CHAPTER 1

The Origins of Dafeng, Lixin, and Dacheng

Introduction

The Yangzi Delta was the first Chinese region to start industrialization. Having been one of the world’s textile production centers, its economy remained pre-industrial until the twentieth century: cotton yarns and clothes were produced domestically while the finishing of fabrics was done in private workshops that used human labor force. Even though the cotton sector is central to the controversy of Chinese industrialization, most of the research has focused on spinning and weaving and scarce attention has been paid to the finishing part of the textile processing. The finishing sector accumulated thousands of years of crafting tradition when foreign goods and modern technology posed them their biggest challenge. The dyeing and finishing workshops of the Yangzi Delta faced this by finding a mix of traditional methods and new imported techniques that suited the Chinese taste. Therefore, the industrialization of the finishing sector in China did not start as a blank slate.

The first Chinese cotton finishing mills were built by networks of traditional producers who were not only experienced in the traditional trade but had also adopted modern imported technologies. Dafeng in Shanghai, Lixin in Wuxi, and Dacheng in Changzhou were pioneers in the Chinese finishing sector and are examples of these networks. Compradores, traders, producers, and traditional bankers collaborated in the new adventure of modern industry when they felt they could compete with foreign goods during the First World War. But how was this engagement? Why did people from different backgrounds decide to partner and start up textile mills? It was not a fast or easy process, and these societies were first set up informally until they were registered as shareholding firms. However, the registration of a private
company did not mean that the founders ended their previous activities, as they retained their interests in the traditional and modern sectors. These networks were characterized by their horizontal structure and by maintaining old traditions, such as the regional associations, even after its members became industrial entrepreneurs.⁴

When examining the background of the founding partners of Dafeng, Lixin, and Dacheng, four social categories can be defined. First there were the compradores, Chinese merchants who specialized in foreign trade and worked with foreign goods or in foreign companies. Foreign firms operating in China hired Chinese merchants who could speak English to manage trade and sales. These compradores came from maritime regions that had developed historical ties with the outside world, such as Ningbo and Guangdong. They earned a salary, a commission, and some of them even owned shares of the foreign firms.⁵ This social class thrived in the city of Shanghai, where most of the foreign trade was undertaken, especially in the purchase of foreign consumer goods and modern technology. The emerging class of compradores pioneered in the know-how of modern manufactures, endorsing a strategy of import substitution, as they evolved from importers of foreign goods to industrial entrepreneurs.

While the compradores worked with foreign companies, the second group refers to traders and distributors who were focused on the domestic markets of China. Even though the Yangzi Delta was not industrialized before the twentieth century, the economy was highly commercialized, to the extent that different thinkers have defined it as a Smithian economy: this kind of economy is intensive in labor (instead of capital) but with a strong commercial activity. As the old saying goes, during the Ming and Qing dynasties, the Yangzi Delta was famous for “clothing the whole Chinese empire,” and the cotton and silks produced in Zhejiang and Jiangsu found their way not only inside China but also to Guangzhou, from where they were exported all over the world.⁶ Chinese traditional commercial firms were organized according to their size and regional origin. For instance, while the Ningbo merchants specialized in maritime trade and were more outward looking, the merchants from Jiangsu, especially from Wuxi, Changzhou, and Jiangyin—in the coast of the Yangzi—specialized in China’s domestic market and were active in the fluvial inner trade of textiles and grain, which were sent to the north through the Grand Canal and to the West through the Yangzi River.

The third group comprising the workshop producers of finished cloth played a prominent role in the creation of industrial firms. It was through the last steps of textile production that traditional workshops transitioned to modern industries. Chinese economic historians have long been studying the “sprouts of capitalism” that existed in China before the Opium Wars