

The Making of Modern Incorporated Companies

STATE AND PRIVATE CORPORATIONS: CHIANG KAI-SHEK AND CEMENT COMPANIES, 1931–1949

In the early Republic, corporations flourished. This facilitated both self-made men and corrupt government officials to become wealthy and powerful. But the pendulum began to swing the other way as Generalissimo Chiang Kai-shek took power. By establishing the National Resources Commission around 1932, Chiang began the long process of recapturing economic power at the national level. He reversed the trend of state power dissipation by way of incorporation of modern private commercial companies that began in 1904 but allowed the Republican Chinese state to keep legal recognition of corporations, and hence their legal personality. They also formed many state-owned corporate companies.

Chapter 7 explains that modern corporations empower individuals. Accordingly, corporations enabled a build-up of economic power in post-imperial Republican Chinese society that would command the respect, friendship and envy of the Republican state. This would ultimately lead to the state setting up the National Resource Commission (NRC) to capture more power from 1931 onwards. This was the statutory body which Chiang Kai-shek initially set up during the war to garner national resources for industrial development. In other words, from this point in time, the Chinese state began the long process of recapturing economic power at national level.

After World War II, Chiang Kai-shek gained full state power over his political rivals by winning the presidential election. He became the constitutionally recognised President of the Republic of China on 20 May

1948. He immediately appointed academic Dr. Weng Wenhao, the geologist and head of the NRC, as the new Premier of the Republic of China in 1948. This move was another attempt to consolidate the power that Chiang had accumulated since becoming the trusted protégée of Sun Yat-sen. He methodically amassed power through military campaigns, political manoeuvres and now industrial development. However, the industrial policy of this redefined Republic of China was a disaster. This was shown by investigating the wholly incorporated cement industry of this period.

Chiang Kai-shek did not nationalise major industries in the hands of the powerful such as the northern Qixin Cement or the Shanghai Portland Cement. In other words, the nationalisation attempt by Chiang Kai-shek's government employing the NRC as a vehicle was rather weak. It did not seek to abolish corporations completely but chose to use the NRC effectively as a governmental "holding" corporation. Therefore, power remained in the hands of the capitalists such as Liu Hongsheng who controlled the early large corporations in Shanghai. Chiang Kai-shek and his economic advisers did not achieve much before his Nationalist army lost the civil war to the Communists. He did manage to seize control of the incorporated China Merchants Shipping Company by nationalisation. Owing to its legal personality, however, he only succeeded after a big fight with the family of imperial Viceroy Li Hongzhang which was still influencing this company, almost 40 years after imperial rule. After winning the civil war in 1949, the Communists took a more brutal, ideological and legal approach. Once in government, they powered ahead with full nationalisation abolishing all companies and corporations.