



Cooperation versus Competition: The Daxing and Yuhua Cotton Mills in Crisis, 1931-1937

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We usually view the creation of the modern corporation as a crucial factor in the modern development of Europe and America. Historians of Chinese business also focus on the modern corporation in understanding China's modern economic development. Although many scholars testing China's enterprises in light of the "corporation" standard concluded that modern China failed to follow a Western model, few have searched for an indigenous pattern of modern Chinese companies. In this research, I trace the origin of one early twentieth-century *jituan* (business group). I argue that the indigenous Chinese *jituan*, rather than the imported Western corporation, is the key to understanding the transformation of China's modern companies. The story of Daxing and Yuhua Cotton Mills reveals that intensifying Sino-foreign competition triggered the formation of this business group in the early 1930s. Studying its development can contribute significantly to our understanding of an indigenous Chinese path toward modernization.

Western history suggests that a number of characteristics distinguishing the "corporation," including limited liability, transferability of shares, juridical personality, and indefinite duration, make it a superior instrument for large-scale business activities. The creation of this specific form of organization is usually seen as having been a crucial factor in the development of modern Europe and America.¹ Accordingly, historians of modern Chinese firms have also focused on the introduction of the "modern corporation" in understanding China's economic development since the late nineteenth century. While many scholars have emphasized China's failed attempts to follow the Western business model, few of them have ever asked if there is an

¹ Alfred D. Chandler, Jr., *The Visible Hand: The Managerial Revolution in American Business* (Cambridge, Mass., 1977); and *Strategy and Structure: Chapters in the History of the Industrial Enterprise* (Cambridge, Mass., 1990).

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