

Shanghai's Repentant Capitalists

ROBERT GUILLAIN

OF ALL THE CITIES open to foreigners, Shanghai (along with Peking) is the best the Chinese have to show. They have not merely touched the place up, they have spent a great deal of energy trying to beautify it. The celebrated Bund, for example, the international Strand of former times, has become a green park. In the old days, the banks of the Whangpoo saw two worlds pass without greeting among the picturesque but noisy confusion of capitalists in their foreign cars and barefoot coolies unloading steamers. Bankers and businessmen leaving the proud buildings that hugged the quays overlooked all the homeless of the harbors, the dockside thieves, the beggars, the poor fishermen living in sampans.

Today, the Bund serves as a thoroughfare and a place to take walks. Everything is orderly and clean. There are benches where one can sit and look at the river. The jade waters bear junks, floats of logs pulled by small craft, and ferries crowded with Chinese. Today, junks without wings outnumber those whose bamboo-ribbed sails looked like the wings of bats—sails have been replaced by the diesel engine.

Nanking Road runs nearby. Once the principal commercial street and center of a famous quarter, it has again achieved great animation on

its sidewalks and in numerous shops crowded with buyers. The only thing missing is the traffic of a great city. Except for the buses loading and unloading their crowds, there is almost nothing. Parked cars are almost unknown. Yet the automotive lineup certainly is richer than in either Wuhan or Shenyang. Little three-wheeled trucks and larger ones built in Shanghai pass occasionally. The city must keep them jealously to itself, because they are seen nowhere else.

Although Bubbling Well Road has kept up its buildings dating from the days of capitalism, it has changed its name and the once celebrated Race Course has become a People's Park. When I saw this transformation begin in 1955, I thought that all those beds of roses and banked chrysanthemums would have only an ephemeral existence. Not at all. The park, which fills the oval of the former track, has even more flowers now, and the groves planted at that time have already grown tall. People stroll on shaded paths. They swim in a pool. There is even a man-made stream for canoeing.

On Nanking Road, practically anything one wants is on sale, from a photographic enlarger to a nylon toothbrush, with radios, watches, clothing, and lipstick in between.

But who buys lipstick?—I've never seen any lips that were red. As everywhere else in China, there are two price scales: very cheap for necessities and very, very expensive for the rest. But shoppers are many and they're buying. Obviously, "there's money there" and enough of it for purchases that are not utilitarian. A really fine art shop sells painted scrolls, woodcuts, artists' supplies and paper for calligraphy, and books of Chinese art in reproduction.

In Shanghai commerce has been socialized, of course, and all shops belong in one of the following categories: state department stores, co-operative stores or stores with mixed management ("state-private," they're called). For the last year or two, the régime has tried to encourage light industries—after having neglected them—so as to make available a greater variety and quantity of consumer goods.

Another change has taken place since my visit of 1955: heavy industry made up a mere thirteen per cent of Shanghai's production at the beginning of the first Five-Year Plan (1953), I was told by a spokesman for the city government during the regulation introductory briefing; today, it accounts for fifty per cent. Shanghai has built steelworks, chemical plants, and factories for machine tools. The one I visited in Yangpu, with 5,200 workers, manufactures about forty different types of machines; the factory is proudest of its grinding machines, some of which attain very great precision. The stock from which the workshops have been outfitted appears mixed in origin and age, but the factory functions and looks alive.

Shanghai also produces equipment for the mining industry, for steel, and for the manufacture of chemical fertilizers. At the Exhibition Hall (until recently the House of Sino-Soviet Friendship) I was shown the prototypes of machines and installations dating from 1963 and 1964: high-precision lathes, grinding machines, milling machines, vertical lathes for large-dimension work, giant diesel engines, giant compressors, a 25,000-kilowatt turbogenerator made in Minghao. From the Shanghai tractor works were shown a 7-hp. cultivator with a great many uses, a light tractor, a heavy (35-hp.)

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tractor called Good Harvest, made in 1964. Here I saw a truck I'd noticed in the city: four tons, 80-hp.—which gets eleven miles to the gallon.

Up from Humility

"It was one tour de force after another," they say at Wuching. But surely the greatest feat was the way Shanghai has been able to assert itself, to remain true to its own genius—its mixture of open-mindedness and common sense—even under Communism.

The China that closed itself behind walls and rebelled against the "foreign devils" was not the only China; there was another China, one that followed the example of Japan. Also turned toward the ocean and the outside world, it called for changes and asked for an encounter between East and West. From the turn of the century on, this spirit guaranteed Shanghai's prosperity and gave it a head start on the rest of the country that lasts to this day. If, for example, there is no other city in China that seems laid out according to plan, it is because Shanghai was almost the only one where capable architects worked with good material under strict local legislation.

Today Shanghai tries passionately, in a China liberated from foreign encroachments, to attain once more its place as a modern metropolis. After having been cleansed of all former faults, Shanghai can now give full rein to its many abilities, aided by an experience of modern administrative techniques, economic methods, and technology unequalled in China.

As the base of the imperialists, a capitalist paradise, Shanghai atoned for its sins only by years of suffering and terror. During the first years of the new régime, it underwent a thorough purge of bourgeois and reactionary elements. These campaigns, the "Three Antis" and the "Five Antis," led to many suicides caused by "political desperation." Next followed that difficult period of socialization during which I visited Shanghai in 1955: the craftsmen were forbidden to sell their products, private property was abolished, and the state took over all businesses. Literature and the arts

were recast in the Communist mold. At the same time the most important Catholic community in China was deprived of its leaders and placed under the surveillance of the party.

In addition, the régime had decided to displace the country's center of gravity northwestward and westward—to turn its back, so to speak, to the ocean for a time, in order to face Central Asia. The idea was that in so doing China would become more closely connected with the Soviet Union, and the development and peopling of backward regions. The decentralization of industry (which was felt



to be too concentrated in regions vulnerable to attack) would also be stimulated. This new orientation of the country served the malice of the régime very well: here was another means to humble the citizens of Shanghai, still suspect of harboring an incurable nostalgia for capitalism.

But even before the Great Leap Forward was launched in 1958, the planners in Peking began to see that they were injuring themselves when they penalized Shanghai. Besides, the destruction of the former social structure was nearly complete and the resistance of the affected classes was broken. Little by little, the régime and Shanghai—which had been "re-educated" after a fashion—arrived at a separate peace, an understanding based on the advan-

tages to both parties of their collaboration. Thus Shanghai had an important role in the Great Leap Forward and its heavy industry dates from that period.

The crisis of the three black years following the break with the Soviet Union in 1960 gave Shanghai another opportunity to demonstrate its indispensability. Its factories became absolutely essential. It turned out that they had been less hard hit than others by the Soviet defection: more intelligent, experienced men had been in charge and dependence on Russian aid had been less servile. Thus Shanghai was able to recover faster than Wuhan or the towns of the northeast. In 1961-1962 Shanghai's rehabilitation—and revenge—began. Since then Shanghai has come in for preferential treatment. Its plants are cited everywhere as examples. From all over China thousands of workers and engineers come on visits to study methods and organization, to observe the setting up of new industries.

Disciplined but Enthusiastic

Such a reconciliation was worth a few concessions. The most surprising of these, the one which the régime devoted the most publicity to, was the reintegration into the socialist system of a residue of repentant capitalists who had been "converted" into obedient servants of the régime. The state entered into partnership with them, turning their firms into "corporations with mixed capital."

Only theoretically can the state be considered a partner; in reality it is the master. But since the state had need of the capitalists, it made them an offer. In substance, something like this must have been said: "You will continue in our service, and receive more than a simple salary. Interest will continue to be paid on your capital. Refractory capitalists and others we have rejected have lost their civil rights. You retain yours. In exchange you will continue to work and to apply your experience in managing factories and enterprises. And in all things you will behave as good socialists, disciplined but enthusiastic."

One of these converts, Liu Tsing-keu, the director of a large textile

concern, received me in his home. This visit, of course, was arranged by the authorities in Shanghai. In addition, they recalled (their files are good!) that nine years before I had been introduced to another tame capitalist, so they invited him along to meet me at Liu's.

At Liu's, for the first time since I arrived in China, or at least since I left Hong Kong, I was in a house like those I remembered from the old days: a luxurious salon hung with paintings by masters of the Ming dynasty, chairs and couches with silk cushions, waxed parquet floors, and flowers in vases of ancient porcelain. A maid served tea. A chauffeur waited for orders in the garden. In such surroundings, to hear the praises of Communism sung was laughable.

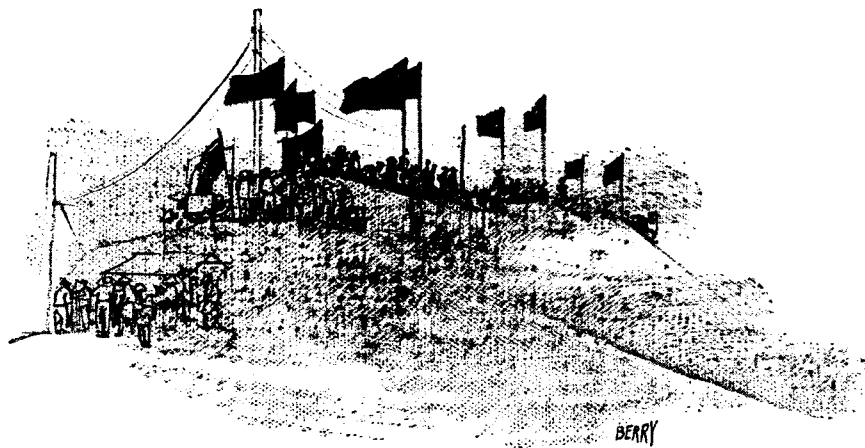
Had his position in the company been downgraded? I asked Liu. "I used to be director, self-appointed. Now I am the director appointed by the state," he said jovially. Had his salary been reduced? "Not at all, the pay is the same: 670 yuan a month" (equivalent to \$275), he said, fanning himself with an ivory fan. Had his capital been attacked? "On the contrary, the state has been extremely honest and often very generous too. This vase, for example, which bears a valuation of five in my catalogue, they've assessed at eight, and my factories, reckoned at 3,600,000 yuan on my balance sheet, have been figured at 7,400,000." And his interest? "I receive five per cent in cash and spend it as I please. No deductions. No taxes of any kind."

But of course I was not in the home of just any "convert" to socialism; I had been sent to interview a most unusual subject—a habitual error of the Chinese—a man who managed five textile mills employing more than eleven thousand workers, the president of the Federation of Commercial and Industrial Companies of Shanghai, at the very head of a group of similar repentant capitalists. He was also a delegate to the National Assembly and a member of a party expressly created for him and his kind, the Association for the Democratic Construction of the Fatherland.

In 1955 I refused to take this system of mixed capital seriously. It had just begun and affected only a

very small number of concerns. I could believe neither in the régime's sincerity nor the system's durability. But it's still going on and has spread to ninety thousand Shanghai capitalists. Many of these were formerly shopkeepers and have been regrouped into larger outfits, less numerous and more strategically located throughout the city.

An official in Peking told me later that in the whole of China there are about two million capitalists, who receive interest payments fixed by the state. This sum amounts to between 120 and 130 million yuan annually (\$49 to \$53 million). Of the total only a hundred thousand are "big time." Many of the small fry are not strictly speaking capital-



ists but retired professors, retired small landowners, etc.

Liu is decidedly "big time." Still jovial and enthusiastic, he described his new life under Communism, and I have to admit that it isn't without a certain piquant quality when one thinks of the way seven hundred million other Chinese live. "Car? One is enough for me," he said. "Clothes? I could have as many suits as I want—but all I need is ten or so. . . . Travel? I've been to the Congress for World Peace, to Vienna, to Moscow. . . . I no longer have any worries about my children. Every one of them is set for life as an engineer, professor, etc. When I die they will continue to receive my five per cent, and although they cannot inherit the factories they do get the house. In the old days what a torment children were!"

Liu laughs loudly as he conjures up that not so distant past with all its evils. He paints a picture of rich

children being kidnapped, seduced by women when they grew up, and ruined by opium soon after. All the while their mother spends a fortune on extravagant *haute couture*, and their father loses a fortune at the gambling table. As though this had been the rule . . . "Oh, life is far better today!" Liu exclaims with the earnest voice of the repentant sinner.

I was flabbergasted. The extraordinary pliability of the Chinese character was certainly the deciding factor in the working agreement made by repentant capital with the régime. Liu himself is an example and a proof. He knows an ancient recipe from the book of Eastern Wisdom: In the face of angry power, behave as in the face of angry na-

ture—and bow. The poor have practiced this forever. Now it is the turn of the rich and they know it very well. So far they have succeeded: a flattened capitalist survives. That this survival continues depends on a corresponding attitude of those in power.

Living Dangerously

Just how long will the capitalist converts continue to clip their coupons? Liu went into this. At the beginning they were told until 1962. Then there was an extension until 1965. And after 1965? Liu indicated his belief that the present deadline will again be moved forward. There was assurance in his voice when he added, "We'll talk it over."

That phrase tells a great deal. Obviously Liu and his fellow capitalists feel themselves to be in a position of power. Their experience and their willingness to collaborate is one trump. They have another:

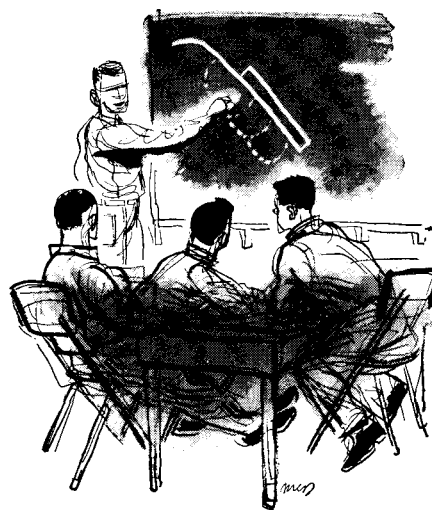
their solidarity, which is reminiscent of Freemasonry. And the rehabilitation of Shanghai, its rise to importance in the eyes of the régime, also gives them an opportunity to make themselves heard. Men from Shanghai have found their way into government everywhere in China. While Canton must take the trouble to speak Mandarin, the dialect of Peking and theoretically the national language, the people of Shanghai are almost alone in being left the use of their native dialect—even in Peking itself.

Here in Shanghai are the exhibits for the revisionist case: the town which is the least severe in its Communism happens to be the most prosperous and smooth-running. If Shanghai can prove its case, the reasoning goes, perhaps the régime will be persuaded to institute a general softening of the party line.

This gambit is skillful but it is also dangerous. Close surveillance continues. The party suspects that the liberal spirit may flare up again in Shanghai after lying some time beneath the ashes. There is still a confluence of many things which cannot help but endow its inhabitants with minds more open than those elsewhere in China: material and intellectual contacts with the West, the presence of a large foreign colony, western science and logic, artists and intellectuals, and the attainment of a certain level of comfort.

THE LEGACY of history as well as the hazards of geography have prevented the régime from eliminating all these influences completely. The mere presence of ninety thousand former capitalists who have survived the defeat of their class is enough to maintain a steady will to revisionism. Not all are as docile as Liu.

Moreover, Shanghai's very success could lead other Chinese to risk the thought that two sorts of Communism are possible: the Shanghai brand, which permits comfort, and the Communism of austerity, which rules practically everywhere else in China. That is a suggestion which Peking will not and cannot tolerate, for many reasons, most importantly because China as a whole cannot afford a way of life that is all the more loathsome for being the way of revisionism.



Where the Pentagon Gets Its Voice

MARTIN F. NOLAN

BACK IN 1946, General Dwight D. Eisenhower, then chief of staff of the U.S. Army, wrote to theater commanders noting that "The Army is being subjected to considerable criticism on its postwar program. This has always been the case following a war and the Army desires to do something about it." He added that "An active public relations program should be carried on in all echelons. . . . A well qualified public relations officer can do much to lessen and counteract adverse criticism."

A day before the general wrote of his concern, the U.S. Army Information School graduated its first class of eighty-two officers, who went forth to lessen and counteract. For two postwar decades, the school, renamed the Defense Information School in 1964, has had the mission "to train officers and enlisted personnel of all services in methods of disseminating information about the services to the service and the general public." That is the definition, at any rate, given in the Standard Operating Procedure (sop) handed each new enlisted faculty member and "published for the information, guidance, and compli-

ance with [sic] of all enlisted personnel."

For fourteen years, from 1951 until last summer, the school's home was Fort Slocum, New York, originally a Civil War fortress of handsome brick buildings on an eighty-acre island in Long Island Sound. With Madison Avenue seventeen miles away and the suburban pleasures of Westchester County within a ten-minute ferry ride, the post was not only an ideal site for learning the black arts of P.R. but also a dogface's dream—or so I thought in September, 1963, when I arrived, duffel bag in hand, from basic combat training at Fort Dix, New Jersey.

A collegiate atmosphere prevailed, from the ivy that covered the walls where five "departments" were organized to the academic jealousies and politicking of the faculty, as intense as any described in a C. P. Snow novel. The "college president," a colonel, was the commandant, his assistant a lieutenant colonel. The "dean"—the director of instruction—was also a "light colonel" exercising tenuous authority over the department chiefs, most of whom