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Increased Disunity: The Politics and Finance of Guangdong Separatism, 1926–1936

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There are two lemons in the larder of Modern China's history. Stalin's, dating from April 1927, is certainly the better known:

> Chiang Kaishek is submitting to discipline. The Kuomintang is a bloc, a sort of revolutionary parliament, with the Right, the Left and the Communists. Why make a coup d'etat? Why drive away the Right when we have the majority and the Right listens to us? . . . Also, they have connections with the rich merchants and can raise money from them. So they have to be utilized to the end, squeezed out like a lemon, and then flung away.[1]

But Stalin never did squeeze his lemon, and the Nationalist Right's massacre of the Communist-led labour movement within a week of his pronouncement was quickly noted by his enemies. Today, his remark is frequently cited as a reminder to students of Chinese history of how close the Chinese Nationalists came to surrendering their National Revolution to foreign control, and of the importance of Chiang Kaishek's break with the Communists to the outcome of the revolution.

The second was noted at much the same time, in south China, by the journalist Hallett Abend:

> Canton, by the end of June, was like a squeezed lemon. All the juice and flavour was gone. It was a city of apathy.[2]

The history of the lemons is quite instructive. There were two aspects to Chinese nationalism, of which breaking free of foreign influence or control was but one. The other was the achievement of domestic unity.

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[1] Cited in Harold Isaacs, *The Tragedy of the Chinese Revolution*, 2nd rev. edn (Stanford, 1961), p. 162. Isaacs notes that this speech was never published.

[2] Hallett Abend, My Years in China (London, 1944), p. 33.

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In the long tradition of Chinese statecraft, as in the Self-Strengthening Movement of the nineteenth and revolutionary movements of the early twentieth centuries, domestic unification generally took precedence over external affairs. The Nationalist Government inherited this tradition, and over the decade from 1927 to 1936 focused its attention on domestic political unification and above all the elimination of its political enemies in the Chinese Communist Party. Yet territorial integration continued to elude it for the better part of the decade, and, in the case of Guangzhou (Canton) and Guangdong, largely through its own doing. From the start of the Northern Expedition in 1926, the Nationalists squeezed the city of Guangzhou and the province of Guangdong dry. They escaped Stalin's grip but squeezed and flung away a lemon of their very own in south China, and in the process created for themselves an additional hurdle every bit as formidable as Stalin's attempted intervention to the progress of their National Revolution. While escaping foreign control, the Nationalists in effect alienated an entire province which came to regard central government interests as foreign to its own.

Protection of local or provincial interests need not have taken forms antagonistic to national integration in Guangdong, nor did it always do so. Certainly the different dialects and cultural traits of the province, its distance from Beijing and early contact with the West all fostered strong particularist loyalties, which sought and found provincial champions to encroach on central prerogatives and deflect central government responses in the late Qing and early Republican periods. Yet there was something paradoxical about Guangdong provincialism in the decade from 1926 to 1936. It sprang directly from the most intensive effort to integrate and articulate local and national interests yet witnessed in the young Chinese Republic.

In the few years immediately preceding this decade there occurred a number of new developments which tied local politics in the province to the Nationalist movement for national reunification, including Sun Yatsen's aborted northern campaign of 1924, the anti-imperialist Hong Kong–Guangdong strike, the Guangdong peasant movement, the movement for popular representation in the People's Consultative Conference which took Sun to Beijing and to an untimely death in 1925, and the final and successful Northern Expedition of 1926–27. During the First United Front with the Chinese Communist Party, from 1923 to 1927, the Nationalists understood National Revolution to mean national reunification through the removal of warlords and imperialists from China. These national goals were consistently related to local and

sectional interests in party planning, organization and propaganda: the anti-warlord programme was conceived and sold as an antidote to banditry, to harsh and unlawful taxation, to rape, pillage and labour conscription by undisciplined warlord armies, to kidnap and ransom, and to other unpleasant side-effects of warlord occupation familiar to peasants and townsfolk up and down the province. Anti-imperialism was similarly presented in familiar detail, as a series of concrete steps to limit the entry of foreign goods competing with native produce, to promote native goods, to reclaim Chinese revenue raised by foreign agencies, to rob local warlords of aid and sanctuary in British Hong Kong and French Guangzhouwan, to wipe the smiles from the faces of foreign militia and gunboat officers and generally to repel the Barbarians who had brought disorder to China for a century and more. National reunification would bring peace and order back into everyday village life. The Nanjing Government was founded on a new and virulent strain of Chinese nationalism which emanated from within Guangdong itself.

Yet looking south from Nanjing, members of the Nationalist Government were embarrassed to find their old provincial allies only too keen to be rid of them and relishing their new-found autonomy. Diana Lary has noted that Guangxi was the first province to be incorporated into the expanded Nationalist administration in 1926, and yet among the first to assert its independence of Nanjing.[3] It is surely an even greater paradox that Guangdong, the Nationalists' revolutionary base from 1923, should have been no less keen to cut its ties with the Nationalist regime. A former officer of the National Revolutionary Army (NRA), Chen Jitang, even contested the revolutionary legitimacy of the Nationalist Government from his provincial base in Guangzhou from 1931 to 1936. Chen Jitang was the most prominent of a succession of provincial warlords who governed Guangdong more or less independently of central control from shortly after the launching of the Northern Expedition: Li Jishen ruled the province until his detention in Nanjing in 1929, and the more conciliatory Chen Mingshu until Chen Jitang assumed command in 1931. Chen Jitang made more explicit a *de facto* provincial independence intermittently effective from 1927, and in so doing ushered in a period of provincial self-government and renewal which many old timers in Hong Kong still regard with affection as the 'Golden Age' of Guangdong.

Why is it that when the revolutionary armies set out from Guang-

[3] Diana Lary, *Region and Nation: The Kwangsi Clique in Chinese Politics, 1925–1937* (Cambridge, 1974), p. 62.

dong on the Northern Expedition, they left behind so little of the nationalism which allegedly inspired them? It is customary to answer this question by referring to the long historical tradition of parochial loyalties in Guangdong, and extending it into the Nanjing Decade,[4] but such an explanation fails to account for the concerted attempt to integrate local, provincial and national interests and loyalties in the intervening period. A more satisfactory explanation of the sorry fate of these attempts is to be found in an exploration of the financial demands and political circumstances surrounding the launching of the Northern Expedition, and in the character of the relationship between the central and provincial governments on financial and economic issues over the Nanjing Decade. Such an exploration suggests that Chen Jitang's provincial separatism was a rational response to specific historical conditions, which converted local or provincial loyalties into an insular parochialism fundamentally incompatible with the type of national integration pursued by the Nationalist Government in Nanjing. This in turn raises the question of whether the Nationalists' model of national integration in the Nanjing Decade was capable of converting local or provincial loyalties into national ones—whether, in other words, the policies of the Nanjing Government were themselves consistent with the growth of modern Chinese nationalism.

Local Interest and National Good in the National Revolution

An idealized national good took precedence over sectional or parochial interests in Nationalist ideology. Their National Revolution was thought not to be a bourgeois or peasant revolution, nor for that matter a northern or southern revolution, but national in the sense that it would involve and profit all sectors and all regions in the country. In this formulation questions of precedence arose only rarely, for it was assumed that sectoral and local interests were perfectly compatible with the national interest, or at least that such differences as emerged would prove quite reconcilable. The nation consisted in this sense of areas of common interest, and the national good was by definition whatever was best for its constituent parts. So Nationalist agitators were advised to seek out the everyday concerns of peasants in the villages and the local preoccupations of merchants or labourers in the

[4] See James E. Sheridan, *China in Disintegration: The Republican Era in Chinese History, 1912–1949* (New York, 1975), pp. 193–5.

towns, and use them to illustrate the advantages for various particular sectors and localities of participation in a national revolution.[5]

Political officers took heed of this advice on the provincial expeditions preceding the Northern Expedition, and would locate the headquarters of local civic organizations or round up youths from the schools to enquire into local circumstances before compiling propaganda programmes extolling the virtues of national revolution, based on the answers supplied.[6] The local people were responsive. The Southern Expeditionary Army won sympathy among the reed-mat weavers of the south, who were told that their market share was shrinking due to 'imperialist' competition.[7] Similarly, officers of the Eastern Expedition found a warm welcome in Shantou when they promised merchants relief from the hefty taxes of the local 'warlord', Chen Jiongming.[8] These essentially local concerns might never have found expression beyond the teahouse or local chamber of commerce, or might have sought satisfaction in regional or provincial protectionism, but through contact with the Nationalists they came to be articulated in the language of a national revolution against 'warlords and imperialism' and even to find partial satisfaction in the political programme of a party aspiring to national government.

Local communities were not, of course, economically or socially homogeneous and their demands were by no means uniform or even consistent. But some grievances were shared, particularly those arising from banditry, arbitrary warlord rule, warlord taxes, and national humiliation at the hands of the foreign powers, and on such issues whole communities could find common cause with the Nationalists. The chambers of commerce and peasant associations of eastern Guangdong, and the landlord militia, merchants and peasants of the south were encouraged in the belief that they needed a national revolution to restore peace and prosperity to their localities. Other differences could await administrative solutions, after the revolution had been won.

The prospect of friction was never far from the surface of the national

[5] Sun Yatsen, speeches of 30 December 1923 and 24 August 1924, in Dang shi hui (ed.), *Guofu quanji* (Taipei, 1971), 6 vols, 11, 602 and 719–23.

[6] Luo Yangqing, 'Di si jun zhengzhi by nanzheng zhengzhi gongzuo jingguo gailue', *Junshi zhengzhi yuekan*, 6 (August 1926), 4–6. Miao Xiangchu, 'Nanzheng zhengzhi xuanchuan gongzuo zong baogao', *ibid.*, 4 (April 1926), 11.

[7] Luo Yangqing, 'Di si jun', 9–10. Miao Xiangchu, 'Nanzheng', Pt. 2, *ibid.*, 5 (July 1926), 14–18.

[8] Zhang Qixiong, 'Dongzheng shiqi zhi zhengzhi gongzuo gailue', *ibid.*, 2 (February 1926), 18. Chun Tao, 'Dongzheng jilue', *Zhengzhi zhoubao*, 3 (20 December 1925), 13–14.

revolutionary movement itself. There were political differences within the Nationalist Party, and even greater ones between the Nationalists and the Communists and Russians, as Stalin was to discover to his cost. But there was also considerable potential for conflict between local and national interests as each side conceived them, most notably between the desire of local communities for tax relief and the Nationalists' determination to maximize revenue collected in Guangdong to fund national reunification.

This was not, in theory at least, an irreconcilable dilemma. Local peace and prosperity called for regional, provincial and national stability, and a high initial investment in national stability might be repaid over the longer term in local prosperity. This, at least, is how Nationalist propagandists understood the problem, and how they anticipated selling the Northern Expedition to Guangdong taxpayers and prospective bond-holders. They certainly recognized it as a potential barrier to local acceptance of the Nationalists, and decided to mobilize popular support for the expedition in order to preempt possible dismay over its cost.[9] This was not going to be an easy task, even under the best of circumstances, and required a keen sense of timing, well orchestrated propaganda and sensitive administration. Yet when it came to collecting the cash, the Nationalists showed themselves far less sensitive than the situation required.

The first setback to the credibility of the Nationalists in Guangdong came with the timing of the Northern Expedition, which Chiang Kaishek decided should proceed immediately upon completion of the provincial Eastern and Southern Expeditions. Promises to deliver the inhabitants of these two regions from the heavy burden of local taxes, made at all points along the route of the provincial campaigns, had raised expectations about the likely behaviour of the Nationalist administration after the completion of the expeditions. In some cases, news of NRA intention to eliminate the taxes levied by the southern militarist Deng Benyin ran ahead of the army itself, whereupon merchants withheld payment of taxes in defiance of Deng Benyin pending the arrival of the NRA. The NRA was then welcomed on this very account.[10] The NRA won similar acclaim on the Second Eastern Expedition by declining to accept levies which had been raised at the behest of the eastern militarist, Chen Jiongming.[11] Such munificence

[9] (Ruan) Xiaoxian, 'Liao xiansheng Zhongkai xunnan yizhou nian jinian yu nongmin', *Litou zhoukan*, 13 (18 August 1926), 16–17.

[10] Luo Yangqing, 'Di si jun', 9–10.

[11] *Zhengzhi gongzuo rikan*, 16 February 1926.

was all very well for the military phase of the provincial expeditions, but even before the expeditions were over, the Nationalist administration turned around and imposed even higher taxes and charges with what appeared, at best, unseemly haste.

The history of the provincial military campaigns themselves should have offered ample forewarning of the Nationalists' concern to expand their financial base as quickly as possible. It was over questions of financial expenditure that Chen Jiongming initially broke with Sun Yatsen in 1922 and shattered the first of his dreams for a national military expedition which would have strained the Guangdong Provincial Treasury.[12] The two Eastern Expeditions of 1925 stemmed from this earlier conflict with Chen Jiongming, but with added impetus from Guangdong merchant bodies now keen to be relieved of the financial burden of Sun's new military allies in Guangdong. Similarly, the rebellion of Generals Yang Ximin and Liu Zhenhuan in 1925 arose from attempts by the provincial government to recover tax revenue collected and retained by Yang and Liu from the regions subject to their control. The last of the provincial campaigns, the Southern Expedition, was in fact but a flank engagement of the Eastern Expedition until the imminent defeat of Chen Mingshu's Tenth Division forced the launching of a full-scale campaign to unseat the southern warlord, Deng Benyin. It must be considered an offshoot of the conflict between the Nationalists and Chen Jiongming. As financial issues featured prominently among the causes of these provincial expeditions, it might have been expected that they would loom large in the outcomes of each campaign.

The allure of Guangdong's bountiful financial resources survived the provincial military campaigns intact, to become one of the driving forces behind the expansion of the new Nationalist administration into every corner of the recently acquired southern and eastern territories. The possible financial yield of the two disputed regions was being confidently estimated even before they had been incorporated into the provincial administrative system. In drawing up these estimates, there appears to have been no suggestion that demands made on the eastern and southern regions to finance a proposed national military expedition should be limited by the local citizens' willingness or capacity to pay. In July 1925, before the Second Eastern or Southern Expeditions had been launched, Chiang Kaishek predicted that Treasury receipts would grow by 10 million yuan or over half of the current income of 18

[12] Jean Chesneaux, 'The Federalist Movement in China, 1920–1923', in Jack Gray (ed.), *Modern China's Search for a Political Form* (London, 1969), pp. 112–14.

million yuan once the eastern and southern regions had come under provincial government control. His estimated of potential income varied, however, with his estimates of how much he would need to launch a national expedition. In July, he had thought 18 to 20 million yuan would suffice for military expenses, and accordingly set the Treasury's potential annual income at a relatively modest level. In December, he revised his estimates of likely military expenditure in light of the pending Northern Expedition, from the July estimate of 18 to 20 million yuan to a new figure of between 28 and 35 million yuan; as the Treasury would have to find such an amount, he recalculated its potential receipts at 50 million yuan.[13] In fact, government income from the province over the twelve months from the Second Eastern Expedition to the attack of Wuhan in the Autumn of 1926 exceeded 80 million yuan, far in excess of Chiang Kaishek's earlier estimates. Almost half of this sum was raised through military exactions (11 million) and the often forced sale of government bonds (24.5 million), and almost two-thirds of it went towards the upkeep of military forces (50 million yuan).[14] The financial incentives underlying the provincial expeditions thus gathered momentum as the Nationalist administration planned for the Northern Expedition and tapped every possible source of revenue to meet the 'urgent financial demands' which it was about to impose.[15]

The phenomenal growth of Provincial Treasury income was due in part to improved collection procedures, but partly to new and higher taxes and charges. The Minister for Finance during the Northern Expedition, T. V. Soong, defended his fund-raising activities in Guangdong by claiming that the increases were accomplished by technical and procedural improvements. The people of Guangdong, by this account, were paying no more than they had previously but their payments were reaching the government more effectively than in the past.[16] There is certainly some substance to this claim, in, for example, the case of military exactions, receipts for which more than doubled once responsibility for their collection had been transferred from local garrisons to county committees answerable to the provincial govern-

[13] Mao Sicheng, *Shiwu nian yiqian zhi Jiang Jieshi xiansheng* (Hong Kong reprint, 1965), pp. 0459:1, 0478:38, and 0558:25–6.

[14] Guangdong caizheng ting, ed., *Guangdong caizheng jishi* (n.p., 1933), 4 vols, 1, 49–50. H. G. H. Woodhead (ed.), *The China Yearbook* (Tianjin, 1921–1939), 1928, p. 1340.

[15] Guangdong caizheng ting, *Guangdong caizheng*, 1, p. 53.

[16] Woodhead, *China Yearbook*, 1928, p. 1339.

ment.[17] Similarly, on Hainan Island the regional Public Finance Office set overall tax quotas for 1926 over thirty per cent above those previously set by Deng Benyin, to be met by 'improved procedure' alone. But this was not the whole story. There was an additional tax-hike in store for the citizens of Hainan once the Public Finance Office could get around to introducing tax-rate increases aleady approved by the provincial Finance Office, but held in abeyance on Hainan until things had been set in order.[18] Over the two-year duration of the Northern Expedition which followed closely on the capture of Hainan, a further five new taxes were introduced to the region, one of them, the kerosene tax, being set a quota to rival that of the greatest of the commodity taxes, the salt tax.[19] This new kerosene tax was extended to the entire province in the first stage of the Northern Expedition, and netted almost 5.5 million yuan in its first full year (1927), a sum equal to more than half of salt-tax revenue for the same period.[20] It would appear, therefore, that the difference between Chiang Kaishek's relatively modest estimates of potential income from Guangdong, and the actual sums raised in the course of the Northern Expedition, was made up only partly by improved collection procedures and for the rest by making people pay more in taxes than they had ever done in the past.

The greater tax burden which promptly marked the transition of power from Chen Jiongming and Deng Benyin to the new Nationalist administration was naturally of some concern to citizens of these regions, and for the party propagandists who were trying to win local sympathy for a national revolution. The propagandists on the provincial military expeditions were rather out of touch with the economic history and short-term financial incentives which underlay the progress of their expeditions. Propagandists of the Fourth Army Political Bureau, for example, were astonished to find during their stage of the Southern Expedition that areas on the southern peninsula which had come under government control at an earlier stage were already being

[17] Monthly receipts increased from 585,000 to 1·4 million yuan: Guangdong caizheng ting, *Guangdong caizheng*, 1, p. 53.

[18] Miao Xiangchu, 'Nanzheng', Pt. 2, 16–18. 'Ge xianshi dangbu ji choubei chu gongzuo baogao', *Zhongguo guomindang guangdong sheng dangbu dangwu yuebao*, 1 (February 1926), 17.

[19] The kerosene tax quota for the year 1926/7 was 200,000 yuan, and that of the salt tax 220,000 yuan. See Miao Xiangchu, *ibid.*, 'Ge xianshi dangbu' and Ceng Jian, *Hainan dao zhi* (Shanghai, 1933), p. 138.

[20] Guangdong caizheng ting, *Guangdong caizheng*, iv, p. 26.

subjected to harsh taxation akin to that previously imposed by the notorious local warlord, Deng Benyin. At first they thought there must have been some mistake. Official notice of these taxes and of the penalties imposed for avoiding them were reported, in incredulous tones, to be 'pasted all over the walls, so that there is barely any room for the political bureau to stick up its own posters'. The political bureau was making promises to relieve the people of the region from the enemy's harsh levies and miscellaneous taxes, even as the new administration was advertising new ones and collecting them with renewed vigour.[21] Government taxation policy prompted local resistance on the southern peninsula, and alienated its inhabitants from other aspects of party policy. The Southern Route Office of the Provincial Peasant Association found its work hampered by the widespread belief that peasant associations were little more than tax-collecting agencies.[22]

If Fourth Army propagandists expected their own stage of the Southern Expedition, which centred about Hainan Island, to differ from what they had witnessed of the earlier stage on the peninsula, they were soon disappointed. Chen Jitang, at that time the military commander of the Fourth Army's Eleventh Division, imposed a military levy on all districts under his command on Hainan which was collected by the forced sale of 'tax-exemption notes'. As with similar notes issued earlier in the area by Deng Benyin, there was no guarantee that they would be accepted at some future date in lieu of taxes.[23] If there was any change, it appeared to be for the worse. The numerous old levies and miscellaneous taxes were retained, increased, and collected more rigorously than in the past. To these old taxes were added new ones which, like the kerosene and dung taxes, weighed heaviest on those who could least afford to pay them.[24]

For Nationalist propaganda on Hainan Island, as earlier on the southern peninsula, this taxation policy was disastrous. Army political bureaux had won support among merchants and villagers alike on the strength of their promises to reduce taxation, and now the extent of their unwitting deception was becoming apparent to all. According to propagandists working in rural Hainan, when local people found themselves burdened with increased taxes they became suspicious of

[21] Luo Yangqing, 'Di si jun', 15–16.

[22] Huang Xuezeng, 'Nanlu banshichu huiwu baogao', *Zhongguo nongmin*, 6/7 (July 1926), no serial pagination.

[23] 'Ge xianshi dangbu', 18.

[24] On the social aspects of the dung tax see 'Ge xianshi dangbu'; on those of the kerosene tax, see Woodhead, *China Yearbook*, 1928, p. 1339.

other party propaganda and erupted in fury at the deception which had been played upon them. Party workers trying to generate popular support for a national revolution were greeted with derision, and found themselves powerless to respond. As they concluded in their own report, 'whenever we went among the masses on propaganda work [it was we who] always received the blame. It was really difficult to find anything to say in reply.'[25]

The timing of the Northern Expedition also made a mockery of Nationalist slogans in eastern Guangdong, where the administrative sequel to the local expedition was much the same as that in the south. In the wake of the eastern Expedition, party propaganda and organizational work flourished under Regional Special Committees, which helped local party branches, peasant associations, labour unions and merchant associations to multiply and flourish throughout the region. But such mass political activity only made popular disappointment the greater in eastern Guangdong, where methods of fund-raising effectively penalized organized Party support and where the Party turned a deaf ear on its own local organizations. Fund-raising procedures rewarded the local power holders who had consistently resisted national reintegration since the establishment of the Republic, and alienated those who looked to the Nationalists, as they had once looked to the throne, to redress the wrongs of local despots.

In order to finance the Northern Expedition, the existing local-administration network in eastern Guangdong was mobilized to raise additional funds by levying taxes for a year in advance and by compelling purchase of treasury notes and government bonds. The counties of the Chaomei and Hailufeng areas of east Guangdong were set a quota of two million yuan to be raised through the sale of government bonds. The method of sale employed by the local administration was the same as that used by the administration of the displaced warlord Chen Jiongming, whereby each County Head was assigned a certain quota of sales which he was at liberty to divide among towns and villages as he saw fit. At sub-county level, responsibility for bond sales rested with the sub-county Popular Militia Office or with a prominent local landowner, at whose discretion lay the choice of method for bond sales at that level. Some assigned bond-sale quotas to each village, others to each household, and yet others to individuals. Whatever the case, little differentiation was made between one unit and another, whether village, household or individual, on the basis of its

[25] Luo Yangqing, 'Di si jun', 15–16.

capacity to pay. There was, however, an inverse differentiation made on the basis of political affiliation, such that the poorest members of the community who happened to belong to party-sponsored peasant associations were singled out for punitive quotas. Peasants then found themselves paying far higher proportions of their income than their wealthier neighbours, and indeed paying very dearly for their affiliation with the Nationalist Party. The local notables who had worked alongside Chen Jiongming allegedly profited from the Nationalists' exodus by forcing sales in excess of quotas and pocketing the difference, or by accepting small tributes in return for reducing the quotas of their friends.[26] Peasants sought redress through their peasant associations and local Nationalist Party branches, and failing to find satisfaction turned in rebellion against local Party and government authority.[27] Rebellion against local authority was magnified in turn by peasant association representatives into condemnation of the new Nationalist Government as a whole for its inequitable methods of funding the Northern Expedition.[28]

This was not local opposition to a national revolution, but opposition to local injustices expressed in the new language of Chinese nationalism, and articulated through a new political structure linking local interest to national goals. Peasant movement activists insisted that the movement would willingly assist in financing the Expedition if only the costs were distributed fairly.[29] The Nationalist administration turned a deaf ear to the movement, and even reversed the terms of reference of its propaganda such that peasants who refused to pay hefty tax quotas were labelled 'anti-revolutionary' for hindering the progress of the Expedition, while local notables who administered the system with commendable vigour found themselves designated 'revolutionaries'.[30] In so doing, the Nationalists leant their authority to the staunchest advocates of local autonomy in the Guangdong community.

The Nationalists' reliance on the old system of local administration was in part consequent on the haste of the Expedition, but the haste of the Expedition was not unrelated to issues of local politics and administration. Chiang Kaishek was fearful of the expansion of Communist and left-wing Nationalist authority at the local level in Guang-

[26] Luo Qiyuan, 'Gongzhai piao yu nongmin', *Litou zhoukan*, 12 (4 August 1926), 12–15.
[27] *Ibid.*, 15.
[28] (Ruan) Xiaoxian, 'Liao xiansheng Zhongkai', 16–17.
[29] See the comments by Peng Pai appended to Luo Qiyuan, 'Gongzhai piao', 16–19.
[30] *Ibid.*, 15.

dong, and keen to launch the Expedition on that account as soon as possible. They were eager to delay his departure for much the same reason. Chiang's haste, in turn, meant utilizing the existing administrative infrastructure, including officials appointed under deposed warlord regimes, and minimizing disruption in the interests of administrative efficiency. Peasants and merchants who had been taught to conceive of local and provincial interests in terms of national goals, and who had been given institutional frameworks for articulating local demands through provincial and national peasant and merchant associations, were alientated from the Nationalist movement on learning that they were to suffer for their association with it. Local elites, on the other hand, which had wrested control of their localities from central imperial control in the nineteenth century and had retained their independence through successive local warlord administrations, found their authority confirmed. The Nationalists made no effort to incorporate them into a national political framework, and they certainly made no effort on their own behalf. Supervising the Nationalists' exodus from Guangdong was all they were called upon to do for the National Revolution, and they did so in the knowledge that National Revolution outside Guangdong meant a return to local autonomy within it.

Province and Centre in the Nanjing Decade

Once the Nationalists had established themselves in Nanjing, they showed little inclination to repay their debt to Guangdong or to demonstrate to the province the advantages of incorporation into Nationalist China. Some relief was found in neglect. Shanghai and the lower Yangtze region came to displace Guangdong as the Nationalists' financial base, and their focus of interest moved geographically from south to north and politically from warlords to Communists. Such neglect, flowing on from mistreatment, encouraged separatist tendencies. When the Nationalists turned their attention once again to Guangdong, they were no less motivated than before by financial considerations but found the province had moved beyond the orbit of their control. Conflict then erupted between province and centre over a number of financial and economic issues which tested the willingness of both sides to reconcile local, provincial and national interests to the profit of all concerned. Four of these issues have been selected for examination here: government debt, tax-sharing arrangements, tax reforms and provincial tariffs.

The Nationalists' fund-raising activity in the period leading up to the Northern Expedition had a number of long-term financial and political ramifications, which came to be felt by subsequent provincial administrations. The first of these was a hefty public debt, made up largely of government debts to the central bank, public bonds and treasury notes, which amounted to almost 100 million yuan over the years 1924 to 1928. With the addition of a similar debt built up over the period before 1924, the provincial government inherited debts totalling 200 million yuan when the Treasurer of Li Jishen's provincial administration, Feng Zhuwan, took office in January 1928.[31] Successive provincial governments were highly conscious of the need to meet at least part of these debts to maintain their political credibility and the viability of their current borrowing activities and bond issues. From January 1928, Feng Zhuwan instructed the Central Bank to pay out 1.2 million yuan each month to government creditors.[32] Although the administration of Chen Mingshu, which came to replace that of Li Jishen in 1929, failed to maintain this rate of repayment for more than a month or so, it felt obliged nevertheless to acknowledge Feng's achievement and to express regret for its own failure to follow suit.[33] Once Chen Jitang replaced Chen Mingshu in turn, in 1931, the Provincial Treasury resumed debt repayments at substantial levels.[34]

Two salient points emerge from this overview of government debt servicing in Guangdong over the early years of the Nanjing Decade. The first, and most obvious, is that it weighed very heavily on the Provincial Treasury. The debt-service portion of provincial government expenditure (25·5 million yuan) over the first full financial year of Chen Jitang's separatist rule, from 1931 to 1932, occupied more than half of total provincial government expenditure (43·7 million yuan).[35] The second point to note is that a provincial administration which vaunted its independence of Nanjing was more likely to honour provincial debts than an adminstration whose primary loyalty lay with the central government. Under Li Jishen and Chen Jitang, each of whom managed to keep the long arm of the Nanjing government at bay, the Provincial Treasury undertook planned programmes of debt servic-

[31] Guangdong caizheng ting, *Guangdong caizheng*, 1, pp. 56–8.
[32] *Ibid.*, p. 65.
[33] *Ibid.*, pp. 65–7.
[34] *Ibid.*, pp. 94–6.
[35] Woodhead, *China Yearbook*, 1936, pp. 391–2. This estimate of provincial government expenditure appears to have been based on the fictitious premise that Chen Jitang's military expenditure was a 'national' expense, and hence to be excluded from provincial calculation.

ing. In the intervening period under Chen Mingshu, when Nanjing played a much greater part in the management of Guangdong's financial affairs, the Provincial Treasury showed itself less inclined to spend money on provincial debts. The debt-service portion of provincial government expenditure slumped from a crest of 25·3 million yuan in 1928/9, the last year of Li Jishen's reign, to a trough of just under 11 million yuan for the following two years under Chen Mingshu's provincial chairmanship, before returning to the 25 million yuan level in 1931/2, once Chen Mingshu had yielded civil control to the more independently-minded militarist, Chen Jitang.[36]

It was, of course, not merely accidental that a provincial government's regional or central loyalties should have some bearing on its management of financial affairs. On the one hand, a regime with strong provincial loyalties required political support from within the province to offset the loss of support outside it, and so was more likely to be responsive to public pressures to repay local creditors. On the other, such a regime was at the same time less likely to consider the interests of the central government or to heed central instructions on how it should raise its revenue, how it should spend it, and how large a share of that revenue it should pass on to Nanjing. The problem of inherited government debt was then readily drawn into the vortex of the conflict between the province and centre, becoming a particular issue of dispute between Guangdong and Nanjing. It came to a head in Chen Jitang's provincial separatist movement of 1931, when on one level previous rates of repayment were resumed and, on a more theoretical level, the issue was canvassed publicly in the literature of the separatist movement. It was conceived not only as a problem of collecting enough revenue to make the repayments, or simply of restoring local confidence in the provincial government, but also as a problem of preventing the central government from sinking even deeper into debt to fund its military sorties against the provinces, and then expecting the provinces to bale it out. Indeed the contemporary bond policy of T. V. Soong became, as Parks Coble has noted in his work on the Shanghai capitalists, a major point of dispute between Nanjing and Guangdong.[37] A spokesperson for the separatists, Huang Zhenzhi, lamented the financial crisis in which Chinese governments found themselves in 1931 as a result of earlier government borrowing, and attacked the central government for undertaking further borrowing at that very

[36] Guangdong caizheng ting, *Guangdong caizheng*, IV, p. 33.

[37] Parks M. Coble Jr., *The Shanghai Capitalists and the Nationalist Government, 1929–1937* (Cambridge, Mass., 1980), pp. 88–9.

time. Huang proposed that the centre should refrain from committing new sources of tax revenue as securities for current borrowing activity, and should consolidate existing debts by the issues of a new and uniform series of bonds which carried lower rates of interest and longer periods of repayment. The advantages of such action, as Huang foresaw them, would include the release of part of general tax revenue for uses more constructive than debt repayment; a greater likelihood of central and provincial governments respecting each other's rights and responsibilities with regard to taxation; and a fair distribution of government repayments among all creditors, regardless of whether they happened to be local or foreign.[38] Foreign creditors could bring considerable diplomatic and economic pressure to bear upon Nanjing to secure partial repayment of debts owed to themselves. The Guangdong administration which had preceded the separatist government, and which had maintained close links with the central government, had in fact declared itself in favour of repaying foreign creditors in preference to local ones.[39] By contrast, Huang Zhenzhi, and through him the Guangdong separatist movement, was speaking on behalf of local creditors who held little hope of seeing a return for their investment under the borrowing and debt repayment policies of the Nanjing regime.

The share of taxes to be taken by the central and provincial governments was a second major area of financial dispute between Guangdong and Nanjing. The official tax-sharing arrangements proclaimed by the central government changed over time with Nanjing's attempts to replace old taxes with new ones and to arrive at a workable *modus vivendi* with the provinces. The thrust of its tax-sharing reforms was to keep for itself those taxes which could well be administered from Nanjing while allowing the provinces to retain the taxes best administered locally. By 1934, this had come to mean that land and business taxes were authorized as provincial taxes, while all other taxes were properly the domain of the central government.[40]

In the case of Guangdong, a somewhat less official version of the tax-sharing formula was devised to distinguish between central and provincial taxes. The income profile of the Guangdong Provincial Government was atypical in a number of important respects. The province derived a very small proportion of its income from the land tax, which

[38] Huang Zhenzhi, 'Zhongguo caizheng zhengli wenti', *Zhongguo daobao*, 6 (5 August 1931), 53–66.

[39] Guangdong caizheng ting, *Guangdong caizheng*, I, p. 53.

[40] Kwei Chungshu (ed.), *The Chinese Yearbook* (Shanghai, 1934–), 1934–35, p. 1381.

at just over 12 per cent was the second lowest recorded for the provinces in the period 1930 to 1936, and was well outside the mean range of between 20 and 50 per cent for the provinces in general.[41] In the second place, the province was heavily dependent on revenue from gambling and opium taxes. In 1926, when the Nationalist administration drew its income almost exclusively from Guangdong, the gambling tax supplied 11·5 million yuan, or 20 per cent of its revenue from taxes, while the opium suppression tax yielded a further 3·5 million yuan or almost seven per cent of the total.[42] The government's dependence on these two forms of taxation was an unwelcome consequence of the launching of the Northern Expedition, at which time gambling taxes were called military exactions and were reorganized in preparation for the expedition, while the opium suppression tax had featured prominently in Chiang Kaishek's preliminary estimates of funds available for the expedition, and almost trebled in value over the duration of the Expedition.[43] Taxes on gambling and opium continued to provide a large share of the revenue raised in Guangdong throughout the Nanjing decade, or at least until the collapse of the Guangdong separatist movement in 1936, taxes on gambling accounting for between 12 million and 17 million yuan per year and on opium for between 7 million and 9 million yuan per year.[44] Though neither the provincial nor the central government was keen to give official sanction to these taxes by declaring them permanent and indispensable, neither was at all hestitant to stake its claims to the revenue derived from them. The agreed formula for sharing the proceeds of the two taxes was to give gambling taxes to the province and the opium tax to the central government.[45]

In practice, the tax-sharing formula adopted varied over time with changes in the political relationship between Guangdong and Nanjing. Following the establishment of Chiang Kaishek's National Government in April 1927, the Provincial Treasurer Gu Yingfen requested a clarification of the tax-sharing arrangements and was presented with the formula which gave opium taxes to Nanjing but allowed the province to retain revenue from the gambling tax.[46] In August 1927,

[41] *Ibid.*, p. 1382. Hung-Mao Tien, *Government and Politics in Kuomintang China, 1927–1937* (Stanford, 1972), p. 191.

[42] Guangdong caizheng ting, *Guangdong caizheng*, 1, pp. 49–50.

[43] *Ibid.*, I. p. 53 and III, p. 973. Opium tax revenue grew from 3.5 million yuan in 1926 to 9·2 million yuan in 1928: see *ibid.*, IV, pp. 26–8. See also Mao Sicheng, *Shiwu nian yiqian*, pp. 0746–9.

[44] Guangdong caizheng ting, *Guangdong caizheng*, IV, pp. 26–8.

[45] Kwei Chungshu, *Chinese Yearbook*, 1936–37, p. 697.

[46] Guangdong caizheng ting, *Guangdong caizheng*, I, p. 53.

shortly after returning to Guangdong, Gu was obliged to resign in the face of a major banking crisis, and was replaced as head of the Provincial Finance Bureau by Feng Zhuwan. Feng was forced to resign in turn amidst the succession of military and political upheavals which shook Guangdong between October and December 1927 (Zhang Fakui's coup, the Communists' Guangzhou Uprising and the final return of Li Jishen), but he was recalled in the new year once his replacement, Lin Yungai, had demonstrably failed to win sufficient local public confidence to allow him to reopen the Central Bank. Feng succeeded where Lin had failed by supporting the provincial currency, by offering some hope that government bonds and treasury notes would be redeemed and by promising to restrict government expenditure and thereby reduce the government's dependence on bank paper to cover its annual deficits.[47] Significant cuts in expenditure were, in the event, ruled out by the continuing insistence of the Guangdong militarists on maintaining and even increasing current levels of military expenditure.[48] Unable to reduce government expenditure significantly the Provincial Treasury was forced to look to new sources of revenue.

In attempting to restore the credibility of both bank and government by reducing the government deficit, Feng confronted the problem of the provincial–central tax-sharing arrangements inherited from Gu Yingfen. In October 1928, it appeared to Feng that the designated provincial taxes were likely to yield an income for 1928 which was more than one-third below that actually collected in the preceding year. In order therefore to make some attempt at honouring past debts and meeting present expenses, it was deemed necessary to transfer the major taxes officially designated as central revenues, including the taxes on opium, wine and tobacco, back to the provincial list. Government credibility and financial stability were thus bought at the cost of breaking with Nanjing. 'Until some special system has been devised to cope with this type of situation', concluded Zhu. '. . . there is really no point in planning for national reunification.'[49]

Nanjing's answer to this problem was, in effect, to arrest Li Jishen while Li was visiting Nanjing for the Third Nationalist Party Congress in March 1929, and to transfer his military authority in Guangdong to Chen Jitang. The repercussions of these wider military and political

[47] *Ibid.*, I, pp. 54–6.

[48] Military expenditure totalled 63 million yuan in 1927 and 71 million yuan in 1928: *ibid.*, IV, p. 32.

[49] Ibid., I, p. 58.

developments were felt in the Provincial Finance Bureau, where Feng Zhuwan was promptly replaced by Fan Qiwu. At the same time, Nanjing gave notice of its concern over the course adopted by the Finance Bureau under Feng Zhuwan and despatched T. V. Soong to Guangzhou to restore the authorized tax-sharing system.

The financial reorganization set in train by T. V. Soong did little to endear the central government to the province, or to restore confidence in the provincial government among its creditors. Soong transferred to the central Treasury ten taxes from Feng Zhuwan's unauthorized list of provincial taxes (opium, likin, salt, alcohol, tobacco and rolled tobacco, sugar, explosives, kerosene and stamp tax), and with a few parting words to Chen Jitang on the need to reduce military expenditure, which was then averaging around 3·5 million yuan per month, returned to Nanjing.[50]

The new provincial government of Chen Mingshu found itself floundering in the wake of T. V. Soong's visit. From the start, provincial government expenditure far outstripped the income which could be drawn from the provincial taxes. A deficit of almost one million yuan per month was built into advance estimates of provincial government income (34 million yuan) and expenditure (44 million yuan) for 1929, but as time progressed the deficit came to exceed even these original estimates. The cause of this deficit growth was neither a decline in provincial government income, which actually exceeded budget estimates, not an excessive growth in legitimate provincial government expenditure, but rather the diversion of part of the remaining authorized provincial government taxes to cover *central* government expenditure. Over the second quarter of 1929, for example, monthly provincial government income averaged 3.8 million yuan but little more than 1.2 million yuan could be set aside each month for provincial government purposes as the remainder was siphoned off 'to meet the expenses of the National Treasury'.[51]

T. V. Soong's rearrangement of Guangdong finances thus had a number of important consequences for the provincial government. The

[50] *Ibid.*, pp. 60, 68–9.

[51] *Ibid.*, I, pp. 66–7. The nature of these national expenses is not spelt out, but the clear implication is that Nanjing was taking far more than its agreed share of revenue from the Province. It is possible that the forfeited 2·6 million yuan did not leave the Province, but was used to cover the expenses of Chen Jitang's Eighth Route Army which had reverted to central control after Li Jishen's arrest: *ibid.*, I, p. 69; Chen Jitang, *Chen Jitang zizhuan gao* (Taipei, 1974), p. 34. If this is the case, then it clearly made little difference to Chen Jitang, to his units, to the Provincial Treasury or to Guangdong taxpayers whether the army was designated central or provincial.

first, noted above, was a decline in the rate of repayment of bonds and treasury notes which all but ceased from the time of T. V. Soong's visit. The rate of debt repayment per month under the more independently-minded Treasurer, Feng Zhuwan, at 1·2 million yuan was equivalent to *total* outlay permitted on provincial expenses under T. V. Soong's reforms. In the circumstances, wrote the incumbent head of the Finance Bureau, 'there is really no way we can repay them'.[52]

The second major consequence of T. V. Soong's reforms was a reinforcement of the habitual dependence of the Guangdong government upon illegitimate tax revenue, the largest of which was gambling tax. T. V. Soong's local assistant in the reorganization, Fan Qiwu, acknowledged this dependence some months after the reforms had been initiated when he pointed out that even with the best will in the world the Guangdong government could not afford to adopt the centrally-authorized tax schedule used in, for example, Jiangsu Province because in Guangdong it would yield but a couple of million yuan.[53] Hence even at a time when the provincial government was on good terms with Nanjing and quite willing to comply with central instructions, it was incapable of balancing its books, paying its creditors or abolishing harmful taxes.

Public indignation over this apparent incompetence on the part of the provincial government was a third consequence of T. V. Soong's reforms, and the Provincial Finance Bureau 'could do little', in the words of Fan Qiwu, 'but accept [this] abuse'. While conceding that the centrally-directed reforms may have 'offended the people of Guangdong', Fan nonetheless attempted to justify them by insisting that they were welcomed by fellow countrymen outside of Guangdong.[54] Nanjing was evidently the cause of acute financial difficulties for the Guangdong Provincial Government and for its local creditors, who were in effect called upon to sacrifice local interest for the national good. They might have been persuaded to do so, albeit reluctantly, if Nanjing had shown that it, too, was working for the national good.

Events in Nanjing offered little inspiration. Chiang Kaishek arrested Hu Hanmin after another acrimonious internal squabble in May 1931, and so offered Chen Jitang a pretext for breaking publicly with Nanjing in defence of Nationalist orthodoxy. Chen's subsequent separatist course was charted under the blue and white star of the Nationalists. After breaking with Nanjing in 1931, Chen reversed T. V. Soong's

[52] Guangdong caizheng ting, *Guangdong caizheng*, I, p. 67.
[53] *Ibid.*
[54] *Ibid.*, I, p. 66.

reforms and appointed his own candidate, Qu Fangpu, to head the Provincial Finance Bureau in place of Fan Qiwu.[55]

The mere fact of political stability over the subsequent half-decade of Chen Jitang's separatist regime went some way toward restoring financial stability and business confidence. The Guangdong Provincial Bank of 1931 to 1936, the successor to the Nationalists' Central Bank of 1924, enjoyed a stability unrivalled by its predecessors in Guangdong.[56] Qu Fangpu's policies complemented the political continuity of Chen Jitang's regime in restoring a measure of public confidence in the government's management of financial affairs and, as noted, debt repayments in 1932 returned to the level set prior to T. V. Soong's reforms.

The separatist government was also committed to taxation reform and, although paying little heed to the former tax-sharing agreement with Nanjing, did take notice of local objections to the numerous miscellaneous taxes which abounded in Guangdong. The government was in fact acutely conscious that the strength of its local appeal hinged on its taxation policy, as indicated by Treasurer Qu Fangpu when he acknowledged in an official report that levels of taxation have 'a great impact upon the people's faith in the government'.[57] Chen Jitang's first Three Year Plan, drawn up in mid-1932, then listed among its top priorities the 'reorganization of all taxes . . . and the abolition of harsh miscellaneous taxes'.[58] The separatist regime was not the first provincial administration to proclaim such a commendable aim, but it does appear to have been a little more successful than its predecessors in achieving it. Fan Qiwu, Provincial Treasurer under the previous administration, had been forced to admit after T. V. Soong's departure that his plans to abolish harmful and miscellaneous taxes were doomed to fail in light of the provincial government's responsibilities to the central government.[59] Chen Jitang abrogated such responsibilities, and although he failed to abolish these taxes *in toto*, on the day of introduction of the Three Year Plan he did at least lift twenty-one such levies.[60]

Similarly, while the Nationalist administration had failed to abide by its promises of 1925 to remove the local miscellaneous taxes levied in

[55] *Ibid.*, I, P. 94. Woodhead, *China Yearbook*, 1936, p. 160. Coble, *Shanghai Capitalists*, p. 88.

[56] E. Kann, 'The Provincial Bank of Kwangtung No. 6', *Finance and Commerce*, 20 November 1940, 453–4.

[57] Guangdong caizheng ting, *Guangdong caizheng*, I, p. 102.

[58] Chen Jitang, *Chen Jitang zizhuan gao*, p. 42.

[59] Guangdong caizheng ting, *Guangdong caizheng*, p. 67.

[60] *Ibid.*, I, p. 97.

eastern Guangdong, and indeed imposed an even heavier burden on the region in order to fund its Northern Expedition, Chen Jitang made a special effort to reduce its tax load in 1933 after a personal tour of the area.[61] Consequently, when the central government announced a policy of eliminating miscellaneous taxes at the local level, the government of Guangdong was able to report that by October 1934 it had abolished two hundred and thirty such taxes worth almost 6 million yuan per year, which in number and value exceeded that of any other province.[62] The Three Year Plan also envisaged the progressive replacement of gambling and opium taxes by orthodox land taxes, and incorporated a mammoth programme of land surveying and registration to upgrade procedures for levying and collecting the land tax. This thirty-year programme was well underway when Guangdong reverted to central control in 1936, with a survey of the city of Shantou completed, surveys of five rural counties nearing completion, and surveys of a further five counties already begun.[63]

No record of life and commerce in Guangdong in the 1930s can be reckoned complete, as David Faure has pointed out in another context, without taking into account the exceptional and devastating effects of the Great Depression.[64] The Depression certainly complicates any assessment of Chen Jitang's achievements in taxation reform and financial administration. It is quite possible that even in the absence of the Depression Chen may have failed over the long term to meet debt repayments, eliminate harsh and miscellaneous taxes or stabilize the currency, for he was committed to maintaining a large and costly provincial army and appears to have been motivated as much by the desire to line the pockets of himself and his friends as by loyalty to his province. In the event, by 1936 Chen had failed on all of the above counts, but the intervention of the Depression prevents our attributing his failure simply to maladministration.

The Depression affected provincial government finances as well as local industry and commerce. The general outflow of silver in 1934

[61] *Ibid.*, I. pp. 99–100.

[62] Kwei Chungshu, *Chinese Yearbook*, 1934–35, pp. 1378–9. I have taken the figure of 4·85 million yuan appearing in this source to refer to the national currency, and so have converted it to the Guangdong small-dollar currency used throughout the present essay.

[63] Chen Jitang, *Chen Jitang zizhuan gao*, p. 42. Chen Zhengmou *et al.* (eds), *Zhongguo nongjing zilao senzhong* (Taipei, 1971), I, pp. 344–6. Guangdong sheng dizheng ju (ed.), *Guangdong dizheng* (Guangzhou, 1940), p. 17.

[64] David Faure, 'The Plight of the Farmers: A Study of the Rural Economy of Jiangnan and the Pearl River Delta, 1870–1937', *Modern China*, XI:1 (January 1985), 3–38.

destabilized the silver-based currency of Guangdong and as a result the separatist government having redeemed government bonds and treasury notes in the first year of the Three Year Plan, found itself obliged in 1935 to issue a new series of treasury notes in order to stabilize the currency.[65] More generally speaking, the downturn in international trade damaged Guangdong industry, undermined local banks and threw hundreds of thousands out of work.[66] Under the circumstances, proposals to replace old miscellaneous taxes with legitimate business taxes or indeed to undertake any form of radical tax restructuring were quite unworkable. But as far as the questions of taxation and national integration were concerned, perhaps the most important side-effect of the Depression was the erection of tariff barriers between Guangdong and the world at large, and between Guangdong and the rest of China. Chen Jitang tried to convert the province of Guangdong into an independent kingdom surrounded by a wall of tariffs, in a belated and ill-fated attempt to preserve local industry and government from a disaster not really of his own making.

One major tariff developed over the years 1933 and 1934 to counter imports from abroad and from elsewhere in China was the rice tax, which appears, paradoxically, to have harmed rather than to have benefited the province and to have had little adverse effect on provinces outside Guangdong.[67] Other provincial tariffs do, however, appear to have cost industry in areas outside of Guangdong quite dearly. Aside from rice, other agricultural produce which attracted provincial import tariffs included beans, oil and processed organic fertilizers. The bean and oil levies were introduced ostensibly to restrict imports from Japanese-occupied Manchuria, but in fact also discriminated against the northern and central provinces from which Guangdong derived the bulk of its imports. The fertilizer tariff, which was extended in September 1935 from Manchurian produce to non-Guangdong produce in general, hit hardest at the Shanghai processing industry and in particular at twenty fertilizer plants which had only recently opened in that city to cater for the Guangdong market. Provincial tariffs were also imposed on industrial goods originating elsewhere in China, and were levied most heavily on products which competed with products of

[65] Kwei Chungshu, *Chinese Yearbook*, 1934–35, p. 1801.

[66] See Alfred H. Y. Lin, 'The Agrarian Crisis in Pre-Communist China—The Case of Kuangtung Province', in Lee Ngok and Leung Chi-Keung (eds), *China: Development and Challenge* (Hong Kong, 1979), 2 vols, I, pp. 98–102.

[67] *Ibid.*, pp. 101–2. Guangdong farmers failed to make up the difference represented by the decline in rice imports resulting from the tariffs: *Huazi ribao*, 3, 9 and 10 June 1936.

locally established industries, notably cement, chemicals, dyes, machinery, paper, shoes, cosmetics, and a variety of everyday goods.[68] On this point as well, the provincial government found little incentive to consider the wider-national interest in the behaviour of the national government and in this sense was simply responding to initiatives from the centre which in 1934 dealt a severe blow to the Guangdong sugar industry by restricting free trade in sugar in order to promote the sale of sugar marketed under its own label.[69]

The tariff barrier was also inspired by visions of a rapidly developing provincial economy. The tariff policy of the provincial government was only the defensive front of a wider economic offensive, launched in 1933 to recover the province's position as a leading commercial and industrial centre of China. Under the provisions of the Three Year Plan, the provincial government funded an impressive construction programme which expanded the public highway network from 1,500 to 4,000 kilometres, built a major bridge over the Pearl River, completed a long-distance telephone grid linking Guangzhou to Huizhou, Shantou, Humen and Jiangmen, and established four major industrial zones in the suburbs of Guangzhou and several local sugar refineries and workshops in counties outside the provincial capital.[70]

The part of this construction programme with greatest bearing on provincial tariff policies was the creation of the four suburban industrial zones, which were the pride of the provincial government and earned recognition even from its detractors as a significant achievement.[71] They contained largely producer industries which turned out chemicals, fertilizers, cement, textiles, fibres, metals and machinery but they also produced a number of finished products such as ships, glassware and aerated and alcoholic beverages.[72] These numerous state-funded projects of the separatist regime represented an investment estimated to have exceeded 60 million yuan over the span of the Three Year Plan.[73] In support of this investment, the government promoted the sale of local, state and private products by staging public

[68] 'Yue dianding hou zhi juanshui', *Guowen zhoubao*, XIII: 31 (10 August 1926), 3–4.
[69] Lin, 'The Agrarian Crisis', pp. 97–8.
[70] Chen Jitang, *Chen Jitang zizhuan gao*, pp. 44–5, 48–9. 'Chen Jitang xiansheng zhi sixiang yu gongxian', in He Shaoquiong *et al.* (eds), *Chen Jitang xiansheng jinian ji* (Hong Kong, 1957) pp. 54–9.
[71] 'Chen Jitang xiansheng', pp. 54–9. 'So wang fang yuesheng xin dangju zhe', *Guowen zhoubao*, XIII: 32 (17 August 1936), 3–4.
[72] 'Chen Jitang xiansheng', pp. 54–9.
[73] *Ibid.*, pp. 39–40.

exhibits, pressuring shops to stock local goods, and opening government retail outlets under the signboard of the National Goods Movement.[74] By the same token, in defence of this investment the provincial government was determined to restrict the flow of competing products into the province through construction of a tariff barrier.

As the defence of industry in Guangdong came to harm industry elsewhere, it prompted defensive reactions from interest groups outside the province. Shanghai industrial and commercial circles did not accept the Guangdong tariffs lightly, and from the moment of their inception tried to have them removed. From late 1934, the Shanghai Chamber of Commerce and the National Association of Chambers of Commerce both pressed to have the entire structure dismantled, and as time progressed particular industrial associations such as the Shanghai Assorted Grains Association and the Shanghai Association of Mechanized National Goods Factories came out in opposition to the introduction of tariffs which were of special concern to their members.[75] At the time of Chen Jitang's fall in July 1936, the Shanghai-based General Association of Chinese Industry went a step further and, in the name of the national interest, petitioned the Nanjing Industrial Ministry to 'rationalize' industry in Guangdong by dismantling the public industrial sector wherever it happened to compete with private enterprise and abolishing industries which competed with similar industries set up elsewhere in China (notably Shanghai) which were thought best suited to areas outside Guangdong.[76]

The nationalistic rhetoric of Shanghai industry was no less parochial than the provincialism of the Guangdong regime. The National Goods Movement was used as a smoke screen in Guangdong for promoting the production and sale of provincial produce at the expense of goods originating from elsewhere in China, which cannot be said of Shanghai. Even so, the Movement served much the same purpose there as in Guangdong. Indeed as a general rule it seems that the National Goods movement was only as popular in any one place as it was capable of promoting the produce of that particular locality. The difference between Guangdong and Shanghai was not that one gave greater priority to the national interest than the other, but rather that Shanghai enjoyed a comparative advantage over Guangdong in terms of the scale of its industry, its entrepreneurial expertise and its place in the national

[74] *Ibid.*, pp. 46, 54. Kwei Chungshu, *Chinese Yearbook*, 1934–35, pp. 1690–1.

[75] 'Yue ju dianing hou', 3–4.

[76] 'Cong zhengli yuesheng gongye tandao yiban gongye', *Guowen zhoubao*, XIII: 34 (1 September 1936), 4.

marketing and communications networks, and so was less in need of protective tariff policies. Associations of Shanghai industry could well proclaim the ideal of a greater national good and promote free trade, apparently without fear or favour, when in fact they were obliged to do so in the interests of their own members. Such local self-interest took the form of provincial protectionism in Guangdong, where protectionism held the potential for creating a stable environment for the growth of new industries.

In all likelihood Chiang Kaishek took little heed of the Shanghai industrialists in deciding to move against the Chen Jitang administration in Guangdong. Chiang could find sufficient motives of his own in the political embarrassment caused by an independent and hostile regime on the southern borders, and in the strategic and financial advantages which would accrue from reincorporating Guangdong into the Nationalist administration. The opportunity to do so arose in consequence of military action against Communist forces in provinces adjacent to Guangdong, which enabled Chiang to come within striking distance of the province from bases in Fujian, Jiangsi, Hunan, Guizhou and Yunnan. Once he had taken Guangdong, however, Chiang showed by his actions that he was indeed sympathetic to the stand taken by the Shanghai industrialists.

Financial and economic issues were foremost on the Nationalist agenda for the province. The fall of Chen Jitang in 1936, like that of Li Jishen in 1929, signalled the beginning of a radical reorganization of provincial government finances.[77] Insofar as its plans concerned taxation, the new government proposed to abolish illegal and miscellaneous taxes and to draw and to adhere to a rigid distinction between provincial and central taxes.[78] The promise to abolish illegal and miscellaneous taxes had been made by each successive administration in Guangdong since the Northern Expedition, and, as we have seen, had been broken with equal regularity in the face of inadequate revenues drawn from legitimate taxes such as land and business taxes. On this last occasion, the central government's financial administrators began proscribing illegal taxes shortly after they had arrived in Guangdong, but with the unforeseen result that no sooner had one form of illegal tax been outlawed than a new one sprang up at the county level to replace it.[79] The difficulties associated with abolishing the

[77] 'Jiang weiyuan zhang dao yue hou', *Guowen zhoubao*, XIII: 33 (24 August 1936), 1.

[78] 'Jinhou zhi yue ju', *Guowen zhoubao*, XIII: 33 (24 August 1936), 10. Kwei Chungshu, *Chinese Yearbook*, 1936–37, p. 696.

[79] 'So wang fang yuesheng', 3.

many illegal taxes in Guangdong soon impressed themselves upon the centre's representatives in the province, who then began to petition Nanjing for permission to delay their abolition. Under the directorship of Nanjing's appointee, T. L. Soong, the Provincial Finance Bureau asked Nanjing for an extension of time in which to consider the abolition of miscellaneous taxes, and for a postponement of the deadline set for the prohibition of gambling until some replacement for the revenue derived from the gambling tax could be devised. Even centrally-appointed administrators believed this concession consistent with national reunification. But Nanjing was adamant. The request was turned down by H. H. Kung, the Central Minister of Finance, after which T. L. Soong is reported to have carried out central instructions with a renewed vigour.[80]

One outcome of Nanjing's prevailing over the new Provincial Treasury was the progressive dismantling of the provincial tariff barrier.[81] Another was to be the decline of the state industrial sector for want of continued financial assistance from the Provincial Treasury.[82] Both Chiang Kaishek and the new Commissioner for Construction in Guangdong, Liu Weizhi, publicly committed themselves to a policy of forbidding the public sector (or at least the Guangdong public sector) from competing with the private sector, and earned for their pains the wholehearted approval of the Shanghai industrialists.[83] Among the chief beneficiaries of the downgrading of public sector activities and removal of tariff barriers in Guangdong were, as it turned out, the 'private sector' entrepreneurs T. V. and T. L. Soong, who took advantage of their government connections to establish a formidable hold on banking activity in the province and to make windfall gains on the local rice market after the import tariff on foreign rice had been lifted in 1937.[84]

The second of Nanjing's initiatives in provincial taxation reform after the removal of Chen Jitang was the redrafting of provincial and central government tax schedules for Guangdong Province. This latest attempt followed the basic pattern of T. V. Soong's earlier

[80] 'Yuesheng nuli feichu keshui', *Guowen zhoubao*, XIII: 31 (10 August 1936), 3.

[81] Kwei Chungshu, *Chinese Yearbook*, 1936–37, pp. 697–9.

[82] The factories which suffered most were the nine (including those producing chemicals, synthetic fibres, ships, machinery, sugar and hydro-power) which had not yet moved into production by the time of Chen Jitang's downfall: 'Chen Jitang xiansheng', pp. 54–9.

[83] 'Lui Weizhi tan jianshe jihua', *Guowen zhoubao*, XIII: 32 (17 August 1936), 3. 'Cong zhengli yuesheng', 4.

[84] Coble, *Shanghai Capitalists*, pp. 229–30.

intervention in 1929, but with one major difference which effectively impoverished the provincial government relative to the income which the central government would draw from the province. In 1929, the centrally-appointed provincial government had paid lip-service to the ideals of outlawing gambling and prohibiting opium-smoking but had in fact set aside the revenue from gambling taxes for itself and the proceeds from the opium tax for the central government. In 1936, by contrast, Chiang Kaishek did indeed outlaw gambling and thereby, despite strong protests from his newly appointed Provincial Finance Bureau, deprive the provincial government of its largest single source of revenue.[85] At the same time, however, Nanjing continued to pay little more than lip-service to the goal of opium prohibition, opium-tax revenues customarily being designated as the property of the central government. Hence while gambling was summarily outlawed, the problem of opium suppression and opium taxation in Guangdong was passed on to the Opium Suppression Commission for consideration.[86] This Commission was in effect a financial arm of Chiang Kaishek's military headquarters, enjoying close links with the underworld and counting among its branch officers the greatest opium dealer in the country, Du Yuesheng.[87] The laudable goals which the central government proclaimed after the fall of Chen Jitang, specifically to eliminate illegal taxes and to distinguish clearly between provincial and central taxes, amounted in practice to the elimination of those illegal taxes which were designated as provincial, and the retention of other illegal taxes which accrued to Nanjing. The net effect of the reforms introduced in 1936 appears to have been to benefit outside industry at the expense of industrial growth within Guangdong and to favour the central government at the expense of the provincial.

Conclusion

Calling to the Chinese people to join him and 'save the nation', Chen Jitang set out with armies from Guangzhou in June 1936 to take on the Japanese and the National Government of Chiang Kaishek in Nanjing. Few in China took Chen's appeal seriously, and with good cause as his army was effectively defeated even before it had set foot outside

[85] Kwei Chungshu, *Chinese Yearbook*, 1936–37, p. 697. 'Yuesheng nuli feichu keshui', 3.
[86] Kwei Chungshu, *ibid.*
[87] Coble, *Shanghai Capitalists*, pp. 114–15.

Guangdong. For months central army units had been amassing along Guangdong's borders with neighbouring provinces, and Chen's hold on his provincial forces was weakening. But an even greater cause of scepticism was Chen's own history as a Guangdong separatist, who had long offered sanctuary to political pretenders and refugees from Nanjing and had converted the province into an autonomous domain with its own tax schedules, internal and external tariff barriers, protected local currency and ambitious programmes for provincial economic development. He had shown little concern for national unity hitherto, and national unity was a prerequisite for the successful defence of China against Japan. Chen's provincialism was an obstacle to, rather than transitional to, a new nationalism, and this gave his patriotism a hollow, provincial ring.[88] However genuine his concern to 'save the nation' from Japan, Chen was all too obviously marshalling his troops to save the province from incorporation into Nationalist China.

Chen's fate leaves unanswered the question of whether Chiang Kaishek's gradual accumulation of centralized power was itself consistent with the growth of modern Chinese nationalism. Both sides billed this contest as a confrontation between sectional interest and the national good, each of course representing itself as champion of China. Chiang's claim was the stronger, but Chen's was not entirely unreasonable. While Chiang headed the central government, some credibility accrued to Chen and the Guangdong separatists from the centre's apparent indifference to the Japanese invasion. In addition, the central government enjoyed close ties with the Yangtze Valley area which, from Guangdong, appeared a regional affiliation of little benefit to areas outside central China. Certainly after taking Guangdong, Nanjing displayed a direct preference for the development of Shanghai industry and commerce over that of Guangdong, if only because it was heavily indebted to Shanghai capitalists and inclined to heed their requests if it could afford to do so at little real cost to itself.[89] Seen from Guangdong, the struggle for national integration amounted to a contest between one region and another, and the outcome in 1936 a victory for one set of parochial loyalties over another. Amidst this confusion of

[88] On a phase of provincialism considered transitional to nationalism, see John Fincher, 'Political Provincialism and the National Revolution', in Mary Clabaugh Wright (ed.), *China in Revolution: The First Phase, 1900–1913* (New Haven, 1968), pp. 185–228.

[89] See Richard C. Bush, *The Politics of Cotton Textiles in Kuomintang China, 1927–1937* (New York, 1982), ch. 7, *passim*.

loyalties, China presented an open field for self-proclaimed patriots, and it was no more clear then than now that a victory for Chiang Kaishek or Chen Jitang would have been a victory for modern Chinese nationalism.

When, a decade earlier, the Nationalists first began to marshall troops and resources in preparation for launching the Northern Expedition, local and national interests were set not in opposition, as in 1936, but in alignment. National Revolution was then understood to mean the achievement of goals shared by a variety of social classes and localities, and the provision of local, provincial and national institutions to articulate and ideally resolve conflicts among them. Not all aspirations were in fact shared, so perhaps not all could aspire to achievement. Nevertheless some which were held in common, notably those which came under the general heading of opposition to warlords and imperialism, could seek a common resolution. In the event, however, the way in which the Nationalists funded and administered the Northern Expedition and their method of handling central–provincial relations over the following decade threw the perception of local, provincial and national interests irremediably out of alignment. The outcome in 1936 may have eliminated Guangdong as a threat to the central government but, as in all earlier cases of attempted intervention by Nanjing, it did little to integrate local interests and national loyalties.

A nationalism which is incapable of accommodating parochial loyalties is the obverse of a parochialism which sets itself in opposition to national reunification: Chiang Kaishek's well-intentioned nationalism appears to have been an obstacle to the nationalization of local and provincial loyalties, just as Chen Jitang's provincialism was an obstacle to the development of modern Chinese nationalism. Chiang may not himself have been a warlord, but his approach to provincial and local politics fed a disruptive parochialism which sought and found provincial champions, who were indeed warlords, throughout the Nanjing decade. The existence of these warlord administrations, in turn, invited central government intervention and retribution. In this sense, Chiang Kaishek and Chen Jitang created one another. The separatist administrations of provincial warlords like Chen Jitang rarely lasted more than a few years, but as long as Chiang remained in power the disruptive parochialism which they represented survived them. Provincial warlords continued to come and, with a little help from Nanjing, to go. Finally, however, the outcome was not to achieve greater

national unity but, as John Service noted in his wartime despatches midway through the following decade, 'to increase disunity' through forced reunification.[90]

[90] Joseph W. Esherick (ed.), *Lost Chance in China: The World War II Despatches of John S. Service* (New York, 1974), p. 48.