
UNIT 10 FOREIGN INVESTMENT AND RISE OF NEW CLASS

Structure

- 10.0 Objectives
- 10.1 Introduction
- 10.2 Some Observations
- 10.3 Foreign Capital in China
- 10.4 Emergence of the Chinese Bourgeoisie
- 10.5 The Chinese Bourgeoisie and the 1911 Revolution
- 10.6 Bourgeoisie in the Period of Yuan Shikai
- 10.7 The Bourgeoisie, 1916-1919
- 10.8 Rise of Urban Society
- 10.9 Let Us Sum Up
- 10.10 Key Words
- 10.11 Answers to Check Your Progress Exercises

10.0 OBJECTIVES

After reading this Unit, you will be able to explain the:

- significance of Foreign Capital in China;
- role of the bourgeoisie in the 1911 Revolution;
- position of the business community during Yuan Shikai's presidency; and
- role of World War-I in facilitating the growth of the Chinese bourgeoisie.

10.1 INTRODUCTION

Starting with the role of foreign capital in Chinese economy this Unit goes on to discuss the emergence of bourgeoisie in China. It further discusses the role of bourgeoisie during the 1911 Revolution and how they reacted to the rule of Yuan Shikai. The bourgeoisie on the one hand contributed in the development of indigenous industry and trade and on the other in the development of the New Culture Movement. They also contributed in the growth of urban centres and a distinct urban culture. These aspects have also been dealt within the Unit.

10.2 SOME OBSERVATIONS

Traditional Chinese society comprised mainly of peasants and gentry. In addition there were members of the nobility and a tiny group of merchants. Merchants were not necessarily a part of the ruling group. The power of the ruling group rested on landownership, civil service examination qualifications and position in

the administrative set up. The merchant's jobs comprised mainly of trading activities. Industrialization did not come about in China the way it did in Europe and Japan. The landownership pattern was such that the agriculturist did not need to invest his surplus in industrial growth to make further profit. China, remained industrially backward and therefore the demand for modern technology also remained limited. With the direct involvement of foreign powers since the second half of the 19th century, the scenario changed slightly. Taking into account the size and population of China, foreign trade and investment played a relatively small role in the Chinese economy. Its political fallout was, however, quite consequential. In his essay "Analyses of classes in Chinese society", Mao Zedong had identified the two distinct social groups viz., the comprador bourgeoisie and the national bourgeoisie, among other classes. In his view, the two groups were distinguished by their role in the revolutionary struggle that China underwent in the first half of the 20th century. The national bourgeoisie was a patriotic force on the side of the revolution and anti-imperialist to the core. The comprador class was by definition a collaborator of imperialism and therefore unpatriotic and counter-revolutionary. Some scholars have found this distinction, made by Mao, rather superficial as they see the entire bourgeoisie completely dependent on foreign investment and trade. It would be closer to the truth if one assumes that these two were not separate class-formations but were two political categories, the nationalists and the reactionaries. The significant point, however, is that this was a politically conspicuous group and did play a meaningful role in the revolutionary struggle.

10.3 FOREIGN CAPITAL IN CHINA

Though in certain sectors of the Chinese economy Japanese and Western impact was noticeable, generally speaking, most of the Chinese economy remained beyond the reach of the foreigner. According to reliable estimates, foreign investments in China in 1914 amounted to 1,610 million US Dollars where as they were 733 million in the year 1902. On a per capita basis, taking the Chinese population in 1914 to be 430 million, the figure is approximately 3.75 US Dollars. This was remarkably smaller compared to foreign investment in other colonies during the same period. Even in the 1930s, private foreign investment in China was less than one per cent of its gross national product. Foreign investments grew over the years partly due to upward movement of prices and partly because foreigners reinvested their profits in China itself. The growth of Jardine Matheson and Company over the course of one century from a tiny agency house to the largest foreign company in China with many industrial and financial interests in several of the Treaty Ports, was the result of reinvestments done several times over.

Direct investment of foreign capital had gone into the following areas:

- import and export,
- trade,
- railways,
- manufacturing,
- property,
- banking and finance,

- shipping,
- mining, and
- communication.

This illustrates the fact that unlike many other countries very little foreign capital had gone into the export-oriented industries like plantation agriculture.

Foreign capital was most heavily invested in the Treaty Ports - Shanghai in particular. Hence it was in and around these places, that the new class of urban bourgeoisie originated. It is true that due to foreign-owned enterprises and foreign investment in Chinese enterprises, Chinese native industrial development was obstructed. This was so because the Chinese firms simply could not compete successfully with foreign firms. The Foreign firms enjoyed larger revenues, better technology and management and more importantly the privileges of extraterritoriality, exemption from Chinese taxes and were not affected by the whims of the Chinese bureaucracy.

10.4 EMERGENCE OF THE CHINESE BOURGEOISIE

Here the term bourgeoisie has been used in the more restricted sense. We take it as a group comprising of entrepreneurs, modern style businessmen, financiers and industrialists. The general 'middle-class' which includes professionals, intellectuals and landowners has not been included.

The upheaval of 1911 marked the establishment of the bourgeoisie as a major force in the economic and social life of China. Since the 18th century, due to demographic changes, the pace of urbanization in China was accelerated. This also increased the number of traders and merchants who bought commodities including food grains from the villages and sold them in towns and cities. With the intervention of the West in a more aggressive form since the Opium Wars, tremendous economic changes were visible in the coastal areas of China, many of which were Treaty Ports. The dominant urban classes — merchants as well as scholar officials saw — this as an opportunity for profit. The merchants had wealth, entrepreneurial skill and willingness to try out innovations. For example in a period of three (1895-98) years the merchants had invested more than 12 million yuan in about 50 enterprises. This was more than the capital invested in the last twenty years. The mandarins had access to the administration and to the public treasury with a sense of responsibility. From an unusual collaboration and political amalgamation of these two classes of gentry and merchants, emerged the Chinese bourgeoisie.

The 1911 Revolution had weakened the position of the mandarins. Obviously, commercial ventures became a good alternative to achieve economic status if not political power. The outbreak of the First World War in 1914 was, however, a watershed in the development of the native Chinese bourgeoisie. The new class now sprung into action as the temporary withdrawal of foreign competition opened new markets for it, both within China and outside. Expansion and diversification of business opened up new business avenues. We find that the bankers and industrialists became the leading players in the Chinese urban economic scene. The war time and early post-war years are termed as the golden age of the Chinese bourgeoisie. The year 1927 was another turning point

for this class when a bureaucratic – military control of north of China hindered the development of a free capitalist system.

10.5 THE CHINESE BOURGEOISIE AND THE 1911 REVOLUTION

Taking our definition of the bourgeoisie – the class tied to modern business, it is clear that it had only a secondary role in the 1911 Revolution. After the success of this Revolution the bourgeoisie did try to exploit the situation to their own advantage. Though they succeeded in getting their essential interests respected, they could not seize political power except at the local levels.

The Wuchang uprising, which bought about the 1911 downfall of the Chinese monarchy, although a military endeavour, had been supported by the merchants. The Chamber of Commerce granted the insurgents a massive loan in return for the protection from looters and arsonists. Merchants also organized a militia to hunt down the anti-socials. In Shanghai, the city which witnessed the emergence of a very strong bourgeoisie class, the cooperation between this class and the revolutionaries was a critical factor in the success of the revolution. The business community established contacts with the Tung Menghui (Revolutionary Alliance) which later became the Guomindang. Shanghai's experience in military-merchant cooperation was exceptional. Nevertheless, in most parts of China the emerging business class opted for republicanism and opposed monarchy. Although the bourgeoisie did not take initiative in the uprisings, yet they welcomed the revolution sympathetically and confidently.

This important role of the bourgeoisie can be explained as a phenomenon of, what is called, “ideological super determination”. The emergence of this new class in China coincided with the ideas of democracy, liberation and nationalism – ideas that had come from the West. In the 18th and 19th centuries when these ideas appeared in Europe, they were espoused by the rising bourgeoisie. The ideas of democracy, constitutionalism and nationalism preached by the leaders of the anti-Qing opposition coincided with the aspirations of the bourgeoisie, who supported the opposition parties and organizations.

Immediately, after the revolution the lack of central power and the decay of public authority led the urban elite frequently to a situation where they had to run the day-to-day administration of cities. They devoted themselves to the service of the urban population collectively, moved by a Confucian sense of civic responsibility. The aim of the merchants was not to seek power for themselves but to maintain social order and contending with pirates, brigands, indiscipline soldiers and secret societies. The Chambers of Commerce paid the soldiers, bribed the bandits to deport, disbanded troops and mediated in disputes between rival generals. The political role which the merchant class played was of a limited nature. They did not try to change the system but tried to become a part of it, attempting to remedy its faulty functioning. They were not prepared to assume directly the political responsibilities from which tradition had always excluded them. Their involvement hence could only be short-term. Their limited political role and indirect control brought them many risks. Local power holders often turned against the merchants, taxing them, threatening them and also kidnapping them. Despite the financial powers that rested with them, they became the first victims of the authorities whose establishment they had facilitated.

Generally speaking, in Chinese provinces the power of the merchants could not take the place of the bureaucratic power of the central and provincial governments. All it could do was to limit the destructive anarchy which seemed to be the only alternative to the imperial system.

The Shanghai bourgeoisie – most cosmopolitan and modernized – asserted to become a dominant political force. They longed to expand their business with the interiors of China and not remain only coast-oriented. They, therefore, desired national unity. The bourgeoisie of Shanghai adopted Sun Yatsen's republican programme and joined him in his drive for modernization. By their massive loans, the merchants of Shanghai helped Sun establish the Chinese Republic in Nanking on January 1, 1912. In his manifesto, announced five days later, Sun promised: "We will revise our commercial and mining codes, abolish restrictions to trade and commerce." Within these, quite a few measures beneficial to the merchants were announced. The Nanking government, however, remained in office only for three months and so could not implement anything. The bourgeoisie neither could directly grab power nor could it prevent its representative, Sun and his GMD, from losing it. Of course it was able to make its strength felt. In the provinces it had helped business to continue formally and maintain a certain degree of law and order.

Their support to the Nanking government prevented the most undesirable – the return of the Manchu dynasty. They failed in setting up political structures which were necessary for their own development. In the provinces, they had too poor a social base to be identified separately from the gentry. They did not succeed in reaching out to rural Chinese society which had for centuries been accustomed to a bureaucratic authoritarian tradition.

Check Your Progress 1

- 1) Discuss in about ten lines how the Chinese bourgeoisie emerged as a social force.

.....

.....

.....

- 2) Discuss in about five lines the role of merchant class in politics.

.....

.....

.....

10.6 BOURGEOISIE IN THE PERIOD OF YUAN SHIKAI

With Yuan Shikai's accession to the presidency of the Chinese Republic, a period of political recession ushered in for the Chinese bourgeoisie. After several months of disorder business circles were anxious for a return to calm and security. Their somewhat hesitant rallying with Yuan Shikai marked the beginning of this political re-orientation. Their bonds with the revolutionary republicans grew looser. In Shanghai the 'dare-to-die' troops accused the General Chamber of Commerce

of treason when their Commander was arrested in April, 1912 in the International settlement. The bourgeoisie became attracted to new and moderate political parties, which in May 1912 reorganized themselves to become the Republican Party. In the national elections of 1912-13, the moderates supported this party in Shanghai. Yuan Shikai took pains to give compensation and assurances to merchants by recognizing the contractual obligations of the Nanking government to the business circles of Shanghai, and promising indemnification to the merchants of Hankow whose shops had been destroyed in the upheaval of October, 1911. In April, 1912, Yuan also announced a series of reforms designed to win the support of the bourgeoisie. These included: suppression of the transit tax (likin); reduction in export taxes; unification of the currency; and a policy of industrial development.

After the stagnation of the first few months of 1912, the resumption of business diverted the bourgeoisie from political action. Because of an abundant crop and rise in the value of silver in the world market, foreign trade figures showed a relative improvement. This prosperity spread to the industry. In Shanghai, in 1912, it became necessary to increase by four times the supply of industrial electric current to meet the demands of new plants especially those of the rice-mills, which were being built in significant numbers, and of the textile mills which were developing their capacity. During this period the milling trade experienced rapid growth. Machine shops increased in number. Blast furnaces in Hanyang, which had been abandoned during the 1911 uprising, were brought back into operation by exclusively Chinese teams. In the mining industry prospecting and mine work were expanding. Construction of the tramway system of the city of Shanghai was planned and completed within a few months without any outside help. This overall effort was sustained and coordinated by a dozen or so provincial or national societies for the encouragement of industry, formed during 1912.

In this improving situation what business circles feared most was a re-occurrence of military and political disorder. Sung Jiaoren's assassination on March 22, 1913 caused deep uneasiness in the minds of Shanghai merchants. However, they were less disturbed by Yuan Shikai's treason (as it was well-known that he had masterminded the assassination) than by Sun Yatsen's hostile reactions. At a time when the whole political situation was fluid, the bourgeoisie feared the advent of a new crisis which could upset the improved atmosphere. Disappointment with the revolutionary experiment, the attractions of an orderly regime and the new hopes aroused by the economic expansion, all combined to push them towards a collusive neutrality. They were forced to make up their minds with the crisis of summer 1913.

Military leaders in the southern provinces declared their independence when conflict broke out between Yuan and Sun Yatsen. Shanghai too was drawn into the movement as the rebel troops came out into the streets. The merchants hesitated between open hostility towards the rebels and the opportunism necessary for the preservation of their interests. The General Chamber of Commerce refused to approve the independence declaration or to supply the rebel commander with funds he demanded. They declared that Shanghai will not be converted into a battle field.

At Canton, the governor who had declared the city's independence on July 21, found the merchants either hostile or passive. In all the principal ports of

the Yangtze river, merchants showed the same cautiousness, the same veiled hostility. With varying degrees of success, the local chambers of commerce devoted their energies to preserving their city, bribing the rebel soldiers to leave and preparing the way for the peaceful return of the northerners. At Nanking these efforts failed, here merchants had supplied a great amount of money to the Southerners; now they saw themselves ruined by the entry of the northern troops and the pillaging that followed between September 1 to 3, 1913. The bourgeoisie's hostility to this 'Second Revolution' of 1913 was manifested only in the most circumspect fashion, particularly in those provinces that had declared independence. Chambers of commerce showed no overt opposition; they merely refused their financial cooperation as long as the pressure was not too great. In any case, the outcome of the struggle depended mainly on the military leaders, and on the quality and number of their troops. Here Yuan Shi Kai's superiority was clear almost from the start. This opposition or aloofness of the bourgeoisie, as one may like to call it, did not carry any decisive weight in 1913. For all practical purposes the bourgeoisie remained only a secondary force.

Failure of the 1913 uprising brought about heavy taxes and destroyed shops. This forced the bourgeoisie to defend their short-term interests. Yuan Shikai encouraged the merchants to maintain their traditional social isolation and non-involvement in politics. Once victorious, he eliminated the revolutionary opposition by forcing its leaders into exile and ordering the dissolution, first of the GMD in November, 1913 and then of the Parliament in December of the same year. He also attacked all the representative bodies at the lower levels set up for the benefit of local elites before and after 1911. In February, 1914 he suppressed the provincial and local assemblies, which had just been resuscitated during the winter of 1912-13 on the basis of a much enlarged electorate i.e., about 25 per cent of the male adult population. Since the revolution these local assemblies had taken over many of the administrative, fiscal and military functions normally reserved for the state bureaucracy.

In addition, they served as forums and mouthpieces for the new associations of industrialists, educators, artisans and women, which were growing in large numbers at that time. Through these associations a whole stratum of society including the gentry, intellectuals and small merchants, found themselves integrated into the political life of the nation. The assemblies represented an iota of liberation in the Chinese political tradition. For the first time one saw the defence of local interests and social groups which were shut out or neglected by the earlier ruling classes. Thus, from Yuan's point of view they represented a threat both to his own personal power and to the maintenance of national unity, which he equated with a vigorous administrative centralization.

For the merchants of Shanghai this was the end of an exceptional experience. In the municipality of this Chinese city; the urban gentry had been able to give proof of its capacity for management, its attitude for modernization, its compensation of democratic procedures and its interest in major national problems. Business circles in Shanghai never again recovered this local administration and political autonomy. The bureaus of public works, police and taxes which Yuan had substituted for the former municipality remained strictly subordinated to the local officials. A law passed in 1914 strengthened government control over the Chambers of Commerce thereby succeeding in depriving the business community of their means of political expression. Deprived of initiative, the merchants began to lose interest in the great ideals which had inspired them

since the beginning of the century. Unable to achieve a countrywide acceptance of the modernity drive which they had themselves pioneered in China, they became absorbed in the defence of their short-term interests. Faced with a military-bureaucratic regime they strove to strengthen the autonomy of their geographic and social base, in the shadow of foreign presence. At the International settlement, for example, they often asked for protection by the foreign police.

Yuan Shikai's presidency was characterized by a new element: a determination to further economic development by completing commercial legislation, stabilizing the fiscal and monetary system, and encouraging private enterprise. The minister for agriculture and trade had laws passed on the registration of commercial enterprise and corporations, and on corporation establishments; he set up model stations for growing cotton and sugarcane and he planned to standardize the system of weights and measures. In February, 1914 the Yuan Shikai's dollar was established which the first step towards monetary unification was. This willingness to encourage and promote business contrasted rather strangely with the refusal to grant any power at all to the bourgeoisie. Here Yuan returned to the tradition of a modernizing bureaucracy, of which he had himself been a strong supporter and representative in the last years of the Qing dynasty. Yuan was now a dictator, his power base was in the army and in the mandarin class. What for would he need to woo the merchants? Hence it would be incorrect to see in his economic policies any pledge to support the bourgeoisie. It would also be wrong to attribute to it the prosperity enjoyed by the Treaty Port regions during the four years or so of Yuan's regime. In fact, it was the transformation of the international situation brought about by the First World War which was the decisive impulse that propelled the Chinese rising new class into what is called its 'golden age'.

10.7 THE BOURGEOISIE, 1916-1919

At the beginning of the 1920s, national capitalism was in full swing in China with a new generation of businessmen who had appeared on the scene. They were directly linked to industrial production and the exploitation of a salaried work force. This upswing in the urban economy and society resulted not from a revolution which had been taken over by militarists but from an economic miracle caused by World War I.

The war restored to the Chinese market part of the protection of which the unequal treaties of the nineteenth century had deprived it. Too involved in their own strife, the belligerent powers turned away from China. European departure from Chinese business did favour the development of national industries in replacement but it also encouraged the expansion of Japanese and American interests, which in turn became sources of major conflicts in later years.

The war caused a marked increase in the world demand for elementary products and new materials like non-ferrous metals and vegetable oils. As a major supplier of primary products, China was well-placed to meet this demand. Also, the increase in purchases made by the Western power in countries with a silver based currency, China and India, stimulated the rise in the international price of silver. The tael thus became a strong currency. Within a few years its purchasing power in the world market tripled. External debt charges were reduced bringing some relief to the overstrained Chinese economy but imports

and particularly imports of industrial equipment was not facilitated. The reason was simple: for if the war offered the Chinese economy opportunities for development, these opportunities could be grasped and exploited only within the restrictive framework of an underdeveloped economy, dependent on the dynamism of a semi-colonial system suffering deeply from certain handicaps.

The requisition of merchant fleets by the belligerent states, the reduction in world commercial tonnage, and the consequent rise in freight rates hampered international trade. Exchange controls and the embargoes on silk and tea imposed by France and Great Britain in 1917, denied traditional outlets to Chinese products. In the end, the priority given to war industries by the European powers adversely affected the supply of equipment to China. At the time when lessening of foreign competition was stimulating the upsurge of national industries, it became very difficult for these very industries to acquire the machinery they needed. Up to World War I China had not attained the level of development which would allow it to reap the full benefit of the relative withdrawal of foreign presence. The difficulties caused by the war involved a lack of profit rather than actual losses. For the modern sector of the Chinese economy the years of warfare were a time of prosperity. It was only after the return of peace that the 'golden age' dawned for the business concerns.

Since 1919 the modern sector of the Chinese economy began to reap the benefits offered by the World War and the regained peace. The demand for primary products intensified. The needs of war were being replaced by those of reconstruction. In Shanghai, in 1919, the value of exports was 30 per cent higher than the preceding year. The upsurge in exports was all the more remarkable in that the price of silver continued to rise, and with it the exchange rate of the tael. The urgency of their needs was such that European buyers were willing to pay high prices. The greater availability of sea-freight and the reconversion of war industries allowed Chinese industrialists to return to Western markets for their supplies. In just one year, from 1918 to 1919, their purchases of textile material, for example rose from 1.8 million taels to 3.9 million.

After a moderate expansion up to 1917 the value of foreign trade rose from 1,040 million taels in 1918 to 1,670 million in 1923. Progress was measured by the growth and diversification of exports. Imports increased less rapidly, but underwent considerable restructuring. For example, consumer products, and in particular cotton goods, the manufacture of which was developing in China, declined in favour of hard goods. This inequality of growth in imports and exports contributed to restoring the balance of trade. In 1919 the deficit was no more than 16 million taels. The composition of Chinese foreign trade remained that of an 'underdeveloped' economy but this trade was no longer that of a dependent economy: it corresponded, rather, to the first phase of growth of a modern national economy stimulated by the demands of the market, where both domestic and foreign production increased. Both the traditional sector and the modern sector continued to satisfy the new needs. The scarcity of ocean freight and of equipment, which had hampered the upsurge of modern industries until 1919, had not affected the handicraft sector. From 1915-16 onwards weaving looms had been increasing in number in the northern and central provinces. Production was directed towards the domestic market. Urban workshops were developed and commercial capitalism spread throughout the countryside near the major urban centres. The progress made in weaving, ready-made garments, hosiery, glassware, matches and oil production did not consist merely of a resurrection

of the former methods of production. Often using improved techniques and raw materials of industrial origin (yarn, chemical products), this handicraft activity represented, on the contrary an attempt to adopt what we may call a 'transitory' modernization.

The upsurge of modern business in coastal cities represents only one aspect of a more general expansion although it is undoubtedly the most striking aspect. From 1912 to 1920 the growth rate of modern industries reached 13.8 per cent. The leading example was cotton yarn. There was an upsurge in the food industries as is evident from the opening of several flour mills and by the re-purchase of foreign-owned oil mills. Considerable progress was also made in the tobacco and cigarette industry. But this growth and development hardly spread to heavy industries. The unexpected prosperity of the exploitation of non-ferrous metals (in particular antimony and tin) in the southern provinces was strictly determined by international speculations, and disappeared with them. Modern coal and iron mines remained 75 to 100 per cent controlled by foreign interests. The most notable progress was made in the machine-building industry. Shanghai and its surroundings were the main beneficiaries of this expansion which also affected Tientsin and to a lesser degree Canton and Wuhan.

During the whole of the boom period the growth of trade and of production was sustained by the development of credit and stimulated by the rise in prices and profits. The decline of foreign banks, which hampered the operation of foreign trade, did not affect the domestic market, the financing of which had never passed from Chinese control. On the contrary, this domestic market made important resources available to national business, and as the capital funds of notables or compradors, who for reasons of security or interest had until then chiefly funded foreign activities. The rise of modern Chinese banks dates from the First World War. In the year 1918 and 1919 alone 96 new banks were opened. Most of these banks, however, maintained close ties with the public authorities. This was the case with the official Bank of China and Bank of Communication, some dozen provincial banks, and numerous other political banks, founders of which belonged to government circles or maintained a close relation with high officials. The activity of all these establishments was limited to handling of state funds and loans.

A dozen modern banks, mostly in Shanghai, were run on a purely commercial basis. Their involvement in the financing of national business remained hampered by the archaic structures of the market.

In order to finance business, the modern banks were thus obliged to resort to direct loans just like the old-style banks. However, modern banks demanded guarantees from their clients in the form of property mortgages or deposit of goods. This put them at a disadvantage vis-a-vis the old-style banks, which operated under customary rules on a basis of personal relations and granted loans "on trust". As a result, despite the spectacular size of the modern banking sector, the real business banks remained the old-style ones.

During the First World War wholesale prices rose from 20 per cent to 44 per cent. There was stability in agricultural prices in contrast with the soaring industrial costs. In a traditional rural economy this stability indicated the relative equilibrium of the rural world. The stability of agricultural prices and the rise in industrial prices were to be seen as complementary signs of prosperity. From this prosperity the business world profited the most. The most important companies

increased their profits twenty-fold, some even fifty-fold. Dividends reached 30 to 40 per cent, and in some cases even 90 per cent. The gains of the business people are all the most significant because they hardly shared it with their employees. The salaries of artisans and wages of labourers rose only by 6.9 per cent in Canton, and by 10 to 20 per cent in Shanghai. This material prosperity helped in the new social formation in the coastal areas of China – in urban, upper-middle class, very open to Western influences.

10.8 RISE OF URBAN SOCIETY

The economic boom brought about an accelerated urbanization. The annual growth rate of the urban population seemed to be considerably greater than that of the population as a whole. The phenomenon was particularly visible in Shanghai, where the Chinese population tripled in ten years but the other Treaty Ports like Tientsin and Qingdao also saw a growth of population.

A rapid, though less marked, expansion was experienced by cities of the interior. For instance, Tsinan experienced a growth rate of 3 per cent per annum between 1914-19 while the rate for the population of the province as a whole was only 1 per cent. This urban thrust was not due to either a great famine or any worsening of civil unrest, as these did not occur in this period. It essentially reflected the attraction of rural society towards new centres of development. Poor peasants, unable to bear life in their villages, came to seek a livelihood in towns and cities through employment in mills and workshops. They became dockers in ports, coolies and rickshaw pullers. Many among the rural rich also moved to cities particularly to provincial capitals for a career prospect in local administration or self-government organizations. Others preferred city life for it ensured modern education for their children – a much sought after privilege.

The urban zone expanded territorially. Suburbs came up communicating with the heart of the city through monumental gates of the old city walls. In many cities, including Canton and Changsha, city walls were demolished to allow new quarters to be built. (In China, since early times, cities were surrounded by walls). Most of the new construction was residential but commercial buildings, impressively constructed, also came up. Many shops, departmental stores and market places appeared. Workshops, warehouses, godowns and factories were built to such an extent that the value of construction authorized by the municipality rose from 5 to 11 million taels between 1915 to 1920.

In these growing urban centres population went on increasing and social groupings became more complex and better differentiated. A modern bourgeoisie and a working proletariat appeared and among the urban elite one section was identifiable as the modern intelligentsia. From an overall point of view, these transformations in Chinese society remained marginal as they did not make any profound impact on the social, economic and cultural entity that was China. The emerging urban bourgeoisie found themselves engaged in economic, social and political activities very different from those of the rural gentry but they remained linked with the structures of the Old Regime both through their interest in landed property and their close relations with the public authorities. The 1911 Revolution had brought them into prominence and increased their importance. Their leaders were always in the forefront. The economic success of the pioneers of industrialization was due to exceptional personal qualities, much of which they acquired through their contracts with foreigners in the Treaty Ports, and which

had enabled them to grasp the importance of modern technology and management.

However, the majority of the urban elite were distinguished more by their political orientation and their social role than by their participation in modern business. After 1911, bureaucratic institutions were taken over by the new network of authorities created by the organization representing local interests like provincial assemblies, chambers of commerce, education and agricultural societies. Of course this clashed with Yuan Shikai's unitary centralizing efforts, and at the regional level with the rival ambitions of the militarists. Yet the power of the urban elite increased. This was so because the bureaucracy was being recruited locally. The urban elite was able to preserve its interests against interference by the public authorities, against encroachment by foreigners, and against claims by the populace. This old regime bourgeoisie thus appeared as a stable force in the Chinese society.

From this urban elite emerged not only a business community committed to the ideology of industrial growth, free enterprise and economic rationality but also a modern intelligentsia which was taking shape simultaneously. Men like Cai Yuanpei, Hu Shi and Chen Duxiu belonged to this category. They were mostly educated abroad. They, like many of the businessmen, returned to China at the outbreak of the war with new skills and ideas and above all with a patriotic zeal. They too had moved away from the old society and cut the bonds by which the state had made officials out of men of letters and had united politics with orthodoxy. At the same time they had preached a new form of education based on respect for individuality. The presence of this intellectual group was a comfort to the new bourgeoisie. Solidarity of these two groups strengthened both. Many projects undertaken to facilitate education were funded by the businessmen. In return the intelligentsia imparted technical, managerial and general education to the prospective businessmen. Without education and technical skills and a modern education the bourgeoisie could not expand and reproduce itself.

Therefore, when the May Fourth Movement spread to all Chinese cities since the May Fourth Incident of 1919, the merchant class and the new business community supported the students and intellectuals, who were the torchbearers of this movement. Both were moved by patriotism and came closer in their opposition to Japanese imperialism and its stooges in the Chinese government. Their cooperation was further consolidated as both essentially shared the same class background.

Check Your Progress 2

- 1) Write in brief about the bourgeoisie in the period of Yuan Shikai.

.....

.....

.....

- 2) Discuss in about ten lines the urbanization that took place in China.

.....

.....

.....

10.9 LET US SUM UP

Foreign investment in China, though limited in nature, had made an impact on the industrialization. Foreign capital was mostly invested in Treaty Port areas and it was in and around these places that the new class of Chinese bourgeoisie emerged.

Merchants in imperial China had suffered from both legal disabilities and a lack of social standing. Even the enormously wealthy ones were in a precarious position as their wealth could be confiscated any time. To keep things in their favour the merchants always had to seek personal friendship with officials. They often educated their sons to pass the civil service examination and become part of the gentry. This presented a strong, independent merchant community. The opening of Treaty Ports provided new opportunities for merchants. In the early years of the twentieth century as gentry-status was undermined, particularly with the abolition of the civil service exams, the erstwhile gentry saw new opportunities in business. From the amalgamation of the merchant class and the gentry emerged a new class, the bourgeoisie.

In the 1911 Revolution, the role of the bourgeoisie was important but always auxiliary. They financially supported the revolutionaries without necessarily supporting their ideology. In the first two years after the Revolution, the ruling bourgeoisie was keen in seeking the maintenance of law and order so that their businesses did not suffer. At first, Yuan Shikai offered concessions to merchants and promised compensation to those whose business suffered on account of the 1911 incidents. He was, however, never able to take away from them the apprehension of a deteriorating law and order and an unstable and unscrupulous political system. For the sake of keeping their business going they had to willy-nilly grant acceptance to Yuan whose military strength mattered in the power struggles that took place in 1913. As soon as Yuan was able to consolidate his power by eliminating his enemies militarily, he turned to the destruction of the newly built representative institutions, which served as a forum for various industrial and other associations.

What gave a boost to the growth of the bourgeoisie was the First World War. As foreign competition decreased, Chinese entrepreneurs took over new ventures. A rapid expansion of textile mills, sugar mills, etc. took place. There was a great demand for alimentary products and other raw materials. However, this boom did not help the Chinese become really industrially advanced as the semi-colonial economy was not capable of importing heavy machinery which could facilitate large-scale industrialization.

With the increase of business and prosperity, urbanization also occurred. Population of cities increased. A class of bourgeoisie and a working-class were clearly visible. Of course, the new social formation and its impact on the overall socio-economic conditions of China were very limited. China remained a rural peasant society for all practical purposes.

Urbanization, entrepreneurship and prosperity brought about from among this new bourgeoisie social groups viz., the urban notables who took over administrative functions and the intelligentsia. These groups were held together with bonds of ideology: belief in individualism, free market economy, innovation and creativity. This new bourgeoisie was united moreover out of a sense of

patriotism and class-solidarity. In the May Fourth Movement, therefore, they struggled jointly.

10.10 KEY WORDS

Indemnification : Compensation for loss of property.

Belligerent : Nation or person waging war.

Alimentary : Related to food, nourishment. Aliment means food

Resuscitate : Revive.

10.11 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

Check Your Progress 1

- 1) During the 1911 Revolution in China bourgeoisie made its presence felt. Increase in urbanization and economic activities created enough social grounds for the bourgeoisie to rise as a strong force in China. See Section 10.3.
- 2) The merchant class's role in political affairs of the country was limited. They became a part of the system. Their involvement was short-term. See Section 10.4.

Check Your Progress 2

- 1) Base your answer reading Section 10.6
- 2) The development of trade and commerce gave enough boost to the people of urban centres in China. The economic boom was the major cause for the rise of urbanization in China. See Section 10.8.