fabi*, which had been greatly inflated during the previous years. The situation had grown even worse in the two months preceding the implementation of the reform, when, for instance, prices in Shanghai shot up tenfold. The urban business environment spiraled out of control as businesses could not change prices quickly enough to keep up with the daily inflation rates, an outcome that Wu had predicted. When the Nationalist government announced its currency reform policy, Wu penned a letter to the Executive Yuan expressing his opposition, charging that this "extreme medicine" would not actually change the economic situation but hurt the standard of living of countless Shanghai factory workers and white-collar employees. And when the Nationalists announced the conversion rate for American dollars to the new currency, he wrote another letter arguing that "patriots are hurt and trusting individuals bitterly disappointed by this policy. May I enquire: how does the government intend to repair the people's loss of faith?"¹² It never did.

To persuade families with foreign currency and precious metals to convert their holdings to gold yuan, the Nationalists tried to generate social pressure for compliance through methods later used by the CCP, such as mobilizing student activists to enforce the new currency and deploying trucks with loudspeakers to the doorsteps of wealthy families to publically urge the inhabitants to comply with the new regulations and convert their assets. They also made an example of a major capitalist, arresting the scion of the founder of Tiger Balm on smuggling charges.

11. Lloyd E. Eastman, *Seeds of Destruction: Nationalist China in War and Revolution, 1937-1949* (Stanford University Press, 1984), 178-179.

12. Quoted in Chen Zhengqing, "Tianchu weijing chang de liushiwu nian" (Sixty-five years of the Heaven's Kitchen MSG Factory) in Shanghai shi dang'an guan, ed., *Wu Yunchu qiye shiliao: Tianchu weijing chang* (Historical materials on Wu Yunchu's business enterprises: The Heaven's Kitchen MSG Factory) (Shanghai: Dang'an chubun, 1992), 412.

These efforts paid off in the short run: by the end of September, two-thirds of the Nationalists' haul of foreign currency and precious metals came from Shanghai. But they also earned the Nationalists the scorn of not only the wealthy but also of the middle classes who thought, correctly or not, that the wealthiest were escaping the dragnet and further fanned the broad hostility toward economic elites. Indeed, Chiang Ching-kuo, the son of Chiang Kai-shek, who took the lead in this campaign, repeatedly referred to these people as "traitorous merchants" (*jianshang*) in his diary and struck back by arresting thousands of speculators and scores of leading capitalists, including the son of Du Yuesheng, the head of the criminal underground.¹³

These economic policies did not help urban consumers. Nationalist efforts to terrorize merchants into maintaining steady prices ultimately backfired as commodities flowed from Shanghai to the rest of the country, where efforts at price controls had been less unsuccessful. Consumers were left with currency that was worth less every day and with precious little to buy. Within weeks, there were acute shortages of rice, coal, meat, and vegetables. Just when it seemed the situation could not get worse, government measures got more desperate, and on October 2, 1948, the Nationalists allowed prices on a few items like tobacco and alcohol to double, officially permitting inflation for the first time since the start of the Emergency Measures. Panic set in as the population assumed that the prices of everything else would soon also rise quickly, creating a frenzied buying spree as Chinese made a final push to get rid of their currency before it was completely worthless. Shopkeepers compounded the problem by holding back stock, afraid that anything they sold would be more expensive to replace. Soon shops were empty. By the end of the month, as none of Chiang Ching-kuo's additional measures restored faith in the currency, the government had no choice but to lift the price controls and surrender the economy to inflation. A few months later, the gold yuan, like the *fabi* before it, had become worthless. The Nationalists had lost any semblance of control over the economy.

In the end, the reforms destroyed the savings of tens of millions of Chinese, most notably those of the Nationalists' middle class and upper-class supporters, including Wu Yunchu. Chiang Ching-kuo's contempt for capitalists was now mutual. Moreover, the final years of Nationalist rule further discredited private enterprise and individual-driven consumption. In other words, Nationalist rule challenged China's commitment to the

13. Eastman, *Seeds of Destruction*, 188.

central tenets of a market economy. Its policies undermined commitment to savings and stimulated capital flight, hoarding, and speculation rather than capital reinvestment, further discrediting the party-state. The regime's currency had become worthless, twice.

The lionization of patriotic producers of consumer goods such as Wu Yunchu and "Match King" Liu Hongsheng by the Nationalists and Communists diminished throughout the decades leading up to the Civil War as other priorities—including fighting off first the Communists and then the Japanese and finally the Communists again—forced the Nationalists to treat the bourgeoisie less favorably. And, of course, the position of those like Wu Yunchu changed even more dramatically after the 1949 revolution, when the Communists deemphasized and even attacked the production and consumption of consumer goods and sought total control over all industry. In the years leading up to the Communist takeover, Wu remained suspicious of the CCP and hedged his bets by buying land in Canton (where he assumed the Nationalists would remain in control) in anticipation of building a factory there. Putting his son Wu Zhichao in charge of the Shanghai operations of Heaven's Kitchen, at the end of 1948 he left the country for Hong Kong and then the United States to watch events from there. At the liberation of Shanghai (May 27, 1949), Wu phoned his son to learn what had happened to his Shanghai factories, which had ceased production months earlier, and was relieved to learn that none had been destroyed during the takeover. Two of his factories, the Tianyuan Electrochemical Factory and the Tianli Nitrogen Plant, had established their own contingent of guards to protect the factories from marauding Nationalist troops and refugees who had flooded into the city during the lawlessness.¹⁴

LIBERATION AND SLOW STRANGULATION

"Liberation" by the Communists was not simply a military campaign but an act of political communication, propaganda, or advertising in which the CCP wanted not just to command adherence to its agenda but also to reassure a skittish population, particularly the skilled and wealthy members that it now needed. Nowhere was this rebalancing act truer than in major cities. Although the CCP had admirers among the intellectual class, it was viewed much more ambivalently and anxiously

14. Chen Zhengqing, "Tianchu weijingchang de liushiwu nian," 413–414.

by urban "capitalists," the vast population of individuals and families ranging from wealthy industrialists like textile magnate Rong Yiren to countless owner-operators of mom-and-pop shops. If the CCP forced its way in and plundered the cities—as Nationalists had led the populace to fear—they would have a much tougher time controlling the population and winning its support, much less wooing back the talent and financial resources of leading industrialists like Wu, who watched and waited from the safe harbor of British-protected Hong Kong after his return from the United States. These urban coastal capitalists had reasons to worry. Mao, who believed that nobody who passed the Civil War in the cities could be trusted, had a notoriously hostile attitude toward cities and towns in general and the imperialist-dominated treaty ports in particular.¹⁵

Shanghai, Wu's primary headquarters and the quintessential symbol of Chinese pre-liberation capitalism and modernity, was viewed as a bellwether for Communist policy toward cities and capitalists. For Mao, Shanghai was emblematic of what new Chinese cities would *not* be. As CCP policies in conquered Manchuria began to reveal, he intended to turn consumer-oriented cities into producer-oriented cities that did not consume the nation's resources and sap its ability to build a wealthy and independent China. But as the People's Liberation Army (PLA) advanced southward, the Communist leadership had reason to worry that its ideological antipathy toward cities might backfire, leading to violence and plunder against merchants and landlords, as had already happened in some northern cities. Mao therefore framed the takeover of Shanghai not as a time for retribution but as an opportunity to demonstrate the benefits of Communist rule: order, discipline, frugality, and, above all, shared benefits of "rational" socialist economic development.¹⁶

Chinese Communist leaders thus saw the takeover as a potentially defining moment, their one chance to win over skeptical segments of the population. Thus, when the PLA's ragtag troops filed into Shanghai, they camped on the streets rather than in confiscated private houses, symbolizing their discipline and connection with the people. As the PLA swept south with surprising speed and ease, Mao announced to his advancing troops that their next decisive challenge would be reversing the PLA's twenty-year emphasis on controlling cities from the countryside to

15. Odd Arne Westad, *Decisive Encounters: The Chinese Civil War, 1946–1950* (Stanford: Stanford University Press, 2003), 210.

16. For a very helpful summary of this change in policy toward cities, see Frederic Wakeman Jr., "Cleanup: The New Order in Shanghai," in Jeremy Brown and Paul G. Pickowicz, eds., *Dilemmas of Victory* (Cambridge: Harvard University Press, 2007).

now controlling the countryside from the cities. Chinese military leaders must therefore “learn how to govern towns and cities”¹⁷ and, unlike the destructive Nationalist government, to preserve property, even that of the rich. In early June, for instance, the PLA returned to their original owners several thousand automobiles that had been confiscated by the Nationalists.¹⁸

A few weeks before Shanghai’s liberation on May 27, the CCP assembled an army of cadres at the small Yangzi river town of Danyang to communicate the critical economic strategy of cultivating the support of “national capitalists,” whom it had distinguished from “compradore capitalists” for decades. Without the help of these capitalists in restarting the war-ravaged economy, China’s urban problems would be greatly compounded. This position was codified in Communist policy and ideology. Mao Zedong and Zhu De’s “Proclamation to the Chinese PLA” at the Party Congress of March 1949—which included Mao’s famous line, “Who is our enemy? Who is our friend? This is the revolution’s primary question”—declared that it was crucial to enlist the cooperation of “national capitalists,” or at least convince them to remain neutral, in the struggle against the real enemies: imperialists, Nationalists, and bureaucrat capitalists.¹⁹ The military leaders who oversaw the liberation of Shanghai got the message. The march was the messenger: how the troops entered the city gave its residents a first impression of the policies to come. This PR campaign was a great success, earning the CCP favorable press coverage at home and abroad,²⁰ easing the concerns of many capitalists, and helping persuade others like Wu to return.

At the same time, however, the CCP also invoked longstanding tropes of cities as centers of unpatriotic consumption and decadent consumerism. As with the Republican Revolution of 1911, the CCP represented its revolutionary politics through mandated interpretations of material culture. In contrast to the consumption of traditional elites, which set them apart from commoners, consumption now was intended to flatten socioeconomic hierarchies and unite the Chinese through shared mass consumption. The goal was to replace bourgeois urban values with simple, visible rural values of undifferentiated frugality through dress

17. Zhonggong zhongyang wenxian yanjiu shi, ed., *Yang Shangkun riji* (The Diary of Yang Shangkun) (Beijing: Zhongyang wenxian chubanshe 2001), v. 1, 8–11.

18. Chen Zu'en, Ye Bin, and Li Tiangang, *Shanghai tongshi* (A History of Shanghai) (Shanghai: Renmin chubanshe, 1999), 5.

19. *Mao Zedong xuanji* (Collected works of Mao Zedong), v. 4, 1428.

20. Thomas N. Thompson, *China's Nationalization of Foreign Firms: The Politics of Hostage Capitalism, 1949–57* (Baltimore: School of Law University of Maryland, 1979), 14.

and leisure activities, such as the popularization of the *yangge*, a “short, prancing folk dance supposedly based on the way a coolie walks while carrying a heavy load on his shoulders,”²¹ and the loose-fitting Sun Yat-sen-style cadre uniforms adopted even by business elites in prosperous towns like Hangzhou.²²

Mao Zedong understood that maintaining this ethos of patriotic limits on consumption required both convincing urbanites to embrace proletarian chic and discouraging a desire for material comforts that could destroy the government and party from within. Accordingly, the perhaps most common trope of the first few years of liberation might be described as tales of urban temptation and seduction. Cities, as Mao saw them, were full of “bad elements” lying in wait. He worried that simple PLA soldiers and CCP cadres who had endured years of poverty and now found themselves ruling over cities with restaurants, prostitutes, night life, movie theaters, and endless forms of entertainment available for a price would be corrupted by these influences, especially during the early years when policy explicitly called for compromising with capitalists, many of whom were indeed eager to introduce cadres to sensual pleasures in exchange for access and influence. In subsequent years, as cadres surrendered to such temptations, a common narrative spread by state-sponsored media was that “it was only after they came to the cities that certain cadres fell victims to the sugar-coated cannonballs of unlawful merchants.”²³

Mao’s intended strategy of reengineering cities to eliminate the production of such temptations, to transform so-called consumer-cities into “producer-cities,”²⁴ also appealed to many middle-class urbanites disillusioned by the way cities had become places for former collaborators

21. Edward Hunter, *Brain-Washing in Red China: The Calculated Destruction of Men's Minds* (New York: Vanguard Press, 1951), 22.

22. James Z. Gao, *The Communist Takeover of Hangzhou: The Transformation of City and Cadres, 1949–1954* (Honolulu: University of Hawai'i Press, 2004), 74, 79.

23. *Current Background* 166 (March 14, 1952): 21. Less acknowledged was the negative role urban cadres played in transforming new cadres, who were ridiculed as “country bumpkins” for their austerity. *Survey of China Mainland Press* 254: 17. Liu Suinian, Wu Qungan and Cui Jie, *China's Socialist Economy: An Outline History, 1949–1984* (Beijing: Beijing Review, 1986), 67, notes that the Three Anti campaign was largely directed at hold-overs from the Nationalists and “a handful” of cadres.

24. “Report to the Second Plenary Session of the Seventh Central Committee of the Communist Party of China,” March 5, 1949. Also in 1948 *Tianjin Daily* published a widely read editorial called, “Transform the Consumer Cities to Productive Ones,” which depicted cities as exploiting workers and farmers alike and as conduits for imported industrial products. Cited in Gao, *The Communist Takeover of Hangzhou*, 107.

and outsiders with government connections to enrich themselves and lead lives of decadence and luxury at the expense of the vast majority.²⁵ In fact, the CCP was happily surprised by the level of support it found among the urban middle class, particularly students.²⁶

PRIDE IN PRODUCTION AND ANTI-CONSUMERIST DISCOURSE

Despite its rhetoric, the CCP is more accurately labeled “anti-consumerist” rather than “anti-urban.” Although it had promoted a cult of revolutionary asceticism at least since Yan’an, after liberation its emphasis on the revolution became much more pronounced, particularly following the conquest of China’s major cities. In the early 1950s, CCP internal literature and the mass media frequently directed such phrases and warnings as “guard against the tendency to seek pleasure” (*jingti tantu xiangle*) especially but not exclusively at rural cadres now living in the cities. Denunciations of consumerism included attacks on those who “live a debauched lifestyle” (*shenghuo fuhua*) or who were “corrupt” (*fushi*), who “coveted the degenerate” (*tantu fubai*) and “hankered after a life of ease and leisure” (*tantu anyi*). Again and again, this rhetoric called on Chinese to eschew bourgeois appetites and to distrust their senses and the sensual, most frequently described as the seduction of “sugar-coated bullets” (*tangyi paodan* or simply *tangdan*). It excoriated Chinese who tried to profit at the expense of others through “hoarding and speculation” (*tunji juqi*) and attempted to collect “huge profits” (*baoli*) through “profiteering” (*touji daoba*). In contrast, the teleology of the revolution preached a path of sacrificing now to lead to material rewards later.

More generally, the party-state attempted to replace pride in personal consumption as a measure of individual achievement—the foundation of an individualistic market economy—with collective pride in national production. The party sold socialism at home and abroad through media

25. See Westad, *Decisive Encounters*, 79, which includes a description of the 1947 film, “Nothing But a Dream” (*Tiantang chumeng*). In the film, the protagonist, a young architect, has to give his newborn son to someone who became wealthy during the Japanese occupation. See also Suzanne Pepper, *Civil War in China: The Political Struggle, 1945–1949* (Lanham: Rowman & Littlefield, 1999), 155–160. On Chiang Ching-kuo’s predatory policies and the alienation of Shanghai elites, see Westad, *Decisive Encounters*, 184; and Pepper, *Civil War*, 125.

26. Westad, *Decisive Encounters*, 276–277.

coverage of production increases and exceeded targets, which found its logical culmination in the fabricated production numbers of the late 1950s that led to massive famines. Countless newspaper headlines and publications like *Ten Great Years* attempted to sell “the people” (and their allies abroad) on the economic accomplishments of the new China, which it posed as the antithesis of the vestiges of old China represented by corrupt urban cadres and hedonistic capitalist-consumers.

Yet after conquering China’s cities, the Communists did not, as many feared, immediately nationalize the private sector and confiscate the wealth of China’s capitalists. The new regime initially sacrificed ideological purity and implemented pragmatic policies to reassure capitalists that they had a place in new China as members of “the people,” despite its ideology that clearly called for the eventual transfer of all private capital to the state.²⁷ Even before the formal declaration of the founding of the People’s Republic of China on October 1, 1949, the party laid the legal basis for the continued existence of capitalists during the September Chinese People’s Political Consultative Conference (CPPCC), which adopted the Common Program. This document, which served as the new regime’s legal charter until the adoption of the first constitution in 1954, reassured capitalists that state and private enterprises were to coexist under the new regime, though its language suggested that the two were neither equal partners nor independent actors in the new economy.²⁸

In essence, the Common Program reflected the ideology spelled out in Mao Zedong’s *New Democracy* (1940), in which he described the New Democracy period as an important transitional stage between the “semi-feudal, semi-colonial” stage and China’s entrance into socialism. During this stage, the Communists would recognize the legitimate existence of four classes in Chinese society: workers, peasants, petty bourgeoisie, and national bourgeoisie. As this scheme suggests, the CCP did not consider capitalists a single, homogeneous group, instead dividing them into two groups: the “national capitalists” with whom it planned to cooperate and the “bureaucratic capitalists,” who were allied with rich

27. On entering cities soldiers and cadres were instructed not to interfere with private enterprise. For this and other regulations regarding capitalists, see Chen Boda, “Bu yao daluan yuanlai de qiye jigou” (Don’t throw into disarray the existing structure of capitalist enterprises), in *Zhongguo renmin jiefang jun rucheng zhengce* (Chinese People’s Liberation Army Policies on Taking Cities) (Hankou: Xinhua shudian, 1949), 17–29.

28. For a translation of the Common Program articles addressing the role of private enterprise in the economic objectives of the new government during the period of New Democracy, see Chien Chia-chu, “Private Enterprise Grows,” *China Reconstructs* 6 (1952): 13.

peasants (the basis of feudal rule) and foreign imperialists who used the state apparatus to develop their own narrow interests and suppressed the legitimate aspirations of the other classes. Thus enterprises owned by those labeled bureaucrat-capitalists were immediately confiscated after 1949. The Communist view of national capitalists or bourgeoisie, although more accepting, also ascribed to them a "dual character," one side constructive, another destructive,²⁹ thereby justifying what would become an alternately harsh and conciliatory stance toward them.

In Communist literature, under the Nationalists, the national bourgeoisie had been at a considerable disadvantage compared with the bureaucrat-capitalists, who through their manipulation of the state apparatus secured financial privileges in government loans, tax relief, and monopoly rights to industries such as mining, power, and transportation.³⁰ To their credit, according to this narrative, national capitalists had responded to this situation by patriotically opposing imperialism, feudalism, and the bureaucrat-capitalist class, demonstrating their potential to contribute to building a wealthy, powerful, and independent China, at least during the period of New Democracy. Nonetheless, the literature warned, the profit motive often ran counter to the material and spiritual needs of the nation, leading national capitalists to base their decisions on fluctuating, "irrational," and "inefficient" market demands, while the Communists wanted to replace the "anarchy" of the market with planned production and the regulation of private enterprise. As state ownership gradually replaced private ownership, they believed, workers and capitalists alike would realize that they were contributing to the general good rather than to private profit, which in turn would increase productivity and national pride.³¹

The Communist regime balanced its immediate need to revive the economy with its desire to create a socialist state by gradually expanding control over private enterprise. This seven-year process occurred in three stages: utilization (1949–1952), restriction (1952–1953), and transformation (1953–1956).³² The most important changes during this

process took place during the Three Anti, Five Anti campaign, the central initiative of the period of restriction. The campaign represented the final assault of the decades-long process of assertion of state control over private enterprise and the vilification of bourgeois lifestyles. Although the state did not achieve outright control over enterprises in this period, the success of its campaign destroyed the basis of capitalist wealth, power, and consumption-derived status, leaving the capitalist class an empty shell that would soon be destroyed.

THE THREE ANTI CAMPAIGN: DEFLECTING "SUGAR-COATED BULLETS"

By December 1951, the party had identified government corruption and waste as the chief obstacles to increased production and thrift and launched the Three Anti campaign against them nationwide.³³ Within a month, preliminary investigations had uncovered 1,670 offenders in twenty-seven central government organs, evidence of widespread corruption and waste that provided the CCP leadership with an excuse to remove untrustworthy cadres from party, government, and military ranks.³⁴ From the start, however, the campaign also targeted prevalent but unacceptable forms of consumption that exposed ideological impurities. Gao Gang, who launched the original campaign in the northeast, attacked nepotism, corruption, and old bureaucratic practices but also explicitly targeted material manifestations of cadre malfeasance, including all signs of "extravagance" such as the use of official funds for parties, servants, touring, and automobiles.³⁵ As always, what were seen as the worst offenses involved imports: "The ostentatious use of British and American made cars, notably at Shenyang (Mukden), being instanced as particularly reprehensible."³⁶ But even the excessive consumption of smaller

prise in this way. This schema is enshrined in Article 10 of the 1954 Constitution, which speaks of "using" the good aspects of the capitalists, "restricting" their potential damage, and gradually "transforming" their enterprises to state ownership. *The Constitution of the People's Republic of China* (Beijing: Foreign Languages Press, 1954), 76.

33. According to historian Peter S.H. Tang, the campaign began on August 31, 1951. *Communist China Today* (New York: Praeger, 1957), 339.

34. Theodore H.E. Chen and Wen-hui C. Chen, "The 'Three Anti' and 'Five Anti' Movements in Communist China," *Pacific Affairs* 26.1 (1953): 4–5.

35. *Neibu cankao*, March 10, 1952.

36. FO 371/99233, December 12, 1951, 2. See also the important article by Yang Kuisong, "Mao Zedong yu sanfan yundong" (Mao Zedong and the Three Anti movement), *Shilin* 4 (2006).

29. Guan Datong, *The Socialist Transformation of Capitalist Industry and Commerce in China* (Beijing: Foreign Languages Press, 1960), 46.

30. This description of the role of capitalists in Chinese Communist literature on New Democracy relies heavily on Chien Chia-chu, *State Capitalism in China* (New York: Far Eastern Reporter, 1954). In the early 1950s, Chien was the Deputy Director of the Bureau of Industry and Commerce.

31. Chi Chao-ting, "Capitalists Cross Over," *China Reconstructs* 5.3 (1956): 2–5; Chen Han-seng, "New Rise of Industry," *China Reconstructs* 1 (1952): 22–23.

32. In fact, the Communists themselves identified the transformation of private enter-

items such as cigarettes, alcohol, and feasts—which often began when goods were supplied by the government to cadres in lieu of salary—were now criticized.³⁷

At the same time, the party was taking a giant risk by exposing the prevalence of corruption and waste, as it threatened to undermine public confidence in the new regime. To shift the focus away from corruption within its ranks, the party therefore placed the blame for these problems on the corrupting influence of capitalists and their lifestyles, which used their “sugar-coated bullets” to attack party rule. The course of the Three Anti campaign suggests that the government intended all along to gather information to launch a campaign directed specifically at capitalists. In fact, preliminary preparations for a mass movement against capitalists had begun several months before the government officially launched the campaign. By this time, all businessmen and merchants had been forced to join the appropriate trade or industrial association and had been urged to confess their complicity in government corruption, waste, and bureaucratism. In addition, each association divided its membership into “small study” groups that met nightly to examine various documents relating to the Three Anti campaign and socialism, such as a speech by Zhou Enlai that suggested that the Three Anti campaign should be redirected from “corrupt officials” to “law breaking merchants.” Other signs suggested the government intended to attack the capitalists as a class early in 1952. The government, rejecting the notion that only a small percentage of capitalists engaged in corrupt practices, supported claims of a capitalist conspiracy and began publishing the results of its investigations into Three Anti crimes. The results that Beijing made public at the end of January 1952, for instance, found that “the corrupt elements not only include a large portion of personnel taken over from the old regime, but more than 80 percent of the corrupt elements have connections with industrialists and merchants.” Mao Zedong had already concluded that private businesspeople were engaged in all manner of corrupt business practices, which, he claimed, collectively posed “an ever more dangerous and serious threat than war.”³⁸

37. This type of material compensation seems similar to the sort of welfare demanded by workers depicted by Mark W. Frazier and leads one to wonder if the party was also implying that similar worker demands were bourgeois. Frazier does not discuss this but does provide examples of how the better material conditions (e.g., hot plates and lamps in an office) cast suspicion on supervisors. See Frazier, *The Making of the Chinese Industrial Workplace: State, Revolution, and Labor Management* (New York: Cambridge University Press, 2002), 109, 115.

38. *Jianguo yilai Mao Zedong wengao* (Mao Zedong's manuscripts following the estab-

GENERATING AN ANTI-CAPITALIST FIVE ANTI CAMPAIGN

In the wake of such reports, the Chinese press began running articles blaming capitalists for corrupting government officials. Under the title “Resist the Attacks of the Bourgeoisie Class, Determinedly Uphold the Leadership of the Working Class,” party theoretician You Guanyuan informed readers of the influential theoretical magazine *Xuexi* (Study) that capitalists had launched a “fierce attack” against the working class and the leadership of the CCP. Appealing to patriotic sentiment, he blamed this “attack” for weakening the economy and hence the nation’s ability to “resist U.S. imperialism” and wage war in Korea and transferred responsibility for corruption and waste within the government by arguing that fraudulent business practices had sullied the integrity of cadres.³⁹ In essence, You Guanyuan provided the official justification for expansion of state control over capitalists: under the United Front, the CCP and the capitalists had had an opportunity to cooperate in building China, but capitalists, true to their nature, had opted for personal profits over the national collective good, and now the survival of the revolution required the party and the masses to strike back.

In light of the earlier government actions noted above, You Guanyuan’s recommended five-point strategy to resist capitalist encroachment must be seen not as part of an open debate but rather an early articulation of a policy already adopted by party leadership. In his first point, he identified five activities of capitalists that the government ought to outlaw that eventually became known as the Five Anti (also known as the “five poisons” [*wudu*]): bribery, tax evasion, theft of state assets, failure to conform to contract specifications, and theft of state economic secrets. The breadth and vagueness of the proscribed activities effectively tainted most capitalists. In the second and third points, he called on the party to educate the masses on the capitalist threat and prepare for class “struggle,” which by this time labor organizations had already begun to do. His last two points reflected the depth of the changes underway, as he argued for the systematic and comprehensive inspection of the

lishment of the People’s Republic) (Beijing: Zhongyang wenxian chubanshe, 1991), v. 3, 21–22.

39. See “Kang Kao Summarizes 3-Anti and 5-Anti Movements in Northeast,” *Xinhua*, June 25, 1952; translated in *Current Background* 201 (August 12, 1952), especially 16–17. Indeed, mainland historians still interpret the Five Anti campaign as an essentially *defensive* measure undertaken by the party to thwart the counterrevolutionary intentions of the capitalist class.

accounting records of all capitalists, in effect promoting massive state penetration into the inner workings of individual enterprises. He also called for the organization of the capitalist class into commercial and industrial associations to facilitate the indoctrination of the capitalists; after a period of study, they would sign a "patriotic compact," acknowledge guilt for past wrongdoings, and agree to cooperate with state authorities in the regular inspection and supervision of their enterprises.⁴⁰

"SMASHING" THE CAPITALISTS

Accounts confirm that the Three Anti, Five Anti campaign constituted a second but more profound revolution for Chinese capitalists. The political revolution that culminated in the establishment of the PRC in 1949 appeared to have changed little in the lives of Chinese capitalists who continued to use the same business practices after the revolution. Although government taxes and inflation threatened profits, enterprises routinely kept two sets of books, falsified receipts and orders, converted earnings to gold and foreign currencies, and devised other methods to shelter profits from state agents. The regime was correct in asserting the prevalence of corruption and bribery in Chinese business circles. By the time the government began to crack down on these widely practiced activities in the campaign of 1951–1952, nearly all enterprises had engaged in illegal activities under the new regime. This made them vulnerable, and the Communists now intended to punish them. One Shanghai businessman neatly summarized the CCP logic behind the campaign: "In fact, if you made a decent profit, this meant by definition that you had done something illegal in the eyes of the Communists. You revealed the ways in which you made your profit, and these were your crimes. You then confessed your crimes, and the Communists took away your 'illegal profits' and returned them to the people—or rather to the People's Government whom you were supposed to have cheated when you made the profit."⁴¹

The regime sought incriminating evidence in every way imaginable. In December, state auditors were dispatched to enterprises big and small. The government was aware of the widespread practice of double

40. You Guanyuan, "Resist the Attacks of the Bourgeois Class," *Current Background* 166 (March 14, 1952): 11–12.

41. Doak Barnett, *Communist China: The Early Years, 1949–55* (New York: F.A. Praeger, 1964), 150, quoting a businessman from Shanghai who had recently fled to Hong Kong.

bookkeeping and so used other means to coerce managers and owners to confess. In some cases, friends and relatives were urged to pressure a given capitalist to confess.⁴² All of the information and confessions thereby gathered were carefully assembled for later use. Clearly, the regime was not simply after alleged back taxes: it was also seeking a profound change in the status of capitalists.

The government began to isolate capitalists and to exert tremendous psychological pressure upon them, such as putting up posters throughout the city, denouncing capitalists, demanding that they confess, and urging workers to uncover and collect incriminating evidence. More extreme measures were reported in Shanghai, where the government set up loudspeakers on commercial thoroughfares and directed pedestrians to urge shopkeepers to confess, laying the groundwork for mass mobilization.⁴³ The campaign also heightened class differences in the workplace,⁴⁴ and the constant attacks upon and public humiliation of capitalists weakened or severed ties of loyalty between employers and workers. The campaign acted as a social crowbar to pry the capitalists from their privileged positions, undermining their authority and status in both society and the workplace.⁴⁵

The Communists also atomized capitalists by rewarding capitalists who denounced others or helped elicit confessions. Capitalists who not only diverted attention away from themselves but also confessed were assured more lenient treatment.⁴⁶ The creation of "Five Anti Merit Achieving Teams" was the clearest manifestation of government attempts to erode capitalist solidarity. In Shanghai alone, more than 1,600 businessmen were mobilized to work on such teams.⁴⁷ By late March 1952, the groundwork had been systematically laid for an official

42. "5-Anti Movement Victoriously Concluded in Canton," *Nanfang ribao* (June 28, 1952); translated in *Current Background* 201 (August 12, 1952): 29.

43. Barnett, *Communist China*, 145.

44. See Frazier, *The Making of the Chinese Industrial Workplace*.

45. On the Communists' attempts to transfer worker loyalties to the state, see Andrew G. Walder, *Communist Neo-Traditionalism: Work and Authority in Chinese Society* (Berkeley: University of California Press, 1986), 85–113, and Yang Kuisong, "1952 nian Shanghai 'wufan' yundong shimo" (The whole story of Shanghai's 1952 Five Anti Campaign), *Shehui kexue* 4 (2006).

46. "GAC Directive to Conclude 5-Anti Campaign," *Xinhua*, June 14, 1952; translated in *Current Background* 201 (August 12, 1952): 1–2. For a description of the classification of lawbreaking capitalists, see "Provisions Laid Down by the Economy Practice Investigation Committee of the Central People's Government," *Xinhua*, March 11, 1952; translated in *Current Background* 168 (March 26, 1952): 4–9.

47. Barnett, *Communist China*, 149.

campaign against capitalists. Confessions had been gathered and capitalists had been divided and demoralized. All that remained was for them to make their confessions public, a humiliating open acceptance of the Communist narrative of "class exploitation." The public phase of the campaign developed rapidly across urban China, following a set pattern of four stages. Although the dates of the campaigns differed by a few days among various cities, Canton followed the typical pattern. In the first week of April, to test its procedures, the government began the campaign by targeting a single "key point" industry, pharmaceutical manufactures and merchants. In "struggle sessions" with Five Anti work teams as well as workers and clerks, capitalists ritualistically confessed to crimes that had been determined during the preceding months. Punishments were meted out and workers and capitalists were in turn absorbed into the campaign. The second stage began with a citywide rally on April 7. Over the following two weeks, the campaign reached ninety more industries and trades, eventually extending to the remaining 127 industries and trades. In the final stage of the campaign, June 1–20, all remaining cases were settled.⁴⁸

To carry out such a massive campaign, the state mobilized hundreds of thousands of Chinese. During the Five Anti campaign in Canton alone, ten thousand individuals entered factories and shops to organize mass denunciations of capitalists.⁴⁹ In Shanghai, over 80 percent of workers and shop attendants participated in these "speak bitterness" mass meetings.⁵⁰ In this way, the Communist regime generated mass support for the social and financial destruction of the capitalist class.

The campaign extracted cash, hard currency, precious metals, merchandise, and equipment from targeted capitalists. Estimates of the total vary from US\$500 million to upwards of US\$1.25 billion.⁵¹ In the short run, these resources provided the regime with badly needed

48. "Victoriously Concluded in Canton," translated in *Current Background* 201 (August 12, 1952): 28. For a description of the campaign in Shanghai, see "[Xinhua] Correspondent's Review of Victory of 5-Anti Campaign in Shanghai," *Xinhua*, June 7, 1952, and translated in *Current Background* 201 (August 12, 1952): 23–24; and John Garver, "The Wu-Fan Campaign in Shanghai: A Study in the Consolidation of Urban Control," in A. Doak Barnett, ed., *Chinese Communist Politics in Action* (Seattle: University of Washington Press, 1969).

49. "Victoriously Concluded in Canton," translated in *Current Background* 201 (August 12, 1952): 28.

50. "5-Anti Campaign in Shanghai," in *Current Background* 201 (August 12, 1952): 23.

51. Barnett, *Communist China*, 160; *Weekly Bulletin*, Chinese News Service, New York, June 3, 1952 (Republic of China Publication); Chen and Chen, "The 'Three Anti' and 'Five Anti' Movements in Communist China," *Pacific Affairs* 26.1 (March, 1953): 3–23, 18.

revenue to wage war in Korea.⁵² This extraction also had long-term implications. During the campaign, capitalists were routinely pressured to overstate their crimes, and consequently, the amount of back taxes and fines they owed. To survive, they often had to liquidate assets. As a whole, the campaign absorbed the liquid capital of capitalists, further weakening their ability to resist further state penetration.

Moreover, over the course of the Three Anti, Five Anti campaign, capitalists like Wu Yunchu gradually surrendered control over their enterprises. Through the use of regulations and internal monitoring by workers, the regime destroyed the already crumbling wall separating public and private enterprises. The state now involved itself in all aspects of operations, from the hiring of workers to the fixing of prices. In 1952, the state was not prepared to exercise outright control over enterprises, and in fact, according to regime literature, private enterprise existed in China until 1956.⁵³ But these enterprises were "private" only in name. Capitalists' interest in management largely disappeared once they lost control. After the campaign, for instance, Wu adhered to all policies, regulations, and laws even when he knew them to be misguided. One can imagine the sense of resignation of the hundreds of thousands of Shanghai merchants and industrialists who joined in "celebrating" their final demise in 1956, given that they had had nearly four years to anticipate their formal end as a class.

OUSTING A PATRIOTIC PRODUCER FROM HIS PLANT

As noted above, at the time of liberation, the CCP's economic policy was to divide capitalists into those deemed "national," who were allowed to continue operating as before, and those labeled "bureaucratic," who faced extra scrutiny, supervision, and even expropriation. Fortunately for Wu, two of his factories, the Tianli Nitrogen Plant and Heaven's

52. According to Mao, the money raised during the campaign could "see [China] through another eighteen months of war." Mao Zedong, *Selected Works* (Beijing: Foreign Language Press, 1977), v. 5, 80.

53. By early June of 1952, economic pragmatism returned to Communist domestic policies vis-à-vis the capitalists. The campaign damaged the country's economy and the state sought to revive private enterprise by extending loans, reducing back taxes owed, and giving state contracts to these businesses. For more information on these policies, see "GAC Directive," in *Current Background* 201 (August 12, 1952): 4–5; and "3-Anti, 5-Anti Movements Victoriously Concluded in Tientsin," *Xinhua*, June 14, 1952, and translated in *Current Background* 201 (August 12, 1952): 14–15. See also Yang Kuisong, "1952 nian Shanghai wufan yundong shimo."

Kitchen, were deemed "national capitalist enterprises." Heaven's Kitchen resumed operations within days after liberation, but Tianli, which lacked raw materials and faced uncertain market conditions, remained idle. The situation at the Tianyuan Electrochemical Factory was more complicated because the Nationalist government's National Resources Commission had owned part of the enterprise during the war, and thus the CCP determined the factory possessed "bureaucratic capital." The new government confiscated the shares previously owned by the National Resources Commission and ordered Tianyuan to provide detailed information on every aspect of its operations, especially its ownership. The Office of Heavy Industry also dispatched two representatives to the factory to protect the state's interests, although it promised minimum oversight as long as the company maintained its previous employment levels, salaries, and structure. By mid-June, Tianyuan was back in operation.⁵⁴ Before liberation, although Wu had jointly owned Tianyuan with the National Resources Commission, he had effectively run things however he saw fit. The official policy of the new government was for workers to participate in management, and thus his two deputies (his son and Assistant General Manager Li Shi'an) now had to have all their decisions approved by the representatives of the workers, effectively shifting control to them. The new power structure also created problems on the ground in small but important symbolic ways. One day in September, for instance, an office administrator forgot his coat and asked a worker to retrieve it, a request that would have been commonplace before liberation. But now the worker refused. After being surrounded by factory workers who berated him for asking a fellow worker to handle a private matter, the administrator admitted his error and publicly apologized.⁵⁵

In the months immediately following the takeover of Shanghai, Wu remained abroad, suspicious of the Communists and how they might treat him, even though he had reason to believe they would accept him. He had, after all, met and received a gift from Mao Zedong, had several positive exchanges with Zhou Enlai, and received CCP literature from its underground agents, but that had been when the CCP was weak and needed him more than he needed them. Yet he had also had extensive contact with Chiang Kai-shek and the Nationalists right up through the war and thus was uncertain about what to do next. So in the fall of 1949,

54. Wang Daliang, *Weijing dawang Wu Yunchu* (The MSG king: Wu Yunchu) (Beijing: Jiefangjun chubanshe, 1995).

55. Ibid.

he relocated from the United States to Hong Kong, where he reevaluated the situation. There he met with Xu Dixin, who was now a member of the Shanghai Military Affairs office handling economic policy. During the war, Wu had escorted Xu around his factories in Sichuan, and now Wu wanted Xu to help him better understand the Communists' intentions. Xu had been dispatched to Hong Kong for just that purpose, to try to explain CCP policy to capitalists and convince them to return and participate in building a New China, one of many such efforts at outreach.⁵⁶ The following month, Premier Zhou Enlai himself led a delegation to Hong Kong that included Zhang Shijian and Huang Shao to meet with the capitalists and explain the concept of New Democracy.

Wu also continued to receive letters from his son reassuring him that everything was fine. These letters, along with the encouragement of party officials and friends, convinced him to return at the end of October 1949, the same month Mao officially declared the establishment of a new state, the People's Republic of China. After taking a boat to Tianjin, he first traveled to Beijing, where he was met at the station by the head of the United Front, the organization charged with building alliances with nonproletarian social elements, and put up at the Beijing Hotel. He was later taken to the residential quarter for high officials, Zhongnanhai, where he met with Zhou Enlai, who welcomed the "MSG king" home. There he was given a blue Sun Yat-sen cotton suit (later known as a Mao suit), a new marker of status closely associated with party cadres. The party next sent him and another patriotic national products manufacturer, "Match King" Liu Hongsheng, who had returned from Hong Kong around the same time, on an inspection tour of Manchuria. The tour included a visit to Shenyang's Ajinomoto MSG plant, Heaven's Kitchen's Japanese archrival, which had already been nationalized. Wu was impressed with Ajinomoto's operations and the other heavy industry he saw. At the end of November, he finally returned home to Shanghai, where the workers threw him a welcoming party.⁵⁷

As this reception indicated, the CCP was eager to win over Wu and other leading "national capitalists" and to give them formal (if not always actual) avenues for policy input and implementation while also undermining capitalist control over private enterprise (a term that was quickly losing any meaningful definition).⁵⁸ At the end of 1950, for

56. Sherman Cochran, "Capitalists Choosing Communist China: The Liu Family of Shanghai, 1948-1956," in Brown and Pickowicz, eds., *Dilemmas of Victory*, 369.

57. Wang Daliang, *Weijing dawang Wu Yunchu*, 253.

58. For numerous examples of capitalists treated in this way, see Shou Tongyi, Shou

instance, Wu was named to the East China Military Affairs and to the city government and made the associate head of the Shanghai Municipal Association of Industry and Commerce. But within his factory, Wu soon had problems with his new partner—the state—and its representatives, who subverted his control.

Wu also saw some of his control over his enterprises move to his workers, who were now officially charged with helping to manage the factory. He immediately noticed a change in workers, who now exuded a sense of control that was formalized in their new labor union and workers' meetings and manifest in a growing number of small and large confrontations. When Wu returned to Heaven's Kitchen, for instance, he expected to reoccupy his residence at the top of the factory, and meeting with no objections from the front office workers, he moved back in. The factory had two elevators, one for workers and staff and the other for Wu and his family, and because Wu had not been in residence at liberation, the employees had begun to use his elevator. After he returned, the office staff resumed their preliberation practice, essentially giving Wu—who lived alone because his wife remained in Hong Kong—his own elevator. But the workers objected, arguing not only that there was no longer a difference between "workers" and "capitalists" but also that it was wasteful to provide one person with a private elevator. Furthermore, the workers argued, granting one person an entire floor of the factory for his personal use was a capitalist extravagance, a holdover from a bygone era. Although his son understood the symbolic significance of the private residence, he initially had a difficult time convincing his father to move out.⁵⁹ Wu's alienation from his workforce only grew worse in the following years, particularly during the 1952 discussions among workers across Shanghai, the "factory workers' democratic reform movement" regarding "who's supporting whom," and the offensive body searches of female employees, a practice that survived surprisingly far into the Communist era, that taught workers that rather than relying on their employer for their livelihoods, employers relied on them.⁶⁰

Some of the direct tension that developed between Wu and the military representative at the Tianyuan Electrochemical Factory was removed in June of 1951 when, after direct requests from Wu, Wang Daohan, the head of the East China Industrial Bureau, sent to the factory

thirty-year-old Yang Zhifu as the new government agent, nominally the "deputy manager." Unlike his predecessors, Yang had experience managing enterprises in Manchuria, and soon Wu found he had lost most of his remaining power and much of his authority over the day-to-day decision making. For instance, Yang abolished Wu's small executive committee, which he had created to maintain effective control over the factory, and replaced it with a much larger committee that included eleven worker representatives and a party member. In January of 1952, just as the Five Anti campaign was starting, Wu was in Hong Kong, where he went to bring his wife back to Shanghai for cancer treatment. He arrived home just in time to experience the height of the campaign. On February 13, Wu spoke to a meeting of the Chemical Supply Association, urging his colleagues to cooperate with the campaign.

The Tianyuan Electrochemical Factory held a struggle session in which the workers accused Wu of living off their labor. Although this situation so distressed his wife that she abruptly returned to Hong Kong, Wu had not lost the favor of the party. In March, Wu was sent to Moscow for an International Economic Conference with the official delegation from the PRC, where he wrote a letter to his daughter sharing his impressions of the Soviet Union, which, despite twenty years of international travel, Wu had only visited once. According to his letter, he was very impressed with the material conditions there—the abundance of food, automobiles, and shop windows full of beautiful items—and concluded that "it was impossible to differentiate between socialist and capitalist cities." Although one might interpret such observations as simply reflecting the party line, Wu also warned that, although the Soviet Union was well on its way to becoming an industrialized nation, China was still experiencing its birthing pains. Speaking at a conference upon his return, he bluntly informed the audience that the Soviet Union's model held limited applicability to China.

Wu's actions following the Five Anti campaign reveal a similarly ambivalent attitude toward his future in China. On the one hand, by the time he returned from the Soviet Union, his enterprises had already been designated "law abiding" (*shoufa hu*), and his responses to questions from an American-based periodical about the Five Anti campaign that summer reflected the official party position. In his written reply, Wu said that despite what Western newspapers reported, the aim of the campaign was "absolutely not the extermination of private enterprise" but rather "the elimination of the Five Evils carried over from Old Society," and that capitalists, as one of four large social classes in China, still had an important place in Chinese society. He argued as well that land reform

Heijing, and Shou Leying, eds., *Zou zai shehuizhuyi dadao shang* (Going down the socialist road) (Beijing: Zhongguo wenshi chubanshe, 1988).

59. Wang Daliang, *Weijing dawang Wu Yunchu*, 254–255.

60. Chen Zhengqing, "Tianchu weijingchang de liushiwu nian," 415.

was good not only for China but for business, stating that his enterprises were now shipping many more products to the countryside. The proof, he said, lay in production numbers, which were doubling at Heaven's Kitchen, tripling at the Tianyuan Electrochemical Factory, and rising eight-fold at the Tianli Nitrogen Plant.⁶¹ On the other hand, despite his claims of new business opportunities and a meaningful place for capitalists, Wu decided there was not much for him to do in Shanghai any more, and by the time of his death from diabetes on October 15, 1953, he had already informed Shanghai's mayor Chen Yi that he wished to sell his conglomerate to the state so that he could do something more than be a figurehead. On the day before Wu's death, Chen Yi visited him in the hospital and informed him that Mao had agreed to let Wu move to Beijing and work with the ministry charged with developing China's chemical industry. On October 18, the city held a memorial for him, Zhou Enlai sent a wreath, and Vice Mayor Pan Hannian eulogized Wu for the huge contribution he had made to the development of China's industry.

CONCLUSION

The accumulated historic legacies of the Nanjing decade, World War II, and Civil War had pressed both the Nationalists and CCP into subordinating their broader ideological agendas to economic and political necessity, which had produced an ambiguous ideological terrain by 1949. Following its victory, the CCP was at first hesitant to act on its ideology. The regime's decision to cooperate with certain capitalists and to maintain a supportive public posture toward private ownership of the means of production was a pragmatic one. The Communist government recognized that it could not simultaneously create a socialist society and revitalize China's war-ravaged economy. Yet this decision to temporarily subordinate its socialist ideological agenda to economic imperatives created several tensions. By sanctioning the continued existence of a capitalist class, the Communists allowed the initial tacit sanctioning of consumerism and a consuming class whose consumption visibly symbolized continued inequality and the fragility of the revolution.⁶²

61. Wang Daliang, *Weijing dawang Wu Yunchu*, 263–265.

62. On attempts by labor to capitalize on the revolution and Mao's subsequent backpedaling on his revolutionary promises, see Elizabeth J. Perry, "Masters of the Country? Shanghai Workers in the Early People's Republic," in Brown and Pickowicz, eds., *Dilemmas of Victory*.

The Communists understood these risks and, as we have seen, sought to eliminate them through the gradual absorption of private capital and the delegitimization of consumerism, processes that were simultaneous and mutually reinforcing. In other words, Wu Yunchu and similar "national capitalists" made their decisions about whether to stay and cooperate with the new regime in a rapidly changing environment that originally not only permitted them to maintain ownership of their enterprises but also allowed them to maintain their lifestyles. But by the end of 1951, the CCP's ideological and mobilizational needs pushed their policies in favor of more radical, anti-capitalist ones, although their need to move to the left quickly was slowed by accumulated legacies such as the creation of "patriotic" and "national" capitalists like Wu Yunchu. Because of the ideological muddle, various social forces, including those "national capitalists," had a palette of options, discursive as well as tactical, available to them. This chapter has sought to describe and contextualize one individual's deployment of those various options in response to the rapidly shifting conditions in China circa 1949.