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Introduction

This work started life as a monograph with a very restricted scope. As a student of politics, I attempted to answer the question: how did the new government of China that took over factories in 1948–9 establish control and institute patterns of worker participation in management? My major concern was with authority relationships since the study of politics is in large measure the study of authority – the legitimate use of influence and power. Entering with trepidation a field traditionally occupied by the disciplines of industrial sociology and economic history, I nevertheless felt that only a trans-disciplinary approach is appropriate for an exploratory study in a relatively uncharted field.

In its early form the work could be criticised for lacking relevance to either contemporary problems or general problems of history. I had to satisfy, therefore, a nomothetic imperative which demands that singular generalisations located in a single place at a particular time be related to a much wider perspective. Having already thrown caution to the winds in deciding to enter disciplines with which I was none too familiar, it was but a short step to the presumption of offering, in chapter 1, a historical comparison of the evolution of industrial enterprises in Russia, pre-war Japan and pre-1949 China. Since the work focusses on the adoption by China of a model of organisation and commitment which derived from the Soviet Union, I was led to examine the origins of that model within the context of Tsarist Russian and Soviet industrialisation. In comparing and contrasting certain features of the pattern of industrialisation in Russia and China, I then felt obliged to introduce a comparison with Japan because of the apparent similarities in cultures and nineteenth century industrialising élites. It was another short step from this to involvement in that debate known as the 'logic of industrialism'.

The logic of industrialism debate

The 'logic of industrialism' argument as expressed in its starkest form by Clark Kerr and his associates[1] clearly bears the stamp of the late 1950s and early 1960s and is remarkably similar to that parallel

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concept in political science – 'political development'. The 'logicians' maintain that the process of industrialisation is not unilinear (a position they mistakenly attribute to Marx) but multilinear; and the particular route a country takes depends upon the character of the industrialising élite, the conflict of cultures in industrialisation, the nature of economic constraints, the historical timing of the industrialisation process and the way in which the labour force is developed. Despite the diverse routes taken however, there is a tendency towards a process of convergence dictated in large part by modern technology. The end process of industrialisation is seen as a situation where ideology fades away once industrial man is no longer faced with real ideological alternatives, where a new and essentially conservative 'realism' takes over, where interest group struggle replaces class struggle and where class war gives way to 'bureaucratic gamesmanship'. In this state of 'industrialism' there will no longer be workers and managers – merely the 'semi managers' and the 'semi managed'. The state-private dichotomy will be blurred as the omnipresent state realises its potential as the largest single employer. More important, as technology restricts freedom at work, increased leisure will give greater scope for creativity; organisation men will be perhaps at the same time the 'new Bohemians' acting out different roles in different contexts in a world of 'pluralist industrialism'.

In the post-1968 world when social scientists have discovered that the 'end of ideology' school was in fact in itself an ideology, when a serious assault was launched against the wider 'ideology of pluralism' and when a new generation of Marxist scholars pointed out the relevance of sophisticated class analysis, such a view as described above seems very quaint. This is particularly so in a situation where large portions of the world seem just not able to industrialise at all. In the past few years, the field of political science has been glutted by the recantations of many of the 'non ideological' gurus of the 1950s and early 1960s though I am not sure to what extent this process has been paralleled in other disciplines. As a consequence of what would almost amount to one of Thomas Kuhn's 'paradigm shifts', scholars have turned increasingly to examining alternative models of development of which the Chinese is perhaps one of the most outstanding. Whilst continuing to explore development processes, they have looked also at the effect upon developing countries of the mechanical adoption of alien systems. Such is my purpose here – to examine the adoption by China of such an alien model of organisation and commitment prior

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to the development of her own indigenous pattern which was to be based in part upon the earlier experiences of the Communist Party in the wartime liberated areas.

The historical perspective

In Russia, Japan and China, the primary initiative in promoting industrialisation was taken by the state and, in all three countries, the decline of state initiative was followed by the ruthless pursuit of short term profits by individual entrepreneurs. Conscious that the term has been variously defined, I shall refer to this second period as 'primitive capitalism'. In Japan, the industrial entrepreneurs began to develop a collective ethos which according to G.D.H. Cole's formulation qualified them as a 'bourgeoisie', whereas in Tsarist Russia and Kuomintang China, they probably never achieved the degree of collective consciousness that would have qualified them for a more precise definition than merely 'middle class'.[2] It is my belief that an examination of class structure is probably more fruitful in explaining patterns of industrialisation than the concentration on élite-mass relationships that tends to characterise the 'logic of industrialism' school. Such a focus also permits one to relate findings to the impact of imperialism and to explain the appearance in Japan of a 'bourgeoisie' as opposed to the dependent 'comprador class' (*mai-pan chieh-chi*) that appeared in China.

Although in all three countries state control weakened during the period I have referred to as 'primitive capitalism', certain relationships between government and industry persisted. The Japanese bourgeoisie in the pre-war period was never completely free from the mechanisms of government, nor indeed were the Chinese industrialists, who were described by their critics as 'bureaucratic capitalists' (*kuan-liao tzu-pen-chia*).[3] Chapter 1 will briefly discuss the origins in China of such bureaucratic capitalism and the importance of a steadily growing state sector which was to be taken-over relatively easily in 1948–9.

Chapter 1 will also consider the role of managerial ideology. Here, following Bendix, I shall use the words managerial ideology in the broadest sense meaning 'all ideas which are espoused by or for those who exercise authority in economic enterprises, and which seek to explain and justify that authority'.[4] Regardless of the degree of governmental control, industrial organisations in both Japan and China drew even more heavily upon traditional ideology than did their English counterparts a century before.[5] Early English managerial ideology drew

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upon traditional master-servant patterns of dependence, whereas in Japan and China managerial ideologies drew upon the ethos of a traditional Confucian bureaucracy. Such a situation was to cause great problems when foreign management systems were imported into these two countries be those systems socialist or capitalist.

Although Japan shared with China an organisational ideology based on traditional bureaucracy, she was able to develop from the period of predominantly state initiative through primitive capitalism to a relatively 'advanced' form of capitalism. Elements of traditional bureaucratic ideology were made to serve that transition,[6] which was taken as a model for China in the early period of her own industrialisation. The model was, however, not very effective where a semi-colonial atmosphere was heavily weighted against what the Chinese Communist Party referred to as 'national capitalism' (*min-tsu tzu-pen-chu-i*).

Both Russia and China embarked upon revolution before industry had progressed to any more 'advanced' form of capitalism and the experiences of the former which predated the final victory of the Chinese Communist Party by some three decades inevitably provided a basic point of reference for the latter. The insistence of the Kerr school that the historical point of time at which a country embarks upon an industrialisation drive affects the route chosen is obviously correct. A late-comer has its options restricted but it can learn from others' mistakes. This work will argue that China learnt about the mistakes of the Soviet Union only by making some of the same mistakes herself. During the three decades since the Bolshevik Revolution, the Soviet Union had experimented with a number of systems of industrial organisation and it was not always clear exactly which Soviet model would be applied to China nor indeed which elements of the indigenous experiences of the Chinese Communist Party would be retained. Thus not only did prescribed Soviet patterns of organisation and commitment conflict with traditional bureaucratic patterns, not only did they conflict with patterns worked out by the Chinese Communist Party during the war, they also conflicted with each other. The Soviet model itself was ambiguous. Subsequent chapters will attempt to spell out these many contradictions.

The historical introduction will be concerned mainly with macro-political and macro-sociological issues in preparation for the micro-political and micro-sociological discussion which follows. It will attempt also to sketch some features of the macro-economic background which

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imposed limitations upon the choices open to industrial management in the post 1949 years. This work will note time and again that patterns of organisation and commitment were prescribed for which human, technical and other resources were currently inadequate. Hence another dimension is added to our set of problems. To what extent were prescribed patterns not implemented because they conflicted with tradition, because they conflicted with socialist patterns deriving from the wartime experience of the Party, because they conflicted with each other or because there was a contradiction between policy and resources? There can be no definitive answer in an exploratory study of this kind. The avenues of enquiry can, however, be opened and perhaps eventually the debate might grow in much the same way as that debate (to which we shall return) between the culturalists and economic determinists on the origins and development of paternalist management in Japan.[7]

The historical introduction will end with a brief discussion of three micro-sociological questions: what was the structure of the decision making process that had evolved within large industrial concerns in China by 1949; what was the relationship between staff and line and what was the nature of material and non material incentive. Since the focus of my research has been on the post 1949 period, this discussion and that which precedes it will draw heavily on secondary sources which deal with the Kuomintang period very inadequately. My only excuse for including an impressionistic account that may well be invalidated by future research is that to omit it would be to consign the major part of this work to irrelevance.

The macro-political perspective

Marxian theory stipulated that following the Socialist Revolution, the workers were to be 'masters of society'. The Chinese Civil War of 1946–9 was not, however, seen as constituting a socialist revolution, the preferred term being 'liberation' (*chieh-fang*), and the period which followed was seen not as one of socialism but of New Democracy (*Hsin-min-chu-chu-i*). The workers, however, were still referred to as 'masters' (*chu-jen-weng*)[8] of society. New Democracy was to be a transitional stage between the Democratic Revolution (*Min-chu ko-ming*) and the building of socialism (*she-hui chu-i chien-she*). During this early period, industry designated as 'bureaucratic capitalist' and industry owned by foreign interests was to be taken over by the state[9] but a sizeable private sector was allowed to remain in existence. The state-owned

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sector of the economy was to 'exercise leadership' over the private sector and to assist in its socialist transformation. The concern of this work, however, will be only with the state sector and more particularly with large concerns in that sector.[10]

The publication during the Cultural Revolution of attacks on Liu Shao-ch'i's 'Tientsin Talks' of April–May 1949 has revealed that there was considerable polemic over the duration of the New Democratic transitional period.[11] It is probably impossible at this remove to assess the extent to which the charges made against Liu were Cultural Revolution rationalisations. What we can say, however, is that, as the Civil War drew to a close, both the policy of the Chinese Communist Party towards the take over (*chieh-kuan*) and reorganisation of industry and the actions of its cadres became less and less radical. The decline in radicalism affected the way in which traditional bureaucratic practices were changed and residues of the old society such as the 'gang boss' system eliminated.

In chapters 2 and 3 the changing political environment will be examined. Chapter 2 will deal with an essentially moderate (even conservative) period following the take over of industry which was remarkably similar to that period in revolutionary Russia following the Bolshevik Revolution but prior to the advent of 'War Communism'. Chapter 3 will deal with the more radical period which followed. The beginning of this period coincided with the outbreak of war in Korea but one should not make too much of the Russian parallel here since, as will be demonstrated, the domestic reasons for radicalisation in China were probably much stronger than reasons associated with the war. The approach followed in these two chapters will be chronological and the following questions will be posed. What were the main institutions involved in the take over of industry and what new institutions were set up following liberation? To what extent did the pattern of take over differ in various parts of the country and to what extent was this due to physical or policy determinants? To what extent did the initial moderate policy encourage the continuance of old forms of organisation and how was this problem dealt with? To what extent did worker organisations become routinised and bureaucratised and to what extent did China offer a parallel to the great debate on the role of the labour unions under socialism that took place in the Soviet Union in 1920?

In these chapters considerable attention will be paid to the relationship between horizontal (local) and vertical (ministerial) linkages in

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administration for this relationship was to affect vitally the role of the enterprise Party organisation. The years 1949–53 saw the launching of a whole series of political movements throughout industry and an attempt will be made to separate those movements into two types – those that involved widespread mass mobilisation and those that did not – those in which the primary initiative came from above and those in which the initiative came from both above and below. Such an exercise is relevant to the wider context of Chinese politics in which, since 1942, two distinct political styles may be identified – the 'work team' approach which was associated in the Cultural Revolution with Liu Shao-ch'i and the Party bureaucrats and the 'mass association' approach associated with Mao Tse-tung. I shall not argue that such an identification can be established in the New Democratic period but feel that such an exercise may be useful in any future study of comparative political style.

The context of administrative rationality

Although it was not always clear which Soviet model was to be emulated, the presence of Soviet-run industry on Chinese soil in the occupied area of Lushun and Talien close to the heavy industrial base of North East China provided an important point of reference. Most of the major movements launched in Chinese industry immediately after liberation originated in Lushun and Talien, spread first to the rest of North East China and only much later to the rest of the country. In Chapters 4, 5 and 6, a description will be given of the model of administration that derived from Lushun and Talien and how this model was changed as it was applied to other areas. The Movement to Create New Records (*Ch'uang-tsao Hsin Chi-lu Yün-tung*) of 1959–60 which originated here was designed to lay the basis for a process known as 'enterprisation' (*ch'i-yeh-hua*). The term 'enterprisation' was used in a context much wider than industry. It signified a process where units defined territorially (in the industrial sphere these would be factories [*kung-ch'ang*]) or commercially (in the industrial sphere these would frequently be companies [*kung-ssu*]) were redefined according to an external network of economic administration.[12] The model of economic administration was borrowed from the Soviet Union and 'rationality' (*ho-li*) tended to be measured against a hierarchy of goals explicit or implicit in that model. The term 'enterprise' (*ch'i-yeh*) was first and foremost an administrative one and, in the state sector of

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industry, indicated the lowest level of an administrative network that enjoyed a certain degree of autonomy in the use of funds allocated by the state or borrowed from the state banking system. From the standpoint of political administration, the enterprise was that unit of administration at which 'basic level' Party and mass organisation (labour union etc.) were established. Chapters 4, 5 and 6 will examine to what extent the prescriptions concerning enterprisation were successfully implemented and to what extent they contradicted existing patterns of industrial organisation.

The term 'enterprisation', as used in industry during the Movement to Create New Records contained the following elements. First, records were broken to form the basis for (1) norm determination and the establishment of a planning and accounting system. (2) Rationalisation proposals were put forward to assist in the formulation of norms, incentive systems worked out on the basis of those norms, model workers designated as a further incentive to raise the norms and internal labour agreements worked out tying together norms, wage systems, plans and labour regulations. Finally (3) a responsibility system was worked out to stop the whole process getting out of hand and as a basis for a new discrete command structure.

Chapter 4 will consider item 1 above – norm determination and the establishment of a planning and accounting system. The discussion will be brief since my aim here is not to describe the economic behaviour of management as has been done by Joseph Berliner in his study of the Soviet Union.[13] The purpose here is to pose a number of political and sociological questions. To what extent was there meaningful worker participation in planning and norm determination? To what extent did that participation slow down the planning process? To what extent was participation in planning seen as an educative process and to what extent did that process conform to 'The mass line' – that set of policies formulated by the Communist Party during the war which were designed to reconcile central direction and mass demands?[14] What were the effects upon the political attitude of management of a system of material balance planning that gave priority to output targets? To what extent did the imposition of controls lead to the growth of illegality and finally to what extent were the detailed provisions of the economic accounting system unworkable in a situation where the literacy and technical skills of lower level cadres were quite low? In short, to what extent did the new system of economic administration reveal a contradiction between policy and resources?

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Chapter 5 will consider item (2) above – rationalisation proposals, production competitions, incentive policies and labour agreements. As in Chapter 4, the aim here is not to examine the economic determinants and implications of wages policy. This has already been undertaken by people more competent than myself.[15] The purpose here is to examine the relationship between group and individual, the remunerative dimensions of staff-line conflict, the factors taken into consideration in evaluating workers, technicians and cadres and the social consequences of that evaluation, the degree to which workers participated in wage-reform activities and wage formulation, the extent to which the form of wage payment facilitated or hindered worker participation in management and finally the extent to which traditional segmental forms of organisation resulted in deviations from prescribed wage policy. An examination of production competitions and the movements to put forward model workers will tell us something about divisions among workers and indeed their political consciousness, and an examination of labour agreements will tell us something about the degree and nature of routinisation. This latter might also suggest an avenue of enquiry into the question of conciliation and arbitration about which I was able to find little information. In addition, an examination of the role of the labour unions in negotiating such agreements might tell us something about the rapidly changing function of those organisations. Considerable attention will be given to labour agreements in Chapter 5 because, unlike wages policy about which several people have written, no-one to my knowledge has made a study of labour agreements. In the light of the polemic about the various contradictory 'constitutions' which were put forward by different sides in the Cultural Revolution, such a study is long overdue.

Chapter 6 will examine item (3) above – the establishment of systems of responsibility and a new discrete command structure. What was to result from this was a radically new system of organisation based on the Stalinist system of imposed change from without rather than the approach to organisation that had characterised the wartime experience of the Chinese Communist Party – change from *within* existing organisational structures. Before discussing this however, we must establish a framework within which to discuss the questions of organisation and control.

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The organisational perspective

In discussing organisation, at the broadest conceptual level, the Durkheimian framework established by Franz Schurmann will be used. Schurmann distinguishes between networks of technological solidarity (between roles and structures) and human solidarity (between total human units) within ideologies committed to the furtherance of change or the preservation of the status quo. In terms of organisational leadership the following matrix emerges:[16]

	Technological solidarity	*Human solidarity*
Commitment to the status quo	Modern Bureaucracy	Traditional bureaucracy
Commitment to change	Modern (Western and Soviet) Management	Chinese revolutionary organisation characterised by 'cadre' leadership

Organisations held together by human solidarity (a term which avoids the religious implications of Durkheim's term 'mechanical' solidarity) tend to be characterised by diffuseness of responsibility. Such was the characteristic of both traditional Chinese and traditional Japanese bureaucracy and also of the forms of organisation developed by the Chinese Communist Party during its period of guerilla warfare behind the Japanese lines (1937–45).

In examining the latter and their reinterpretation in the middle 1950s, Schurmann has shown that organisation characterised by human solidarity need not preclude rapid social and political change. The main reasons why traditional Chinese bureaucratic forms of organisation ossified seem to have been ideological and cultural and due to the fact that there was no strong non-radical middle class grouping capable of infusing life into them. This will be discussed in chapter 1.

Traditional bureaucratic forms of organisation which were applied to industrial undertakings in both nineteenth-century China and Japan make no clear line of distinction between authority and function but do establish excessively rigid criteria concerning *status*. An excessive concern for status and hierarchy tends to produce a reluctance to delegate authority. Secondly, the ethos that dominates traditional bureaucracy is formally collective. In such a situation a convention develops whereby all key decisions must appear to be the product of consensus and be promulgated at the apex of an organisational hierarchy. Potential decisions, therefore, which originate at lower levels

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