

# Chapter 3

## From “New Democracy” to “Socialist Transformation”: Bankers and Commercial Associations in 1950s Chongqing



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**Abstract** This chapter examines the socialist transformation by the Chinese Communist Party (CCP), focusing on the case of the reorganization of intermediate associations in Chongqing. The socialist transformation of the Trade Associations promoted in the 1950s brought together the various organizations, practices, and social relations that had colored China’s social economy into a consolidation centered on the CCP. In this sense, the socialist transformation by the CCP was an attempt to ensure stability by restricting the free operation of the social economy and keeping economic activity within each region through centralization of power and profit in the regime and the containment of critical forces. In contrast, the socialist transformation promoted by the CCP was also an attempt to introduce other-oriented and broad-based rules backed by state power. This seemingly contradictory situation glimpsed in the socialist transformation led to the formation of another principle of decentralization and the development of the so-called “Economies of Feudal Princes (*zhuhou jingji*)” after the Reform and Opening-up policy, which coexisted with the orientation toward the integration of development dictatorship. In this sense, the 1950s can be said to be the starting point for the formation of “regions” in modern China.

### Introduction

As described further in the introduction, in the early years of the Peoples Republic of China, the Chinese Communist party tried to abolish private ownership. It transformed it into public ownership under “New Democracy” from 1949 to 1953. In this context, the gradual transition to socialism was aimed at through such modifications such as the collectivization of agriculture, the integration of public and private management of capitalist industrial commerce, and the joint management of handicrafts.

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Muramatsu Yuji once emphasized the importance of “the quantitative form of economic events, their specific gravity, and constitutive relations” and “social relations in economic activities - various organizations, customary orders, and human bonds by social groups” in his theory of the “social system” as a characteristic of the Chinese social economy (Muramatsu, 1949). The existence of social groups as an accumulation of human bonds and various intermediate groups as their expression has remained an important point of discussion in terms of understanding the “immeasurable elements” of the Chinese social economy that are difficult to explain in a single word.<sup>1</sup> Such a perspective can also be useful in rethinking China in the 1950s.

How were these intermediate organizations reorganized when the Chinese Communist Party transitioned to socialism? And what problems arose there? In this chapter, based on the micro case of Chongqing, a major city in the southwestern region, I would like to examine the above issues by dealing with the process of reorganization of intermediate organizations. Such organization includes the Trade Association,<sup>2</sup> which had establish human and economic relations into the Federation of Industry and Commerce in the early stage of the transition to a socialist economy.

### 3.1 The CCP’s Policy of Urban Expropriation: “*Jieshou*” and “*Guanli*” in Early PRC

In 1946, the civil war broke out in China. The Chinese Communist Party (CCP) took the advantage of Kuomintang after 1948; on September 1, 1949, in Beijing, the central people’s government declared the establishment of the People’s Republic of China (PRC). Simultaneously, CCP took possession of the whole area of the Chinese Mainland apart from Taiwan or Tibet, establishing the leading position for the consolidation of the state hegemony. In this way, CCP succeeded the revolution in Mainland China, and had various unstable elements. From a political view, Mao Zedong did not assume the leadership completely under the system of greater administrative areas,<sup>3</sup> the central government could not rule the whole region under control directly. From an economic view, PRC was in process of establishing the fundamentals for the recovering of production by using the “property” of Kuomintang. From a social view, PRC was plagued by the enemies, and the remnants of resistance, such as “Bandits,” needed to be suppressed immediately. In these circumstances, how did the CCP carry out the revolution in rural areas, and what influence did it have on regional society’s political and economic structure?

At first, CCP expropriates (*jieguan*) the national and public enterprises of the National Government, and after that, screens and organizes them in the pretext of the “Liberation” from Imperialism, Feudalism, and Bureaucratic Capitalism. The CCP’s policy of expropriation was the fundamentals of the CCP government and socialist transformation. The following is the process of establishing a *jieguan* policy.

### ***3.1.1 The Opportunity of Establishing a System for Urban Expropriation***

The CCP established the system of urban expropriation through expropriation in the Northern China area. The first opportunity was the expropriation of Shijiazhuang in Hebei province, 1948. The experience of Shijiazhuang was made into the model case for learning urban expropriation, the report of Shijiazhuang expropriation (Central Working Committee, *About the Experience of City Operation in Expropriating Shijiazhuang*, February 19, 1948) for circulation among the cadres of various areas emphasized that there were so many problems below:

The first problem is the lack of unification for expropriation. After the People’s Liberation Army occupied Shijiazhuang, many procurement troops gathered from neighboring Liberated Area (*jiefangqu*), took the plant facilities or components away. Each Liberated Area had separate policies. They tended to make much account to keep their interest in their own territories. Before the tide of the battle has turn in CCP’s favor, their base was on rural farming areas. The cities they occupied were relatively small, and often could not keep possession for a long time. Consequently, city management of CCP was on a short-term view; they considered that city expropriation was one of the ways of supplying goods. The reason the CCP could not control the scramble for resources in Shijiazhuang was the lack of location of responsibility for urban expropriation, and that of difficulty to protect and distribute resources unitedly.

Second, the problem of urban expropriation through the way of class struggle. Before the expropriation of Shijiazhuang, the CCP adopted the “*zi xia er shang* (from bottom to top)” class struggle in a rural farming area. CCP cadres in Shijiazhuang constituted Poor’s Association (*pinminhui*) or Labor Union (*gonghui*) based on the theory of class struggle and mobilized them for expropriation. But “the poor” who participated in these associations plundered urban goods and took the law into their own hands under the color of liquidation. There was widespread panic in the whole city.

At that time, the CCP tried to possess the whole area of China mainland. To establish a steppingstone to “build an advanced socialist state,” Central CCP tended to protect and utilize industry and commerce (Liu et al., 1949). Therefore, Central CCP started to establish the system of expropriation to prevent destruction and confusion.

### ***3.1.2 Providing a System of Urban Expropriation***

At first, CCP came up with the theses that “each system should be carried out in accordance with the original system (*ge an xitong*),” “adopting the order system from the top to the bottom (*zi shang er xia*),” “no change in the original position or job (*yuan-feng budong*),” “expropriate first, distribute second (*xian jie hou fen*),” and adopted the military control system to concentrate the authority and responsibility on the

Military Control Commission of each area. The supreme commander (*Silingyuan*) of each Field Dispatch Army (*yezhanjun*) appointed to the Chief (*zhuren*) of the Military Control Commission, governmental officers appointed to the vice chief, secretary, commissioner. The ratification of Central CCP was needed for the appointment of the member of metropolis expropriation. The Military Control Commission took charge of various duties such as military, constabulary, culture and education, and finance. Following each city's needs, the substructural officer was appointed and takes charge of the actual operation. The Expropriating Group (*jieguan zu* or *jieguan xiaozu*) were dispatched to the field of expropriation. The duration for military control should be in 3–6 months for the metropolis and 2–3 months for the small city. There were no clear regulations on the criteria for the termination of military control. However, after completing the mission and stabilization of order, military control was declared to be canceled, and all authority was then transferred to the Party committee and people's government of the city concerned.

To carry out the above-mentioned military control in a unified manner, the Communist Party Central Committee began to establish a reporting system; in January 1948, Mao Zedong referred to the necessity of developing a reporting system (Mao Zedong, *Establishing Reporting System*, January 7, 1948). After February 1948, when the experience of the seizure of Shijiazhuang was transferred to the various departments, the establishment of a reporting system for urban expropriation was advocated in earnest, and it was made obligatory to summarize and report to the central government on expropriating activities in cities with populations of 50,000 or more. In addition, at the suggestion of Chen Yun, who was in charge of the expropriation of cities in the northeast at the time, the "Northeast Southward Executive Battalion," a unit specializing in expropriation, was established. Since then, the People's Liberation Army has formed cadres in various regions. In addition, at the end of 1948, the Central Policy Research Office was established to formulate a unified urban confiscation policy, draft various central documents, conduct statistical research, and organize materials.

Against the background of the development of such a seizure system, the urban seizure operations carried out in various regions were publicized as effective with the peaceful "liberation" of Beiping (Beijing) in January 1949. It also gave great strength to the subsequent southward campaign by CCP.

The method and content of the control in each city varied according to the size of the city and the organization being targeted. Many of the former employees of the administrative system and enterprises remained and were retained to take charge of practical matters, and control over the military, police, and press was exercised early on. This policy of urban confiscation also had a major impact on the socialist transformation of the intermediary groups we will see below.

## **3.2 Establishing the Preparatory Committee of the Chamber of Commerce and Industry**

### ***3.2.1 Organization of the Central Chamber of Commerce and Industry***

In 1949, the CCP kept on developing the policy of the United Front, while it built a new nation, the “People’s Republic of China.” The CCP held the People’s Political Consultative Conference to get support from the broad masses and adopted a common program. It was envisaged that the policy of the United Front would be taken charge of by people’s organizations such as labor unions, farmers’ unions, youth leagues and women’s leagues; by liberal parties; and by the Chamber of Commerce and Industry (CCI) representing commercial and industrial enterprises.

In 1950, the CCI’s principal function in United Front policy was educating and supervising commercial and industrial entrepreneurs, and it had the meaning of an “organizing institution” (Li, 1950: 150). In the 1920s, the Soviet Union formed “trusts” that united industry and commerce under the New Economic Policy (NEP) era (Kimura, 1995). Trusts were organizations positioned between the state and productive units, granting autonomy and responsibility to enterprises, while simultaneously seeking to integrate productive units that were getting more difficult to control directly as they became more decentralized.

Additionally, the Soviet Union established “syndicates” as collaborative organizations among the trusts. These organizations in the Soviet Union were primarily for national enterprises. Hence, it was different from the situation in the early years of the PRC, where there were so many private enterprises. But it could be said that the CCI was based on the trusts and syndicates of the Soviet NEP, providing a means for consolidating commercial and industrial operations.

After 1951, the CCP changed its policy from nation-building to socialism. From this time on, the CCI started to make clear its position, which was to be responsible for commercial and industrial policy in general—including economic development, conversion of business categories, overseeing the transfer of capital and strengthening the state economy as well as strengthening planning and leadership of the state economy.

In August 1949, the CCP issued a directive to establish the CCI. However, it was not until June 1952 that the Central Preparatory Committee of the Chamber of Commerce and Industry (PCCCI) was launched. At the time of its launch, the PCCCI had between 135 and 160 delegates, from among whom one chief delegate and 13 deputies were elected. Chen Shutong<sup>4</sup> was chosen as chief delegate, while Nan Hanchen,<sup>5</sup> Zhang Naiqi,<sup>6</sup> Rong Yiren<sup>7</sup> and Hu Zi-ang<sup>8</sup> were among the deputies.

It took almost three years from when the CCP issued its directive until the Central PCCCI was launched. The office in charge of preparations discussed how to elect delegates for the national chamber of commerce, how to communicate with them,

how to draw up general rules for organizational activity, and how to supervise lower-level organizations that were gradually being established. In these developments, the Chongqing PCCCI was established on May 8, 1950.

### ***3.2.2 PCCCI's Organization in Chongqing***

The Chongqing PCCCI was to prepare for the organization of the Chongqing CCI and to unite commerce and industry. After the CCI was formally established, the PCCCI would be dissolved. The PCCCI consisted of 81 delegates and 33 standing committee delegates; a chief delegate and 3 deputies were chosen from among the latter. Hu Zi-ang, a central figure of the China Democratic National Construction Association, was elected as chief delegate. The three deputies were Wen Shaohu, former chief of Chongqing Chamber of Commerce and chief delegate of Chongqing China Democratic National Construction Party after "liberation;" Li Zhiqing, manager of Yuxin Steelworks; and Zhang Maofu, a CCP cadre in the southward movement.<sup>9</sup> They also held the post of People's Delegate of the Chongqing Municipal People's Congress and participated in policymaking for commerce and industry in Chongqing.

To carry out its activities, the PCCCI had several committees, as follows: (1) a reorganization committee (in charge of expropriations); (2) an education committee (in charge of education); (3) a finance committee (in charge of finance); (4) a policy-making committee (in charge of policy-making and propaganda); and (5) an engineering committee (in charge of studying industrial engineering). These committees were overseen by the standing committee members, who also carried out the work.

Many of the PCCCI delegates also held positions in their own enterprises, so the PCCCI did not pay them a salary. The PCCCI's expenses were covered by membership dues collected monthly from the business enterprises of its members. These membership dues were put toward the wages of clerical staff, propaganda expenditures, and publications. In the early days of the PCCCI, the organization faced financial difficulties,<sup>10</sup> and it became a "political mission" to collect membership fees, even after the situation stabilized. Once the situation stabilized, it became a "political mission" to collect membership fees.

The standard membership fee was regulated at one-thousandth of the profits of each enterprise. The obligation of paying the membership fee rested not on members themselves, but on the enterprises to which they belonged. This is the important point for understanding the activities of the PCCCI.

### 3.3 Reorganizing “Trade Association” in Chongqing

#### 3.3.1 Reorganizing Former Guilds

The PCCCI had several missions: (1) to establish the CCCI; (2) to expropriate the former Chongqing Chamber of Industry, former Chamber of Commerce, and other commercial organizations that the People’s Government deemed should be expropriated; (3) to reorganize former trade associations; (4) to explain and promote the policies of the People’s Government to each commercial and industrial enterprise, and implement the mission of the People’s Government; (5) to provide the government with information gathered from each commercial and industrial enterprise for decision making; and (6) to foster cooperation between each enterprise to accelerate the reconstruction of commerce and industry. The most important mission was the third—reorganizing former trade associations.

In early PRC Chongqing, the situation was complicated: approximately 40,000 commercial and industrial enterprises, 156 categories of business, and 126 former trade associations. The PCCCI oversaw the expropriation of these former associations. Because of the cadres’ lack of experience, and the necessity for organizing military industries given the growing tensions on the Korean Peninsula, the PCCCI selected seven categories of business—coal mining, financing, shipping, textile manufacturing, Chinese textile dyeing, coal trading and vegetable oil—for reorganization.

First, the PCCCI held discussion meetings of each business category to understand the general situation, reorganization problems and to negotiate detailed activities. As a result, the Shipping Industry, Coal Mining Industry, and Financing Industry Associations established a Preparatory Committee on September 25, 1950; the Textile Manufacturing Association established a Preparatory Committee on October 17; and the Machine Textile Manufacturing Association and Chinese Textile Dyeing Association on October 21. By December 5, 42 categories of business had established Preparatory Committees for their trade associations.

What kind of changes did this reorganization bring to these former institutions? Let us examine the case of the financing industry. Toward the end of the Civil War in China, the situation of Chongqing banking fluctuated intensely. Before “liberation,” the Chongqing Banking Association was controlled by three men, but two of them—Liu Hangchen and Pan Changyou—fled from Chongqing to Hong Kong and elsewhere. Szechuan Bank of Salt, Szechuan Meifeng Bank, Sichuan Construction Bank, and Chuankang Public Commercial Bank suspended operations. The Bank of China, the Central Bank and the Bank of Szechuan were expropriated by the Chongqing Branch of the People’s Bank of China.

Under these circumstances, the PCCCI’s reorganization greatly influenced the Bankers’ Association. The Preparatory Committee of the Financial Industry Association was established by a combination of the former Bankers’ Association and Money Shop (*qianye*) Association. In addition, over half the delegates were from

non-Sichuanese banks, and the CCP's Southward Movement Cadre Yu Yueze took charge as the chief delegate of the Preparatory Committee.

Previously, it was usual for the delegates of Chongqing's trading associations to consist of influential members of the local economy. But many of these influential people had since left Chongqing, requiring the reorganization of personal connections in the business to facilitate corporate activities.

In this way, the CCP could bring the personal networks of private enterprises into the new institution. From the CCP's perspective, it wanted to show that many managers of private enterprises had joined the new government, thus enhancing the new government's credibility.

### ***3.3.2 The Study Campaign and the Land Reform Inspection***

The PCCCI also carried out various studying activities. It formed organizations for study under the supervision of the Education Committee. By the end of July 1950, 19 categories of business had established 29 learning groups and were carrying out studying activities one to three times a week.

Most of these learning activities consisted of lectures by members of democratic parties such as the United Front or China Democratic National Construction Association. The contents of these lectures included the theory of revolution and industrial and commercial laws and regulations. For instance, a famous sociologist Fei Xiaotong<sup>11</sup> gave a lecture titled "Learning and Remolding." Audiences for these lectures totaled over 20,000. Apart from these lectures, each studying group carried out group discussions and studied texts, summarizing the results for circulation.

As one segment of these studying activities, the PCCCI carried out Land Reform Inspection. According to what had been planned, the CCP would carry out land reform in southeast China after 1951. Beginning in the Chongqing area, the CCP carried out rent reduction in the countryside around the city from around March 1950, completing the project around March 1951.

Meanwhile, Land Reform Inspection had already been carried out in the Northern China area, with the participation of the city's intellectuals, industrialists, and entrepreneurs (Li, 1950). Based on these experiences, the PCCCI formed a "Land Reform Inspection Team" in Chongqing (Table 3.1). The inspection team was divided into four groups. Group 1 went to northern Chongqing (Jiangbei District); Group 2 went to western Chongqing (Shapingba District); Group 3 went to southwest Chongqing (Shapingba and Dadukou Districts); and Group 4 went to southern Chongqing (Jiulongpo District). Group 3 comprised delegates representing commerce and industry, among them were members from the PCCCI and the China Democratic National Construction Party, such as Xu Zonglin and Yuan Xiaozhi. Group 3 departed Chongqing city on March 14, 1951, returning to Chongqing city six days later on March 20.

Many commercial and industrial business people owned land in rural areas, so they found themselves in a delicate position in the land reform struggles. Members of the



**Table 3.1** Overview of land reform inspection

Group	Districts of inspection	Time	Name of delegates
1	Northern area (Maoershi Xiang, Shimahe Xiang, Guanyinqiao Xiang, Jiangbei district)	14th–20th March	Pan Dachi (Professor of Chongqing University, China Democratic Alliance), Ma Gengliang, Yang Fuquan, Zhang Zengmin, Feng Kexi, Hu Kelin, Gong Chenhua, etc.
2	Western area (Geleshan Xiang, Shapingba district)	Around 25th March	Jin Xiru (Professor of Chongqing University), etc.
3	Southwest area (Daping Zhen, Shiqiaopu Zhen, Hualongqiao Zhen, Liziba Zhen, Xietaizi Xiang, Yangjiu Xiang, Shapingba and Dadukou district)	14th–20th March	Xu Zonglin (Executive committee of PCCCI, Manager of Dacheng Tannery, China Democratic Alliance), Wang Daoheng (Manager of Tianyong Chemical, China Democratic Alliance), Yuan Xiaozhi (member of PCCCI, manager of the Chongqing Branch of Chinese Standard Pencil), Zhang Qunhua (Manager of Tianquan Paper Corp), etc.
4	West and central area (Longmenqiao Xiang, Lijiatio Xiang, Jiulongpo district)	Around the end of March	Xia Chongshi (President of Qiantaiyu Commercial Bank), Du Gangbai (Professor of Sichuan College of Education), etc.

Source Xinan Renmin Chubanshe (ed.) (1951), pp. 85–104

Inspection Team jointly published a report in which they emphasized that “generally, in the process of a rent reduction, commercial and industrial businessmen did better than pure landowners.” They went on to say that “through land reform, the peasant masses had not disrupted the interests of commercial and industrial businessmen. The businessmen could cut off their feudalistic tails, to concentrate on managing their works” (Xinan Renmin Chubanshe, 1951).

In Daxian, a rural city in northern Chongqing belonging to Chuanbei Administrative Office, the land reform struggles waged by the CCP were fierce (Fukuchi, 1984). By contrast, with its small population of peasants, the level of land reform in Chongqing was relatively moderate, considering the interests of commercial and industrial business people. Chongqing’s business people were in a delicate position politically but were on the high ground otherwise. This situation clearly influenced their activities.

In addition, we also need to focus on the PCCCI’s role in connecting the city and the countryside.

### ***3.3.3 The Movement of Purchasing Government Bonds and the Korean War***

There is an intimate relationship between the Learning Movement of the PCCCI and the international political situation surrounding China at that time. The situation in East Asia and the Korean Peninsula was becoming more strained. On June 25, 1950, Kim Il-sung led North Korean troops southward, and the Korean War broke out. On June 27, the United States unveiled the “Truman Doctrine.” This was a policy to dispatch ground forces to the Korean Peninsula, neutralize the Taiwan Strait, and support France in Indochina. In the beginning, the war situation favored North Korea. However, on September 15, the United Nations forces consisting mostly of U.S. troops, began a major landing at Incheon and the war changed course. On October 9, U.N. forces crossed the 38th parallel, advancing toward the border with China.

Ten days after the declaration of the Truman Doctrine, China decided to establish defense units in Northeast China to deal with the expansion of the Korean War (Shu 1991). On October 10, Chinese People’s Volunteers crossed the Yalu River into Korean territory, and China became involved in the war. The Chinese government needed to purchase and produce military materials as quickly as possible from that time on. It issued a huge amount of national bonds to cover its military expenditures.

The Learning Movement in Chongqing and the international situation went hand in hand. The most important activity of the Learning Movement was to prompt commercial and industrial businessmen to support the wartime economy through “practical action.”

The most practical action was to join the Movement to Resist United States Aggression and Aid Korea. On July 20 and November 15, 1950, the PCCCI held, respectively, the “Congress to Resist U.S. Imperialism’s Aggression toward Taiwan and Korea” and the “Congress of the Chongqing City Business Community to Resist U.S. Aggression and Aid Korea.” In June 1951, the PCCCI established “The Committee for the Movement to Donate Airplanes,” which raised sufficient money for 20 combat aircrafts.

The second was to pay tax. Hu Zi-ang, the chief delegate of the PCCCI, pointed out that, “Commercial and industrial business people must recognize ‘Resisting United States Aggression and Aiding Korea’ is the most important mission of the people at the present time.” At the same time, he also pointed out the necessity of “consolidating price stability, remolding business people’s ideology, and strengthening political awareness” (Hu, 1950). However, he added that paying taxes was the way to effectively guarantee resistance to U.S. aggression. From the government’s point of view, business people were duty-bound to pay taxes. However, Hu’s words indicate that tax evasion was a common phenomenon in Chongqing in those days. Given the situation, his logic appeared to be that if business people fulfilled their duty of paying taxes, they would majorly contribute to the wartime economy.

The third was to purchase “Patriot Bonds on a Parity with Commodities”.<sup>12</sup> Through the Learning Movement, Chongqing businessmen “enhanced understanding

that the People’s Government strongly supported commerce and industry and that “the way to overcome our individual difficulties is to resolve the difficulties the country faces.” Purchasing bonds were allocated to each enterprise via the PCCCI or learning groups. The allocation was proportionate to the size of each enterprise. The highest allocation was for the shipping industry at 220,300 units, followed by the cotton textile industry (207,287 units), the mountain product industry (188,900 units), the banking industry (187,348 units), and the salt trading industry (144,051 units). Together, these five industries accounted for 45 percent of the total amount of 2,107,448 units.

Although enterprises were not obliged to buy bonds, it was mandatory. That said, there was little inflation because they were issued by the state and converted on a par with actual commodities. In a recession, when the risks associated with using idle capital were relatively lower, industrialists and business people immediately accepted purchasing Patriot Bonds.

Through researching the Learning Movement, we can see that the most important task of the CCP was to concentrate the capital of industrialists and business people into the People’s Government as soon as possible. At the time, the managers of each company also saw the practical benefits and so they joined the activities of the PCCCI.

### **3.4 Becoming a “Chamber of Commerce”**

#### ***3.4.1 The PCCCI and the Policy of Processing, Ordering, and Purchasing***

Another important mission of the PCCCI was to mediate in the “processing, ordering and purchasing” by the government.

Early in 1950, the Chinese government adopted an austere fiscal policy and withdrew the former currency; the economy went into recession, triggering the so-called “April emergency” (Izutani, 2007). Meanwhile, the CCP and Kuomintang were still fighting in Sichuan; in addition, March was the time between crops in rural areas when the price of grain and textile soared. In January, 1 parity unit was converted at the rate of 2,000 RMB, but this had rose to 8,000 RMB by March. After April, prices stabilized, leading to a slow-down of speculative activities; this, together with the delay in the recovery of transport infrastructure, disrupted the distribution of goods and the flow of funds. The market fell into a panic. For instance, the cotton spinning industry had a manual production capacity of 5,700 bales of No. 20 count cotton yarn per month, but could only manufacture 4,412 bales in May. The industrial screw industry had a production capacity of 469 tons per month, but only produced 194 tons in May, of which it sold 115 tons. Every industry cut back production one after another; some enterprises suspended operations, and many started to sell their real-estate holdings.

Under these circumstances, the People's Government adopted the policy of "processing, ordering and purchasing" vis-à-vis private enterprises to stimulate the economy (Kajima, 2018). After the "liberation" of Chongqing, the People's Government consistently carried out its policy of "processing, ordering, and purchasing;" in the beginning, however, each section of the People's Government carried out the policy separately, based on their needs. After July 1950, the People's Government decided to consolidate the policy allocation under the Department of Commerce and Industry supervision. From around August, because of the outbreak of the Korean War, the amount of the "processing, ordering and purchasing" increased, which had a big impact on the operations of enterprises.

From July 15 to the end of October, the amount of processing, ordering and purchasing carried out by the Department of Commerce and Industry was as follows: 11,720,562,578 RMB (processing), 25,341,821,300 RMB (ordering), and 18,267,100,357 RMB (purchasing), with the total amount coming to 55,329,484,235 RMB. Seeing that the tax revenue of Chongqing city from January to October 1950 came to 298,538,150,880 RMB, the extremely large scale of the policy of processing, ordering, and purchasing is evident.

The contracts drawn up in connection with this policy were not directly between the government and the contracted enterprises. Concerning contract procedures for ordering, the Department of Commerce and Industry first gathered orders from each section, allocated by bidding in the "Meeting of Processing and Ordering" held several times a month. The PCCCI dispatched representatives to this meeting who, after they received the bids, allocated the work to each member enterprise. In addition, when the government concluded a contract with an enterprise after the PCCCI had allocated the work, the PCCCI's signature was needed.

Regarding processing and ordering by the PCCCI from August to October 1950, many orders were placed by military-related institutions, including the Department of Munitions, and infrastructure institutions such as the Southwest Railroad Bureau. Most of the commodities ordered were industrial products such as canvas, medicinal supplies, military uniforms, tobacco, pots, and electric wire. The amount of processing, ordering and purchasing increased rapidly from September 1950, totaling 39,049,349,048 RMB (+6,000 parity units + 611,053 shi [1 shi = 1,00 l]). This amount accounted for over 70% of Chongqing city's total processing, ordering, and purchasing. From this standpoint, it can be thought that the PCCCI had the authority to carry out the processing, ordering, and purchasing on behalf of the People's Government.

### ***3.4.2 Commercial and Industrial Loans***

The PCCCI also carried out another promotion for commerce and industry. As mentioned above, the distribution of goods and the flow of funds were still disrupted in the early 1950. In May, when raw silk was listed on the commodity market, there was an increase in demand for funds for purchasing and soon there was insufficient

money in circulation. The PCCCI, the People’s Bank of China, and the Department of Commerce and Industry coordinated a “Commercial and Industrial Loan” to make up for the shortage of funds.

The Commercial and Industrial Loan was coordinated by the United Banks Syndicate consisting of the People’s Bank of China, Young Brothers Banking Corporation, Xinhua Bank and the Chinese Industrial Bank, under the supervision of the PCCCI. Key industries such as transportation and the coal mining industry became the object of the loan. At first, United Banks Syndicate made 48 billion RMB in loans to the shipping industry. After that, they also allocated 80 billion RMB in loans to PCCCI member enterprises, with a ratio of 80% to industry and 20% to commerce. In addition, they granted further loans secured by contracts for processing, ordering and purchasing.

These loans were screened and guaranteed by the PCCCI. For member enterprises, this meant they had access to operating capital immediately; for bankers, it meant they could avoid the risk of loan loss.

As examined above, the PCCCI used its function of economic intermediation to strengthen its influence. That is why the managers of each enterprise were drawn into the PCCCI.

### **3.5 Five Antis Campaign, Socialization and the End of Trade Associations**

#### ***3.5.1 Five Antis Movement***

The Chongqing CCI, which reorganized and absorbed the trade associations in Chongqing, became the Chongqing Municipal Chamber of Industry and Commerce (CCCI) in January 1952. It can be said that the CCCI was an organization for the Communist Party to establish indirect control between the government and private business owners to integrate the operations of enterprises that the government could not control. At the same time, the Three Antis and Five Antis Campaign that tried to treat economic activities as political issues. These were the nationwide mass movement to develop the Three Antis Campaign (against corruption, wastefulness, and bureaucratism of the party cadres) started in November 1951. The Five Antis Campaign (against bribery, tax evasion, embezzlement of state materials, cutting corners on projects and materials, and leakage of state economic information by the bourgeoisie) started in January 1952. The latter had a great impact on the national capitalists and industrialists.

In Chongqing, the campaign began in February 1952, one month later than central China. At the campaign time, the Chongqing government organized the inspection teams consisting of 3,000 executives from various Chongqing municipal organizations and students from universities and junior high schools. It developed into a

large-scale campaign through mass mobilization, including holding various meetings such as the expanded meeting of Chongqing Municipal People's Consultative Committee members and the organization of demonstration marches. In this context, the enterprises were classified into five categories: (1) legal enterprises (those that have not committed any illegal activities); (2) basically legal enterprises (those whose total illegal income is less than 2 million yuan and not malicious according to their confession and the government's records); (3) half-legal, and half-illegal enterprises (those whose illegal income exceeds 2 million yuan and whose illegal activities have not caused serious harm, except for direct harm to the state as well as the people); (4) Strictly illegal enterprises (those whose illegal income is large and causes serious harm, or those who refuse to confess even if there is no serious harm); (5) Completely illegal enterprises (those who have caused serious harm to national social construction projects—especially national defense military facilities—the people's safety, or those who have organized mass-theft). In addition to being ordered to pay fines and restitution of ill-gotten gains according to their respective categories, those who fell into categories (4) and (5) above were tried in the "Five Antis" People's Court and subjected to criminal punishment, including fines, imprisonment, and the death penalty (Beijing Shi Renmin Zhengfu, 1952, pp. 15–17). In Chongqing, 37,155 industrial and commercial enterprises participated in the Five Antis Campaign, of which (1) 10,709 (28.8% of the total) were the legal enterprises, (2) 21,276 (57.3%) were the basically legal enterprises, (3) 4,477 (12%) were the half-legal, and half-illegal enterprises, (4) 556 (1.5%) were the strictly illegal enterprises, and (5) 137 units (0.4%) were the completely illegal enterprises (Chongqing Shi Zengchang Jieyue Weiyuanhui, 1952).

Under these circumstances, the member companies of the Chongqing CCI took hard to damage. For example, in June 1952, the Young Brothers Banking Corporation, a Chongqing Financial Industry Association member, began to be held legally responsible for banking management. In the board of directors meeting of the bank, it was reported that the government's approval of the bank had been changed from "completely illegal" to "strictly illegal" and "half-legal, half-illegal." Efforts were underway to approve the bank as "basically legal" and plan to return any ill-gotten gains. At the board of directors' meeting of Young Brothers Banking Corporation, it was reported that key managers, such as accountants were unable to carry out their duties. This is because they had to confess to the Five Antis Campaign, and that some of the board members' qualifications had been revoked because of the judgment on the Five Antis Campaign. These reports indicate that the management of Young Brothers Bank was affected by the Five Antis Campaign to a considerable extent. It is not difficult to imagine that the Five Antis Campaign exerted great pressure on private enterprises to convert to socialism.

### 3.5.2 *The Joint Operation, Joint State-Privately Operation, and the Demise of Trade Associations*

At the same time, the Communist Party was promoting mergers and unification of enterprises by using joint operations (*lianying*) and integration of joint public–private operations (*gongsi heyingsi*). The Joint operation integrates personnel rights and management rights among several enterprises on the premise that each enterprise retains its legal status and profits. Based on the shares of each enterprise acquired through the confiscation of hostile assets and capital increase, the Communist Party dispatched a “Government representative” (*Gonggu daibiao*). He was to represent the government shares to have a say in the shareholders’ meeting and strongly promoted the participation in Joint operations by utilizing the structure of indirect control obtained through the CCI. In Chongqing, for example, by participating in Joint operations, the nine private banks were integrated into three: “Chongqing Public and Private Bank Xinhua Bank,” “Chongqing Public and Private Bank Hecheng Bank,” and “Chongqing Public and Private Bank Young Brothers Bank.” These banks were placed under the centralized control of the General Administration of Public and Private Banking Union, established in Shanghai in May 1951. These banks were then merged into the General Administration of Public and Private Bank, established in Beijing in December 1952. They became a branch of the General Administration of Public and Private Bank. In this way, the management rights of private banks were completely taken out of the hands of the capitalists, and the entire commercial banking industry was merged into the public–private sectors in 1953.

The Chongqing Association of Industry and Commerce became an obscure entity in this process. First, in August 1952, the Association was made a subordinate organization of the Chongqing Municipal Federation of Industry and Commerce. Furthermore, in November 1953, the personnel and property rights were unified with those of the Chongqing Municipal Federation of Industry and Commerce, and it lost its position as an independent organization. And in November 1958, it was resolved to abolish the Association of Industry and Commerce. Here, the trade association, which had continued to function as an autonomous organization in Chinese history, finally disappeared from the scene.

## Conclusion

This study has examined the socialist transformation by the CCP, focusing on the case of the reorganization of intermediate associations in Chongqing. First, the Communist Party “expropriated” Chongqing against the backdrop of its military power. At the same time, it developed a huge amount of public works, such as railway construction and processing outsourcing orders. This had a major impact on the Chongqing economy under the recession, and at the same time created new business opportunities around the Communist Party’s administration. The Chongqing PCCCI increased its influence by acting as an intermediary for these activities. Most of the members elected to the council were managers of large and influential enterprises

in Chongqing. Once they became council members, they were required to participate in various study campaigns, clarify their financial situation, and purchase public bonds. Despite this, the Chongqing PCCCI attracted people to join it because it was of great significance for the business of private enterprises to survive the new trend that emerged after the change of government.

The socialist transformation of the Trade Associations promoted in the 1950s brought together the various organizations, practices, and social relations that had colored China's social economy into a consolidation centered on the CCP. In this sense, the socialist transformation by the CCP was an attempt to ensure stability by restricting the free operation of the social economy and keeping economic activity within each region through centralization of power and profit in the regime and the containment of critical forces. In contrast, the socialist transformation promoted by the CCP was also an attempt to introduce other-oriented and broad-based rules backed by state power. This seemingly a contradictory situation glimpsed in the socialist transformation led to the formation of another principle of decentralization and the development of the so-called "Economies of Feudal Princes (*zhuhou jingji*)" after the Reform and Opening-up Policy, which coexisted with the orientation toward the integration of development dictatorship. In this sense, the 1950s can be said to be the starting point for the formation of "regions" in modern China.

## Notes

1. Masubuchi Tatsuo's theory of "chivalrous customs" (Masubuchi, 1996) and Kato Hiroyuki's theory of "ambiguous institutions" (Kato, 2016) are expressions of this awareness of the problem.
2. In premodern China, there were various intermediate institutes such as *huiguan* (institutions from the same province), *gongsuo* (business association). These institutions kept the interests of their members with the "*Bang*" organization, also played a role in the associations of urban autonomy. After the National Government era, these institutes were reorganized into the official institutions through the governmental registration. In this chapter, the *Tongyegonghui* means such official institutions. (Shanghai Shuppan Kyoukai Chousabu, 1925).
3. Early top-level administrative divisions of the People's Republic of China that directly governed provinces and municipalities under the control of the Central People's Government. There were six greater administrative areas such as *Dongbei* (Northeast), *Huabei* (Northern China), *Xibei* (Northwest), *Huadong* (Eastern China), *Zhongnan* (Central and South), *Xinan* (Southwest), and each had the People's Government and the Military and Political Committee. They were dissolved in 1954. (Amako et al., 1996, p. 682).
4. Born in Zhejiang Hangzhou in 1876. Joined Hanlin School. After the Qing-Japanese war, he went to Japan to study, entered Hosei University, and subsequently joined the Wushu Revolutionary Movement. After the Xinhai revolution, he became a senator of the first national congress, president of Shanghai Commercial Press, and president of Zhejiang Xingye Bank. In the Sino-Japanese war era, he joined the anti-Japanese savings movement, which led to the Shanghai Municipal Association of Peoples Unification formation. After the establishing the PRC, he became a senator of Central People's Government, vice chief of the committee of All National Congress, and chief delegate of the All-National Chamber of Commerce and Industry. He died in Beijing in 1966. (Amako et al., 1996, p. 891).



5. Born in Hongdong, Shanxi Province in 1895. He participated in the Xinhai Revolution and joined the Communist Party of China in 1926. He worked under Feng Yuxiang, and at the time of the Xi'an Incident, as secretary to Yang Hucheng, he worked to imprison the former President Chiang Kai-shek. He later became the deputy director of the Central United Front Department of the CPC, the director of the Finance and Administration Office of the Shanxi Gansu Ningxia Border Regional Government, and the secretary-general of the Council. After the founding of the People's Republic of China, he served as the general manager of the People's Bank of China, the chairman of the Bank of China, and the chairman of the China Council for the Promotion of International Trade. In 1963: vice president of the China-Japan Friendship Association. Persecuted during the Cultural Revolution and died in 1967. (Amako et al., 1996, p. 974).
6. Born in 1897 in Qingtian, Zhejiang Province. In 1936, he participated in founding of the Shanghai Association for the Salvation of All Spheres. He was counted as one of the seven sovereigns of the anti-Japanese war era. He was criticized for his anti-rightist struggle in 1957, and his honor was restored in 1980. He died in 1977. (Amako et al., 1996).
7. Born in Wuxi, Jiangsu Province, in 1916, he graduated from Shanghai St. John University in 1937, and worked as an accountant and director of Wuxi Maoxin Flour Company and Shanghai Sanxin Bank. After founding of the People's Republic of China, he joined the China Democratic National Construction Association and became a member of the Eastern Military Commission's Finance and Economic Committee. 1957, Deputy Mayor of Shanghai; 1959, Deputy Director of the Textile Industry Department of the State Council. After being disqualified by the Cultural Revolution, he became the first chairman and general manager of CITIC in 1979, vice president of the State Council in 1993, and died in 2005. (Amako et al., 1996, p. 46).
8. Born in Chongqing, Sichuan Province, in 1897. After graduating from Peking University, he was involved in managing several enterprises, including Chairman and General Manager of Chuankang Industry Corporation, and served as a councilor of the National Consultative Assembly, Director of the Sichuan Provincial Construction Agency, and Chairman of the Chongqing Municipal Council. After the founding of the People's Republic of China, he served as a member of the Southwest Military Commission, a member of the Southwest Administrative Commission, the vice mayor of Chongqing, the central vice president of the Democratic People's Republic of China, the president of the National Federation of Industry and Commerce, and the chairman of the China Industry and Commerce Economic Development Corporation. (Amako et al., 1996, p. 355).
9. The term refers to Communist Party cadres who moved from the “Old Liberated Area” in northern China to the “New Liberated Area” in southern China as the People's Liberation Army moved southward. In Chongqing, the mainstream cadres were those in the Second Field Dispatch Army of the People's Liberation Army (commander: Liu Bocheng, political commissar: Deng Xiaoping).
10. According to a report, because of the lack of expenditure, PCCCI obtained loans of 100 million RMB from banks in the beginning. “Report on the Work of the Preparatory Committee of the Chongqing Municipal Confederation of Industry and Commerce (6) (31 July to 12 August 1950),” *Chongqing Municipal Confederation of Industry and Commerce Archive* (Chongqing Municipal Archive, [1040-1-6]).
11. Born in 1910 in Jiangsu Province. After studying anthropology at Yanjing University and Tsinghua University, he studied social anthropology under Malinowski at the London School of Economics and Political Science, where he received his doctorate. After returning to China, he served as a professor at Southwest Union University and Tsinghua University, joined the Chinese Democratic League in 1945, and from the 1950s onward, while serving as a professor at Peking University, focused on ethnographic research and became deeply involved in ethnic identification. He was criticized for his anti-rightist struggle, but in 1978 he joined the Chinese Academy of Social Sciences and revived sociology as director of the Institute of Sociology. He was influential in establishing new perspectives in China after the Reform and Opening-up

Policy, such as the Chinese-style intrinsic development model and the theory of the Chinese ethnic pluralistic integrated structure theory. (Amako et al., 1996, p. 1065).

12. To hedge the risks of the currency inflation, CCP established “Parity Unit Rates” (Zheshi Danwei Paijia). In southwest China, 1 parity unit formally was converted into the amount of RMB of the commodities as follows: 3jins (=1.5 kg) of Dahe fine rice, 1 shichi (=1/3 m) of Shuangxi white textile, 1liang (=50 g) of oil, 1liang of salt, 3jins of coal. “The Regulation of the Salary Standard of the Military Committee of Chongqing (January 1950)”. (Zhonggong Chongqing Shiwei Dangshi Gongzuo Weiyuanhui, 1985, pp. 168–169).

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