

**State Building, Capitalism, and Development:
State-Run Industrial Enterprises in Fengtian, 1920-1931**

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Dedication

To

Tiffany

We start a new life together

Abstract

During the late Qing Dynasty (1644-1911), Western powers and Japan forced China to open its market and flooded the country with goods produced by large-scale industrial enterprises. The Chinese found that with military defeat, they lost not only political sovereignty but also economic interests. The situation was even worse in Northeast China (often called Manchuria in English), where the Russians and the Japanese built railroads and seaports and gained extraterritoriality over large stretches of land. With such advantage, the two imperialist powers, especially the Japanese, dominated the Northeastern economy. For the Chinese, the only way out was to establish native industrial enterprises. The Chinese regional state in the Northeast (known as the Fengtian Clique, 1916-1931) most urgently wanted to develop a modern economy, because it was the only viable way to generate wealth and strengthen the state in the long run.

Due to the lack of a full-fledged bourgeoisie, the regional state had to be very hands-on in economic modernization – it established and managed large-scale industrial enterprises. In the process, the state became the largest business owner and the forerunner in capitalist enterprises. In this study, I investigate two industrial enterprises established under the leadership of Fengtian Civil Governor Wang Yongjiang – the Fenghai Railway Company and the Fengtian Textile Mill. These state-run enterprises were joint-stock companies strictly formulated according to the Company Law, which were based on Western laws. The provincial government, as the largest shareholder and the manager, ran the companies rigorously in a rational and profit-oriented way and competed in the

open market. This phenomenon requires us to re-think capitalism – its existing paradigms and generalizations should be re-examined and new theoretical possibilities explored. I tentatively propose the concept of *capitalism embedded in state bureaucracy*, as I see in the two state-run companies. To wit, it was *capitalism not led by the bourgeois class*. The state became a capitalist in its endeavors to develop regional economy and to strengthen itself.

For Karl Marx, capitalism was essentially defined by a new mode of production, in which the bourgeoisie own the means of production while the workers are deprived of it. He therefore often referred to the form of society created by capitalist mode of production “bourgeois society.” For Max Weber, the fundamental nature of capitalism is rationality, mainly embodied in “rational capital accounting.” Weber better grasped the essence of capitalism, because his conceptualization stripped it of the unnecessary class-based elements. Through empirical examination of two provincial enterprises in Fengtian, I demonstrate that rationality was indeed the driving force of capitalism. Under certain circumstances, rationality can bring about capitalism, without the sociopolitical and economic preconditions such as private ownership of means of production, highlighted by Marx and even Weber. The capitalism in Northeast China during 1920s is quite different from the conventional, Marxian understandings of Chinese capitalism, which have centered on the bourgeois class. To better understand capitalism, I believe, we have to make a clear distinction between its origins in Western Europe and its replication in other parts of the world – the trajectories are bound to be vastly different. If the gestation of the world’s first capitalism as an economic force was a prolonged process, necessarily

concomitant with profound social or cultural transitions, as elaborated by Marx and Weber, its replication around the world often takes place more quickly and easily, with only small changes in the sociopolitical context. Through this empirical study, I hope to show that capitalist development can unfold in highly distinctive and localized manners.

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Introduction

The modern state began to emerge in China at the turn of the twentieth century, when the Qing court, still taking refuge in Xi'an after the Boxer fiasco, announced its intention to reform by implementing the New Policies (*xin zheng*).¹ These policies, forged and issued between 1900 and 1905, would have fundamental impacts on the structure and function of the Chinese state as well as the development of Chinese economy for decades, although the Qing itself collapsed soon in 1911. The Qing state carried out extensive reforms in administration, military, and education throughout the country, among which, the 1905 abolishment of the age-old civil service examination was probably the best known.² To encourage business enterprises and to promote economic development, the state established the Ministry of Commerce (*shang bu*)³, which was ordered to draft and issue commercial laws. The emphasis given to economic issues was unprecedented. The commercial laws, for the first time in Chinese history, gave private property legal protection and stipulated the registration procedures of companies following the international rules. Mostly drafted by the British-educated lawyer Wu Tingfang, these laws were largely based on Western legal codes, especially those of

¹ Interestingly, the New Deal of the Roosevelt Administration, commenced three decades later, was also translated into Chinese as *xin zheng*. Although the two programs were vastly different, both were government initiatives of drastic reforms and both boosted the state's presence in the population's lives. While economic policies constituted the bulk of the American *xin zheng*, they were only one of many parts of the Chinese program.

² Actually, the military service examination was abolished four years earlier, as part of the military reform, but it never received much attention.

³ It was reorganized as Ministry of Agriculture, Industry, and Commerce (*nonggongshang bu*) in 1906.

Britain and Japan.⁴ The Japanese Commercial Code had in turn borrowed liberally from British and German commercial laws.⁵ Capitalist in nature, the Chinese commercial laws were aimed at regulating the establishment of companies, promoting commercial activities, and encouraging industrial development.⁶ Although the Qing's state building program was indeed promising, the dynasty was overthrown by the joint force of Yuan Shikai, the alienated elite, and the revolutionaries, before the program had enough time to strengthen the central state.

The state building efforts continued after the 1911 Revolution in the institutional framework laid down by the Qing, but in a decentralized context, especially after Yuan Shikai's death in 1916. In the next twelve years (1916-1928), often called the warlord period, the country was divided into warlord-ruled territories of various sizes. The central government in Beijing often had little authority. Even during the so-called Nanjing Decade (1928-1937), when the Guomindang (GMD, aka the Nationalist Party) ruled as the central government, most provinces were still under the control of local regimes. For instance, the Northeast under Zhang Xueliang (before 1931), Shanxi under Yan Xishan, Yunnan under Long Yun (until 1945), and Sichuan under Liu Xiang and Liu Wenhui. By virtue of the regional regimes' almost total control in their territory, they were the most tangible, de facto states to the local people as well as foreign countries. The modernizing efforts of these regional regimes in political institutionalization, military buildup, and economic development can therefore be appropriately considered as state building.

⁴ Wu Tingfang et al. *Da Qing xin bian fa dian* (The new law codes of the Qing). Taipei, Taiwan: Wen hai chu ban she, 1987.

⁵ William Kirby, "China Unincorporated: Company Law and Business Enterprise in Twentieth-Century China," *The Journal of Asian Studies* (Vol. 54, No. 1, Feb. 1995), p. 47.

⁶ Wu Tingfang, in the Commerce Ministry's memorial, n. pag.

Regional regimes tried different approaches in their domain to strengthen themselves, which made the Republican period the most colorful and creative time of modern state building in China.

1. The Northeast

The Northeast is a vast region of 424, 523 square miles, roughly three times the area of Japan.⁷ It includes three provinces – Fengtian (Liaoning since 1929), Jilin, and Heilongjiang; as a whole, it was also known as the Three Eastern Provinces (*dong san sheng*) or the Three Northeastern Provinces (*dongbei san sheng*). The region was the Manchu emperors' ancestral land and, for that reason, was officially sealed off from Han immigration, although immigrants came to settle in the region continuously throughout the Qing. Its frontier status was officially ended as part of the New Policies; its administration was normalized only in 1907, when the Qing abolished the military governorships (*jiangjun*), established three provinces, and sent in three civil governors. The region was sparsely populated and its overall development lagged far behind most other provinces, especially in industrialization and modern education. There was little Chinese modern industry in the Northeast, while in other regions, industrial plants had been emerging under the leadership of reformers like Li Hongzhang and industrialists like Zhang Jian. Consequently, before 1911, the Northeastern elites had never been visible in national politics. However, the region was rapidly transformed from a frontier

⁷ The Northeast is often referred as Manchuria in English literature – the corresponding Chinese word is *manzhou*, which refers both to the region as the birthplace of the Manchu and to the Manchu as a people. When translating Chinese materials, I use Northeast for *dongbei* or *dongsansheng* or *dongsheng*; I myself refer to the region as the Northeast both because that was the most common term during the historical period under my study and because it is how the region is referred to today.

into an industrialized and influential region. In 1924, only seventeen years after the administrative normalization, because of the region's wealth and industrial power, the Northeastern leader Zhang Zuolin was able to launch a successful military aggression into the Great Wall against other warlords. Two years later, Zhang Zuolin was able to take control of the national capital Beijing and became China's head of state. The successful state building of the Northeastern regime played a vital role in the region's meteoric rise.

As we can see from the above account, the history of the Northeast is a crucial part of modern Chinese history. However, because of the powerful presence of Russia/Soviet Union and Japan in the region, most English works on modern Northeast focus on imperialism and Chinese nationalism, except the two works by Gavan McCormack and Ronald Suleski, separated by twenty-five years in their publication. Consequently, it remains unclear in the English-language literature what the Chinese, especially the civil elite who led the state building, were doing in the Northeast during the Republican period. My study shows that there were significant historical events besides imperialism and nationalism in the Northeast. By focusing on the Chinese state building, industrialization, and capitalism, I hope to make the history of the Northeast more complete.

2. Regional and Provincial State Building

My study focuses on the province of Fengtian (named Liaoning 1929-31),⁸ which had always been dominant among the three Northeastern provinces. Its economy and population were both much larger than those of the other two provinces combined.

⁸ The area of Fengtian Province was 97,974 square miles, 72% larger than today's Liaoning.

During the Qing and the Republican times, the highest official who oversaw the administration of the whole region – the Shengjing General (*shengjing jiangjun*) and later the Governor-General of the Three Eastern Provinces (*dongsansheng zongdu* during the Qing and *dongsansheng xunyueshi* during the Republican era), always held office in the city Fengtian, which was the capital of the whole region as well as of Fengtian Province. Zhang Zuolin, the warlord leader of the Northeastern regional regime, directly controlled the military forces in Fengtian Province and indirectly commanded those in the other two provinces. As for civil affairs, he largely left them to the provincial governors. Sometimes the Northeastern regime, often dubbed the Fengtian Clique (*Fengxi*), did establish supra-provincial institutions, for instance, the Communications Committee, for the administration of railways and telegraphs. In this study, I mostly use the term *state* to refer to the Fengtian provincial government and sometimes to the Northeastern regime – the former was part of the latter. The meaning should be clear from the context.

The existence of many “warring states” (warlord regimes), instead of one state, during the whole Republican period requires us to examine all the major regional regimes before we can confidently talk about the history of the Republican period. Because first, warlord regimes controlled the majority of the Chinese territory. Without a good knowledge of these warlord regimes’ behavior and the consequences of their behavior, the picture of Republican China will remain unclear. Secondly, the warlord regimes were different from all the “central” Chinese states that have been more carefully studied – the Qing imperial state, the GMD revolutionary and fascist state, and, needless to say, the communist state. For all intents and purposes, these regional regimes were states, because

they possessed all the definitive attributes of a state, as summarized by Charles Tilly: the control of a large territory, the centralization of power and administration, the differentiation from other organizations, and a monopoly of coercion.⁹ Moreover, the regional regimes were treated as states by foreign powers – they often negotiated directly with regional regimes on issues within their territory. It is noteworthy that the situation of multiple regional states was coupled with a strong sense of provincial identity,¹⁰ forming a powerful centrifugal force – so much so that the Republican period can be aptly described as an era of localism. Certainly, no Chinese regional regime ever claimed itself to be an independent state, but it is our job to see what they truly were. If regional regimes mostly conducted their business independently as states, they should be treated as such in historical studies. The GMD and the Chinese Communist Party's (CCP) national histories, different as they were, both depicted the regional regimes as simplistic, irrational, repressive, and even farcical; the truth is that most of them were not more so than the two self-proclaimed revolutionary regimes – in the case of the Northeastern regime, I will show that the state was actually leading the region onto a highly promising developmental path, which, if not interrupted by Japanese invasion, could bring about economic growth and prosperity to the region.

The potential significance of this study lies in both the particularity and the typicality of the Northeastern regional state. On the one hand, the Northeast was where China faced its biggest imperialist menace – Japan and Russia/Soviet Union. The

⁹ Charles Tilly, ed. *The Formation of national States in Western Europe*. (Princeton, N.J. : Princeton University Press, 1975), p. 27.

¹⁰ Regional regimes were mostly based in one province – the Fengtian Clique was the exception to this rule; also, some warlords, such as Liu Xiang in Sichuan, occupied only part of a province.

regional state was able to deal effectively with both internal and external pressures. It forestalled further imperialist encroachment before 1931; it dominated North China between 1924 and 1931; and its leader Zhang Zuolin became the head of state in Beijing in 1927. Hence, a sound comprehension of the regional state building in the Northeast can help us better understand China in 1920s and other important issues. For instance, the Northeast is especially critical to the CCP's victory over the GMD, yet the studies of the CCP's rise have hardly ever included the Northeast. Overall, these studies have been strikingly teleological – most focus on the party's policies and activities in the South or in the Northwest,¹¹ but little research has been done regarding the CCP's first major strategic and vital victory – its takeover of the Northeast, without which, the party probably would never win China. Scholars seem to believe that the CCP possessed the right *stuff* and the seed of its success had been planted in the South and in the Northwest¹² – exactly what the CCP wants people to believe and has been propagandizing in its textbooks for decades. The drastic differences between the Northeast's history and that of other areas have often been ignored. But the CCP's success in the Northeast, I believe, was a precarious one – not at all pre-determined. A detailed knowledge of the Northeast, including the state building by the Fengtian Clique, is simply indispensable for our understanding of the CCP's victory.

On the other hand, the Northeast was also one of many regional states – the GMD never controlled more than half of China's provinces before 1945. Only after seriously

¹¹ See for example, Chalmers Johnson, *Peasant Nationalism and Communist Power: The Emergence of Revolutionary China, 1937-1945*, Stanford: Stanford University Press, 1962; Mark Selden, *The Yen'an Way in Revolutionary China*, Cambridge, Mass.: Harvard University Press, 1971.

¹² For instance, see Chalmers Johnson, 1962.

studying major regional states can we have a clear picture of China's political structure during the Republican period. Many scholars have circumscribed their studies of modern Chinese state in the Republican period to the "central" state in Beijing (1912-1928) or Nanjing and Chongqing (1928-1949) (For instance, see Duara 1988, Bergère 1989, Wakeman 1995, Bian 2005, and Zanasi 2006), which was either one among peers or sometimes a puppet controlled by warlords. Many scholars, when talking about Chinese state, implicitly equate the state with the nominal central state. The term nation-state exercises a strong hold on many scholars' thinking – a state is always coterminous with a nation. They never used the term "state" to refer to regional regimes, which, again, were largely independent of the central state in Beijing or Nanjing. As Prasenjit Duara once aptly commented on the writing of national history, "[H]istorical consciousness in modern society has been overwhelmingly framed by nation-state."¹³ Western scholars' historical consciousness of Chinese history seems to have been inflicted by the same problem, albeit to a lesser degree. By simply dropping the "nation" from "nation-state," we can better describe the reality – all Chinese regimes during the Republican period were *states* but none was a nation-state (the Guomindang regime had the claim though). Moreover, we also open up new territory for the study of Chinese state because regional regimes can be studied using the state theories. Indeed, state building may not have much to do with the nation – as Tilly points out, in Western Europe, state making took place before the process of nation building.¹⁴ Western European states became nation-states only later, in the process of nation building. The subject of this study, the Fengtian Clique,

¹³ Prasenjit Duara. *Rescuing history from the nation: questioning narratives of modern China*. (Chicago and London: The University of Chicago Press, 1995), p. 3.

¹⁴ Tilly, 1975, p. 70.

is a regional state that can be fruitfully investigated using the state theories developed by sociologists and political scientists.

The regional state building programs, it turned out, were often robust and promising. Their success, together with the ideology of federal provincialism, offered a historical alternative to the model of highly centralized administration that had ruled China for two millennia. Several pioneering works, by Donald Gillin (1967), Gavan McCormack (1977), Ronald Suleski (2000), and Kristin Stapleton (2000), have opened up the studies of Chinese regional regimes, but these scholars do not treat these regimes as states, that is, they do not use the analytical concepts of state and state building. Past studies of the warlord period have focused on the military men; by focusing on the civil elite, I hope to reveal the often ignored yet increasingly relevant history of the Chinese state – relevant because since early 1980s, China has been undergoing similar historical processes: state building, industrialization, and state-led capitalism.

In the English language history and sociology, modern state building is often featured by the drive to increase revenues for military and civilian purposes and by the impulse of rationalization and bureaucratization. In the process, modern states greatly expand their intrusion into and extraction from the societies. Laid down by Tilly and several other scholars in their seminal work on the formation of Western European states, this analytical framework has been enormously influential. In the studies of modern Chinese history, such as those by Prasenjit Duara,¹⁵ Frederic Wakeman, Jr.,¹⁶ and

¹⁵ Prasenjit Duara. *Culture, power, and the state: rural North China, 1900-1942*. Stanford, Calif. : Stanford University Press, 1988.

¹⁶ Frederic Wakeman, Jr. *Policing Shanghai, 1927-1937*. Berkeley: University of California Press, 1995.

Margherita Zanasi,¹⁷ the emphasis has been on the state's deepened control of and increased tension with the society. In a later article, Tilly issues an anarchist verdict on the modern state: "If protection rackets represent organized crime at its smoothest, then war making and state making – quintessential protection rackets with the advantage of legitimacy – qualify as our largest examples of organized crime,"¹⁸ which Wakeman quotes faithfully as the epigraph of his book to set the tone for his study of GMD's rule in Shanghai.¹⁹ The modern state is indeed much vilified. This kind of one-sided understanding has led to the overlooking of the developmental dimension of state building as well as the state's cooptation of the society. Indeed, the same party state and leader studied by Wakeman – the Guomindang regime and Jiang Jieshi – later led Taiwan into great prosperity in 1970s; moreover, the party successfully engineered the democratization of Taiwan in 1980s and peacefully transferred administrative power to the Democratic Progressive Party (*Minjindang*) in 2000. The monolithic and simplistic understanding of the modern state does not mesh well with such realities. In contrast, my study will call attention to the economic aspects of state building and the state's collaboration with the society. I will demonstrate that the state building does not necessarily succeed at the expense of the society; instead, the society could benefit from successful state building as well. It should not be a surprise to us – for one thing, the state and the society often have similar interests and goals; for another, the state, to varying

¹⁷ Margherita Zanasi. *Saving the nation: economic modernity in republican China*. Chicago: University of Chicago Press, 2006.

¹⁸ Charles Tilly. "War Making and State Making as Organized Crime" in Peter Evans, Dietrich Rueschemeyer, and Theda Skocpol, ed. *Bringing the state back*. Cambridge: Cambridge University Press, 1985.

¹⁹ Wakeman. *Policing Shanghai, 1927-1937*.

degrees, has to answer to the needs and demands of the society, except in extreme cases. Through my close investigation of the Northeastern regime's industrial projects, I try to formulate a new paradigm – the developmental approach of state building.

3. The Capitalism Embedded in the State Bureaucracy

In Western scholarship, the study of Chinese capitalism and economic modernity during the Republican period (1912-1949) has unapologetically focused on former treaty port cities, especially Shanghai (For instance, see Coble 1980, Bergère 1989, and Zanasi 2006).²⁰ The problem of this narrow focus lies not only in the fact that Shanghai is just one city in a vast country. Both Bergère and Zanasi (appropriately) pay great attention to the role of the state in economic development – in the later case, the state was actually the central subject of investigation. However, throughout the Republican period, there was always more than one state in China; sometimes, there were about a dozen of them, under different leaders and operating independently from each other. Therefore, without studies of regional political economy, it is impossible to have a complete picture of capitalist development in China and the state's role in it. In Northeast China, the dynamics between the state and the economy, as my study will show, were quite different from that of Shanghai and Nanjing. Therefore, the over concentration on Shanghai in the studies of Chinese capitalism not only missed the vast territory of China, it also misses important historical paradigms.

²⁰ Parks Coble Jr. *The Shanghai Capitalists and the Nationalist Government, 1927-1937*. Cambridge, Mass: Harvard University Press, 1980; Marie-Claire Bergère. *The golden age of the Chinese bourgeoisie, 1911-1937*. Cambridge [England]; New York: Cambridge University Press, 1989.

Capitalism, as any ism, takes on different forms in different social, political, and economic contexts. In countries that industrialized later than those in Western Europe and North America, it was common for the state to play a larger role in the process of industrialization. In China, between the downfall of the Qing in 1912 and the Japanese invasion in 1937, different regions, due to their particular political and economic situations, manifested different dynamics of political economy. The de facto independence of regions²¹ allowed regional regimes to go about administering political and economic issues in their own ways. Chinese capitalism in Shanghai and other treaty ports was the exception rather than the rule, because they were by far the most industrialized, modern, and wealthy cities in the country. Therefore, the study of Chinese capitalism entails investigation of regions outside treaty ports. Only empirical regional studies can reveal different forms of capitalism in China.

In the Northeast, the Chinese regional regime was not just a major player in industrialization and capitalist development – it was the initiator, manager, and leader. In my study of the modern industrial enterprises established by the state – the Fenghai Railway and the Fengtian Textile Mill, I show that the state was actually the largest capitalist in northeast China. This particular kind of capitalism was embedded in the state bureaucracy and developed without the leadership of the bourgeois class. In the under-developed society, only the state could meet the demands of modern large-scale industrialized production – the personnel, the technology, and the capital. For the

²¹ Here, a region controlled by a regime could be a province, such as Shanxi under Yan Xishan. It could be smaller than a province; for instance, the regions occupied by the Sichuan warlords were parts of the province. The warlord-controlled region could also be larger than a province, such as the Northeast under Zhang Zuolin (later Zhang Xueliang) regime.

emerging Northeastern state, capitalist development was a crucial component of its state building. Therefore, I situate my stories of the two state-run companies in these two long-term world-historical processes – state building and capitalism, mostly studied separately before.

4. Railway and State Building

During late Qing and the Republican period, railways became a key locale of Chinese state building and economic development, since they not only provided fast, reliable transportation for commodities and passengers, but also helped the Chinese state in its claim of sovereignty against the imperialist powers, in its political integration of remote territory, and in military operation. In Northeast China, the period witnessed fast development of railways and rapid emergence and expansion of cities – by both imperialist and Chinese efforts. In the first two decades of the twentieth century, it was the Russian and Japanese imperialist powers who dominated railway transportation as well as many urban spaces in the region. Beginning in 1920s, it was the Chinese who built most of the new railways. The Northeastern regional regime was keen in building its own railways to break the imperialist monopoly on modern transportation. The regional regime also needed railways to bring the whole region more tightly under its developmental and administrative control.

Although railway is an important subject, the study of Chinese railways has been scarce in English-language historiography – there is no academic work in the United States that is devoted to the study of Chinese railways during the Republican period. Although there are many studies on railways in the Chinese historiography, it remains

difficult to find out how the Chinese built their railways. Almost all of these works try to provide a comprehensive history of all railways in the country; as a result, they can only offer a smattering of information on each aspect of each railway. Readers are left wondering about how it was like to build and run a railway in Republican China. My study will focus on the state and the society's roles in Fenghai Railway's construction and management. By focusing on a short period of one railway's history, I hope to reveal the inner workings of railway in depth. I investigate how numerous historical actors – the state, the railway company, merchants, villages, schools, and many individuals – were involved in the railway enterprise and how they interacted in the process. In the conflicts, requests, petitions, negotiations, and lawsuits in the process, we can see the vivid history of the Chinese railway.

5. Source materials

This dissertation is an empirical study based on a large quantity of primary sources. More than half of the source materials are government documents on the Fenghai Railway and Fengtian Textile Mill. Because the two enterprises were both managed by the state, extensive materials were left behind in the provincial government's archives; the Fenghai documents are especially rich. A large number of different political and social strata were represented in these documents – the governor, provincial bureaus, provincial business elite, county magistrates, county associations, village heads, and villagers. Shenhai Railway Company (Fenghai's name since 1929) published its own journal – Shenhai Monthly (*Shenhai yuekan*) – between 1929 and 1931. These journals covered a wide range of contemporary issues as well as railway affairs in the whole

country. I was able to collect eight out of about twenties issues of Shenhai Monthly. Shenhai also printed and published detailed and comprehensive annual reports, two of which have been used in this study.

Gazetteers are always a must for regional studies, because they record extensively local affairs and they are readily available. Counties and municipalities across China have also organized compilations of Historical Records (*wenshi ziliao*), mostly about local affairs and luminaries during late Qing and Republican period. The ten volumes that I collected provided valuable materials, especially biographies of key figures in this study. Newspapers are unique source materials because they provide journalistic coverage on Fenghai Railway and Fengtian Textile Mill, sometimes with vivid details. For instance, gambling on Fenghai's Fengtian Market was never found in any archival documents, but was reported in newspapers; similarly, on the subject of prostitution, we learn from documents only that it was allowed in the market, but newspapers provide vivid accounts written by journalists who investigated in person. Newspapers were especially valuable in their coverage of the negotiations between Japanese and Chinese on railway issues. Finally, the South Manchuria Railway Company (SMRC) conducted extensive research on China and produced countless reports on railway issues. These are valuable source materials for historians. I rely on some of the reports on Fenghai Railway to have a close look at the Japanese attitude toward Chinese railway initiatives.

6. Chapter outline

In the process of closely examining the history of the Fenghai Railway and the Fengtian Textile Mill, I engage with several theoretical issues – state building, state and society, capitalism, and economic nationalism. In my efforts to link historical reality to theoretical frameworks, I have developed several concepts: regional state, capitalism embedded in state bureaucracy, collaborative capitalism, and the dual process of state building and capitalist development. There is no perfect solution to the organization of chapters – I try to strike a balance between the thematic organization of each chapter and the chronological arrangement of the whole study.

In Chapter 1, I first present a short biography of Wang Yongjiang, the leader of state building in Fengtian Province. I then try to capture the moment when the Northeastern regional regime took its shape through Zhang Zuolin's appointment and promotion of Wang Yongjiang and their conflict with Zhang's sworn brothers who wanted to stay above the law. Finally I discuss the division between the military and civil elites in the Northeastern regime and its consequence for state building. Chapter 2 is largely devoted to the prehistory of the Fenghai Railway – the international competition to build railways and lay claims on the territory and the domestic rivalry among county elites for railway access. In the process of showing the conceptions of railway by various historical actors, I also try to reveal the strong localism during the late Qing and Republican era. Chapter 3 gives an account of the creation of the Fenghai Railway – how it was planned, funded, constructed, and managed. The theme of Fenghai's story in this chapter is state building – railways were a crucial part of the Northeastern regime's efforts to strengthen itself because they had great administrative, development, and

strategic values. Chapter 4 first recounts the story of Fengtian Textile Mill to introduce the central theme of this dissertation – state-led capitalist industrialization. It then continues the story of the Fenghai Railway, but under the theme of capitalism – a distinct kind I termed *capitalism embedded in bureaucracy* and *collaborative capitalism*. Chapter 5 examines the relationship between the railway and the outside world – the focus is on local communities directly affected by the railway. As the largest modern enterprise with extensive presence in multiple counties, boasting of its own police force, Fenghai Railway was a powerful institution at the time. I examine how the society coped with the railway staff when disputes arose. In the last chapter, the sixth, I look at the issue of cooperative transportation between Fenghai and various other railways. The issue of cooperation was highly complicated in the Northeast because of the presence of the SMRC. Relying on the newspaper World Daily as well as Fenghai's own documents, I examine the railway issue in the larger political context. In Conclusion, I briefly recount the post-history of Shenhai Railway and take a quick look at the decline of railway in our time. At the end, I provide a new, speculative understanding of capitalism, especially capitalism in state-led development in late-developing countries.

CHAPTER ONE

The Northeastern Regional Regime and Its State Building

Zhang Zuolin (1873-1928, style name²² Yuting), the epitome of Chinese warlord, was by far the most dominant political figure in the Northeast. Often caricatured as vulgar and straightforward in the communist mass media because of his banditry experience and lack of education,²³ Zhang actually was a political genius with great aspirations. In 1912, he became a lieutenant general (*zhongjiang*) and the commander of the 27th Division of Chinese national army, stationed in the provincial city Fengtian. The division was the best-equipped in the Northeast and completely devoted to Zhang; therefore, he became the most powerful military man in the region, only nine years after he joined the Qing military with a gang of bandit soldiers as a low-ranking military officer.²⁴ In 1916, Zhang became the military governor (*jiangjun*) and the civil governor (*xun'anshi*) of Fengtian after successfully jostling away the governors sent by President Yuan Shikai (1859-1916).²⁵ In three more years, with his trademark finesse, Zhang got himself appointed as the Governor-General of the Northeast (*Dongbei xunyueshi*), forced out powerful rivals, and installed his relative Bao Guiqing as the Governor of Jilin and his sworn brother Sun Liechen as the Governor of Heilongjiang.²⁶ In 1919, Zhang Zuolin

²² A style name (*zi*) was the name a male selected for himself upon becoming an adult; its meaning was often close to that of his original name. However, it was used only by others. Its use usually implied respect; when it was used without surname, closeness.

²³ Hu Yuhai and Zhang Wei. *Feng xi ren wu* (Prominent figures in the Fengtian Clique) (Shengyang: Liao hai chubanshe, 2000), pp. 3-4.

²⁴ Hu and Zhang, p. 8.

²⁵ Hu and Zhang, p. 10.

²⁶ Hu and Zhang, p. 12.

had the whole Northeast under his control and thus effectively created the Fengtian Clique – the regime that controlled the Northeast, sometimes also Rehe Province. This unification of the Northeast under a single leadership would have profound impact on the history of the region and the whole country. Thereafter, the Northeast was ruled by an uninterrupted warlord regime until 1931, under the leadership of Zhang Zuolin and since 1928, his son Zhang Xueliang. Relatively isolated from other parts of China and ruled by one established regime, the Northeast was blessed with stability between 1916 and 1931, while most other parts of the country were constantly in the throes of civil wars. The stability provided a good environment for state building. The Fengtian elites, especially Civil Governor Wang Yongjiang and the civil officials, took the opportunity and carried out many development projects to create a strong modern state.

The Fengtian Clique consisted of a dual, feudal administrative structure – the dominant military and the subordinate civil. Zhang Zuolin appointed his sworn brothers and other followers as military governors of provinces under the clique’s control. Besides Fengtian, Jilin, and Heilongjiang, the regime also controlled Rehe, Shandong, and Zhili for some years and Jiangsu and Anhui for a brief period. All provinces had a military governor and a civil governor – often concurrently held by one military man appointed by Zhang Zuolin. It was common for the military men to pick an acting civil governor (*daili shengzhang*) – Zhang Zuolin selected Wang Yongjiang,²⁷ Jilin Military Governor Zhang Zuoxiang appointed Wang Shuhan, and Heilongjiang Military Governor Wu Junsheng

²⁷ Zhang Zuolin wanted to appoint Wang as the civil governor, but Wang insisted on being just the Acting Civil Governor. See Wang Xianwei. “Wang Yongjiang yisheng gailue” (A brief biography of Wang Yongjiang), pp. 13-29. Dalian Jinzhou wenshi ziliao weiyuanhui, Dalian wenwu guanli weiyuanhui. *Wang Yongjiang jinian wenji* (Commemorative essays dedicated to Wang Yongjiang). (Dalian: Dalian chubanshe, 1993), p. 19.

appointed Yu Sixing. All provinces were obliged to participate in Zhang Zuolin's military operations, but the civil affairs were left to their own discretions. Even military administration was not unified – each military governor was responsible for training and funding his own army. The civil administration was more institutionalized, because its structure was more or less inherited from the Qing's reformed bureaucracy. Our discussion of state building is largely limited to the province of Fengtian.

1. Modern State Building

The political institution of modern nation state has spread around the world and, in the process, defined the very structure of both national and international politics. Charles Tilly and several other scholars, through their historical study of the emergence of modern states in Western Europe, have established a sound theoretical framework of modern state building.²⁸ The processes of state building in Western Europe, as summarized by Tilly, included “consolidation of territorial control, differentiation of governments from other organizations, acquisition of autonomy (and mutual recognition thereof) by some governments, centralization and coordination.”²⁹ According to Tilly, extraction from the population for military purposes was the major driving force behind Western European states' bureaucratization and other administrative innovations.³⁰ If extraction was the major feature of state building, it was only natural that the population “resisted each phase of the creation of strong states.”³¹ My study of the state building in Northeast China borrows from the theoretical framework of Tilly et al, but with many

²⁸ Tilly, ed., 1975.

²⁹ Tilly, 1975, p. 70.

³⁰ Tilly, 1975, pp. 73-74.

³¹ Tilly, 1975, p. 71.

departures. This is partly because different historical contexts engender different dynamics of state building.

In Tilly's and many other works on the modern state, the rationality behind state building and the (often strong) will of the modern state are not explicitly conceptualized.³² However, rationality and will are essential elements in state building; once formulated as theoretical tools, these two concepts can help us better understand the modern state. The modern state has to face outside pressure – to compete with other states in the global arena as well as inside pressure – from an increasingly assertive population to deliver results. It is this dual pressure that compels the modern state to rationalize its administration and professionalize its bureaucracy so it becomes more efficient and effective. In the process, the greatly increased organizational coherence and professional confidence gives the modern state a strong will, which often leads to aggressiveness in administration. The pre-modern state was often satisfied if there was no big problem within its territory – such as starvation or rebellion – and often dealt with problems in an ad hoc manner. In contrast, the modern state often takes initiatives to plan and carry out projects to achieve its goals. The Northeastern civil government under the leadership of Wang Yongjiang was such an aggressive state that took initiatives to strengthen itself. The state building in Fengtian largely owed its great success to Wang Yongjiang – a well-established bureaucracy often stifle individual initiatives and slow down administrative process, but in an incipient bureaucracy, a capable and energetic

³² James Scott. *Seeing like a state: how certain schemes to improve the human condition have failed*. New Haven, CT: Yale University Press, 1998. James Scott insightfully brings anthropologist perspective in our understanding of the state. But he focuses on the state's concern of legibility and the authoritarian high modernism, therefore, does not address the state's rationality and will in general.

leader like Wang Yongjiang can make a big difference. In the following pages of this chapter, I will sketch out a biography of Wang Yongjiang and, along the way, discuss the distinctive features of state building in the Northeast.

2. The Fengtian Civil Leader Wang Yongjiang

Wang Yongjiang (1872-1927), style name Minyuan, was a native of Jinzhou, Fengtian.³³ The Wang family had been farmers for generations until his grandfather sent his father Keqian to the local Shuangxing Shop as an apprentice. Keqian later became the trustworthy bookkeeper (*zhangfang xiansheng*) of the shop. Yongjiang and his brother Yongchao were both excellent students and became well-known in Jinzhou. The owner of Shuangxing was so impressed that, although the Wang family was poor, he married two of his daughters to Yongjiang and Yongchao. Yongjiang became a *shengyuan* (also known as *xiucai*) – the holder of the lowest degree in the civil service examination system – in 1892 and got married in the same year. However, between 1892 and 1907, Yongjiang took and failed every *xiangshi* – the provincial exam through which *shengyuan* could become *juren*, a holder of the higher degree and automatic candidate to become an official. Yongjiang did become a *suigongsheng* – a degree slightly higher than *shengyuan* – in 1900, making him eligible for “teaching positions” (*zhuce jiaozhi*) in counties.³⁴ At the same time, his career was going nowhere: He taught *sishu* – the common premodern school in China – in Jinzhou between 1897 and 1899, opened a small medicine shop in Lüshun in 1903 which was destroyed by the Russo-Japanese War

³³ Zhang Songshi. “Wang Minyuan xiansheng nianbiao” (The annual records of the life of Mr. Wang Minyuan) in Dalian Jinzhou wenshi ziliao weiyuanhui, Dalian wenwu guanli weiyuanhui. *Wang Yongjiang jinian wenji* (Commemorative essays dedicated to Wang Yongjiang) (Dalian: Dalian chubanshe, 1993), p. 1.

³⁴ Zhang Songshi, p. 2.

in 1904, and taught at a Japanese-operated public school in Jinzhou in 1905 and quickly resigned in 1906. In 1907, at the age of thirty-five, a father of three children, with an unimpressive resume, financially insecure, Wang Yongjiang did not seem to have a bright future.³⁵

However, Wang Yongjiang turned out to be a *hidden dragon* (*wo long*). He was a man of great caliber, strong will, ascetic and incorruptible character, and, unlike Zhang Zuolin, great foresight and profound learning. Like the legendary Zhuge Liang, Wang Yongjiang was ready to solve major problems in a chaotic, fast-changing world although he had no administrative experience. Also like Zhuge Liang, all Wang Yongjiang needed was a chance to apply his talents – as fortune would have it, he got it at the late age of thirty-five. He shone right way.

The Qing New Policies began in the Northeast when Shengjing General (*jiangjun*) Zhao Erxun took office in 1905. As one of the most capable administrators of his time, Zhao was sent to the Northeast at a moment of crisis – as the Russo-Japanese War ended, the Qing was afraid that the region would eventually be occupied by the two imperialist powers. Through a series of administrative reforms, Zhao quickly strengthened the bureaucracy and effectively stabilized the region. He also greatly increased the provincial revenue and reversed the dire financial situation, turning a large deficit into a surplus.³⁶ In 1907, the administrative structure in the Northeast was normalized – provinces and

³⁵ Wang Xianwei. “Wang Yongjiang yisheng gailue” (A brief biography of Wang Yongjiang), pp. 13-29 in Dalian Jinzhou wenshi ziliao weiyuanhui, Dalian wenwu guanli weiyuanhui. *Commemorative essays dedicated to Wang Yongjiang*, pp. 13-14; Zhang Songshi, pp. 1-2.

³⁶ Gao Yue. *Qing mo Dongbei xinzheng gaige lun* (The New Policies in the Northeast during late Qing). *Zhongguo bianjiang shidi yanjiu* (History and Geography of China’s Borderlands), No. 4, Vol. 16, Dec. 2006.

counties now replaced generalships, *tings* (ting was an administrative unit at the county level, often used in frontier regions), and hunting grounds (*weichang*) as administrative units. Administration was further strengthened through reform under the leadership of Xu Shichang, the first Governor-general of the Northeast. In the same year, in the political context of the New Policies, Wang Yongjiang's friend Yuan Jinkai (1870-1946) invited Wang to Liaoyang Prefecture to set up a police school. Yuan, a native of Liaoyang, was similar to Wang Yongjiang in many ways – he was only a shengyuan and once a sishu teacher, but was ambitious and eager to take on responsibilities; both were keen to reform China but opposed revolution. However, Yuan was much better positioned, and, at the time, was “assisting the prefect of Liaoyang in carrying out the New Policies.”³⁷ Wang Yongjiang came to Liaoyang, helped establish the police school, then was appointed the chief of Liaoyang Police Bureau (*xunjing zong ju*) in 1908.³⁸ The police system in Liaoyang was such a success that Xiliang, the capable and upright Governor-general of the Northeast, acclaimed Wang Yongjiang as “the number one in establishing police in Fengtian Province.”³⁹ How could Wang Yongjiang achieve such quick success, without any administrative experience or modern education? The answer has to be found in his mentality and ability.

Wang Yongjiang's hometown Jinzhou was placed under the Japanese rule in 1905 after Japan defeated Russia; Wang thus became exposed to a modern administrative system. Although just a school teacher, he “studied thoroughly the political, economic, cultural, educational, and hygienic policies of the Japanese.” Wang was especially

³⁷ Wang Xianwei, p. 15.

³⁸ Zhang Songshi, p. 3.

³⁹ Wang Xianwei, p. 15.

attracted to the “village-township administrative system and the police system,”⁴⁰ which he deemed highly useful for Chinese local administration. Wang Yongjiang keenly recognized the importance of administrative institutionalization and the advantage of modern state apparatus. Yuan Jinkai provided Wang the chance to put the newly-acquired knowledge into practice. At the Liaoyang police school, he “wrote the textbooks, drafted the regulations, and trained the first batch of policemen in the Northeast.”⁴¹ The mentality of solving problems in the world, the talent in research and study, and the ability to carry out plans were reasons behind Wang’s quick success in his first endeavor in administrative issues. Wang Yongjiang started his career in modern state building and it would become the most prominent theme in his later life. Wang Yongjiang tapped his friend Wang Jinghuan, a native of Guangning County,⁴² Fengtian, to assist him in establishing the police system in Liaoyang.⁴³ As we will see, Wang Jinghuan would be Wang Yongjiang’s most important associate again, when the latter became the acting civil governor of Fengtian.

Governor-General Xiliang did not just praised Wang Yongjiang – in 1911, he recommended him to the central government as a candidate (*buyong*) magistrate in Fengtian Province. Zhao Erxun, who succeeded Xiliang in 1911 as the governor-general, further promoted Wang Yongjiang as a candidate prefect and placed him at the fifth

⁴⁰ Wang Xianwei, p. 14.

⁴¹ Zhang Xueji. *Hu shuai bandi – Zhang Zuolin mufu* (The bandit marshall Zhang Zuolin’s cabinet) (Changsha: Yue lu shu she. 2001), p. 106.

⁴² Guangning County (*xian*) was renamed Beizhen County in 1913; renamed Beining Municipality (*shi*) in 1995; then named back to Beizhen Municipality in 2004.

⁴³ Jin Yufu. “Wang Yongjiang bie zhuan” (A complementary biography of Wang Yongjiang) in Dalian Jinzhou wenshi ziliao weiyuanhui, Dalian wenwu guanli weiyuanhui. *Wang Yongjiang jinian wenji* (Commemorative essays dedicated to Wang Yongjiang) (Dalian: Dalian chubanshe, 1993), p. 30.

rank.⁴⁴ Zhao was worried about the revolutionaries in the New Army (*xinjun*, national army) stationed in Fengtian and tried to build up the local army (*xunfangying*). He appointed Wang Yongjiang, who was also against revolution, as a colonel of *xunfangying* and gave him the important job of recruiting three battalions of soldiers.⁴⁵ In January 1912, when Tieling, a county seat about 50 miles to the northeast of the provincial capital, was occupied by the revolutionaries, Zhao sent Wang to take it back. Wang swiftly got the job done.

At the same time, between 1911 and 1912, Zhang Zuolin quickly gained political power because he successfully defended Zhao Erxun against the revolutionaries and controlled the largest military force in the Northeast. Many Fengtian officials came to him for favors (*jing qu qi men*), but Wang Yongjiang, now a councilor in the provincial government, never visited him – everyday, after work, he simply “read the Book of the Changes (Yijing) at home.” Zhang was quite bitter about it. Governor-general Zhao appointed Wang Yongjiang as the Director of the Civil Affairs Bureau (*minzheng shi*), but because of the opposition from Zhang Zuolin, Wang did not accept the appointment, for the sake of safety.⁴⁶ In 1913, Zhao appointed Wang as the Prefect of Xingfeng (*xingfeng dao*) – the eastern part of Fengtian sharing border with Korea. Soon after, in 1914, Wang Yongjiang was appointed as the chief of the taxation bureaus (*shuijuan ju*) in several counties. In 1915, Wang Yongjiang was promoted to be the chief of the Taxation Bureau of the provincial capital as well as the chief of the Land Survey Bureau (*qingzhang ju*). From the 1911 Revolution on, Wang Yongjiang held a series of short

⁴⁴ Zhang Songshi, p. 3.

⁴⁵ Jin Yufu, p. 30.

⁴⁶ Jin Yufu, p. 31.

stints in the quickly-changing Fengtian bureaucracy and did not have a stable career, but he had gradually become famous for his extraordinary ability.⁴⁷

3. The Arrival of the Fengtian Regime

The ascendance of Zhang Zuolin to the position of both military and civil governor of Fengtian in 1916 marked the beginning of *Feng ren zhi Feng* (Fengtian locals rule Fengtian) – the Fengtian version of the federalist catchphrase since the 1911 Revolution. The Fengtian Provincial Assembly (*ziyi ju*), under the leadership of Tong Zhaoyuan but orchestrated by Yuan Jinkai, had successfully used that slogan to petition for Zhang Zuolin's appointment as governor. Provincial autonomy now materialized in Fengtian. It was in such a political context that Fengtian local elite including Yuan Jinkai and Wang Yongjiang became dominant in the provincial government. Zhang Zuolin knew his own limits and those of his old bandit comrades in administrative matters. As a shrewd ruler, he was keen on finding and employing talents outside his own circle, in both civil and military affairs. In 1916, Zhang recruited many civil officials – among them, the already helpful Yuan Jinkai was awarded with the position of the Head Counsel (*mishu zhang*) of both the military governor's office and civil governor's office.⁴⁸ With Yuan's recommendation, Zhang Zuolin appointed Wang Yongjiang as the chief of the Provincial Police Bureau as well as the chief of the Police Department of the city Fengtian.⁴⁹ The greatest strength of Zhang Zuolin as a leader was his willingness to appoint the talented, including those who were not on good terms with him. He frustrated Wang's appointment by Zhao Erxun in 1912, but now, with his regime taking shape and

⁴⁷ Zhang Songshi, pp. 4-5.

⁴⁸ Hu and Zhang, pp. 293.

⁴⁹ Wang Xianwei, p. 16.

his status as the ruler of Fengtian in the making, Zhang Zuolin's mentality shifted toward that of a responsible head of state. This appointment marked the beginning of the two's decade-long cooperation as military and civil leaders of the Northeast.

The new assignment as the chief of the police bureau may look like a familiar job for Wang Yongjiang, but it was actually quite different – not only in scale, but also in category. His previous job in Liaoyang was probably more focused on the state's intervention into the society; but now, the greatest challenge came from within the state. When Wang Yongjiang took over, the public security in the city Fengtian was in a chaos because the military officers behaved above the law. Especially troublesome was Zhang Zuolin's earliest follower and sworn brother Tang Yulin, nickname "Tang the Reckless" (*Tang erhu*).⁵⁰ Tang's brigade was among the worst disciplined and frequently caused problems in the city Fengtian. Wang Yongjiang got Zhang Zuolin's promise that he would be fully in charge of the police issues and the military could not interfere.⁵¹ He then institutionalized the police system by setting up police boxes throughout the city and enforcing rigorous rules. It was only a matter of time before Wang and Tang came head to head – within months, Wang arrested one of Tang's officers who were operating a gambling den, which nearly resulted in an armed conflict between Wang and Tang. Zhang's other sworn brothers, all high-ranking military officers, joined force with Tang and demanded the firing of Wang Yongjiang.⁵²

It was a trying moment more for Zhang Zuolin than for Wang Yongjiang.

Probably fearing for his life, Wang Yongjiang left a letter of resignation and returned to

⁵⁰ Zhang Xueji, p. 4.

⁵¹ Hu and Zhang, p. 87.

⁵² Hu and Zhang, p. 88.

his home in Jinzhou. Zhang Zuolin refused to budge. He scolded his sworn brothers with profanities as well as a small dose of reasoning: “Guns can conquer the world, but cannot rule the world. What do you ignorant bunch know? You are not even good enough to be Wang Minyuan’s horse keepers!”⁵³ The foolhardy Tang retorted with profanities. The conflict escalated into a crisis when Tang began to contemplate a military showdown with Zhang. Zhang stood firm. Fortunately, that was also the moment when things began to turn around – other sworn brothers were only willing to oppose Wang Yongjiang, but not Zhang Zuolin. In the end, Zhang Zuolin and Wang Yongjiang, as representatives of the state, won the battle. Tang was stripped of power and Wang Yongjiang returned as the police chief. The Northeastern regional state, although was founded by the means of guns, as stated by Zhang Zuolin, now achieved a large degree of autonomy from the guns, embodied in the rule of law, in Wang Yongjiang’s growing power, and in Zhang Zuolin’s staunch support to him. Wang Yongjiang and Zhang Zuolin brought their strong will and rationality to the state and, by establishing the rule of law, also earned legitimacy for the state. Wang was now in a much better position than one year ago – if Zhang’s sworn brothers, the highest ranking military officers, could not stop him, then there was probably nothing that could. Zhang Zuolin also proved himself a worthy leader, a leader with responsibility and impartiality. For now, the political marriage between Zhang and Wang, and by extension, that between the military and the civilian elites, was secured.

Shortly after the conflict, in May 1917, Zhang appointed Wang as the Provincial Treasurer (*caizheng tingzhang*), the most important position in the provincial civil government except the civil governor (still occupied by Zhang himself). The Fengtian

⁵³ Hu and Zhang, pp. 87-88. Minyuan was Wang Yongjiang’s style name.

provincial government was knee deep in debt when Wang Yongjiang took over – the treasury was in debt for more than 10 million *yuan*, which was growing because budget was two to three million yuan in deficit every year.⁵⁴ Wang started from the most obvious – the taxation, which he was also most familiar with. He assigned quotas to the local tax bureaus according to the estimated local wealth. As for the problem of embezzlement, Wang dismissed many and even executed fourteen tax bureau chiefs. Wang employed not only punishment, but also incentive to increase revenue: Those who could collect more than the quota would be awarded a certain percentage as bonus.⁵⁵ For the Fengtian government, land tax was still the largest source of revenue; therefore, land survey was crucial for taxation. The extra lands not registered by the government, named *fuduo* in Chinese, had been a problem for hundreds of years in the Northeast. Wang Yongjiang, together with Zeng Youyi, chief of the Land Survey Bureau, systematically conducted a land survey in the province and used incentives again – monetary awards would be given to those county magistrates who could register more land for the state in proportion to their achievement. Land that had been free from taxation for generations now was taxed. The resentment ran so deep that Wang Yongjiang got a nickname “Hated by ten thousand people” (Wanminyuan) – a play of his style name (Wang Minyuan); Zeng Youyi was nicknamed “clean it all up” (Zhengzhijing) – a play of his style name (Zeng Zijing).

⁵⁴ Chen Yuguang, “Wang Yongjiang zhengdun Fengsheng caizheng zhi qianqianhouhou” (Wang Yongjiang’s reform in Fengtian Province’s financial issues) pp. 64-68 in Dalian Jinzhou wenshi ziliao weiyuanhui, Dalian wenwu guanli weiyuanhui. *Wang Yongjiang jinian wenji* (Commemorative essays dedicated to Wang Yongjiang) (Dalian: Dalian chubanshe, 1993), pp. 65-66.

⁵⁵ Zhang Xueji, pp. 109-10.

Wang also updated the tax regulations and “established tax bureaus in every place where there was anything that could be taxed.”⁵⁶ He left no stone unturned.

In three short years, the financial situation of the Fengtian government was turned around – not only were all the debts paid off, there was also a surplus of more than 10 million yuan. Zhang Zuolin was very happy – in 1921, he decided to make Wang Yongjiang the civil governor of Fengtian. However, Wang Yongjiang was cautious in accepting such a high position and declined the offer. In the end, at the insistence of Zhang Zuolin, Wang agreed to be the Acting Governor and Zhang still kept the title of Civil Governor. But in reality, all the civil affairs were entrusted to Wang Yongjiang.⁵⁷ According to the contemporary historian Jin Yufu, Wang Yongjiang made Zhang Zuolin promise that “All officials in the province, high and low, have to be appointed by Wang. Zhang cannot interfere.”⁵⁸ When newly appointed officials came to Zhang for an audience before they took office, Zhang always warned them that “Wang Mingyuan is bad-tempered and is quite difficult to serve. Be careful and try to do a good job.”⁵⁹ This “good cop, bad cop” regime was probably quite effective in keeping the officials loyal and well-behaved. Wang Yongjiang later became known as one of the most capable administrators during the Republican period, so much so that in 1935, eight years after Wang’s death, Jiang Jieshi reportedly expressed his admiration of Wang to Zhang Xueliang.⁶⁰ He even summoned Wang Jinghuan, Wang Yongjiang’s closest and longest

⁵⁶ Zhang Xueji, p. 110.

⁵⁷ Wang Xianwei, pp. 18-19.

⁵⁸ Zhang Xueji, p. 113.

⁵⁹ Zhang Xueji, p. 114.

⁶⁰ Liu Zhichao and Geng Lihua. “Shi lun Wang Yongjiang de licai sixiang” (Wang Yongjiang’s ideas in the government’s financial issues), pp. 51-63 in Dalian Jinzhou wenshi ziliao weiyuanhui,

associate, to “ask about Wang Yongjiang in great detail. He marveled at Wang’s achievement for a long time.” Jiang wanted to appoint Wang Jinghuan to some important position but the unlucky man died soon after the meeting.⁶¹ Throughout his career in the Fengtian bureaucracy, which started at the late age of thirty five, Wang frequently showed amazing ability to solve any problem he was assigned to and complete any project he was determined to take on.

4. The Division between the Civil and the Military in the Northeastern Regime

Before we move on to the subject of state building in Fengtian after Wang Yongjiang became the acting civil governor, it is necessary to review the division between the “Civil Administration Clique” (*wenzhi pai*)⁶² led by Wang Yongjiang and the “Military Force Clique” (*zhuzhan pai*)⁶³ headed by Zhang Zuolin and Yang Yuting. The division of labor between Zhang and Wang was clear – one was in charge of the military and strategic administrations, the other of civil affairs. Zhang Zuolin gave Wang Yongjiang great autonomy in civil affairs; the two governors had their own associates and often operated separately. But sometimes the two groups had to come together on important issues, primarily the allocation of resources and the participation in national power struggle. The differences between the military and the civil officials in their orientation and concerns were often striking. While most military men were more

Dalian wenwu guanli weiyuanhui. *Wang Yongjiang jinian wenji* (Commemorative essays dedicated to Wang Yongjiang) (Dalian: Dalian chubanshe, 1993), p. 62.

⁶¹ Jin Yufu, p. 36.

⁶² Zhang Kaicheng and Gu Qingfu. “Guanyu Wang Yongjiang” (About Wang Yongjiang), pp. 120-125 in Dalian Jinzhou wenshi ziliao weiyuanhui, Dalian wenwu guanli weiyuanhui. *Wang Yongjiang jinian wenji* (Commemorative essays dedicated to Wang Yongjiang) (Dalian: Dalian chubanshe, 1993), p. 120.

⁶³ Ibid., p. 124.

interested in military buildup, national political power (gained by participating in wars), and territorial expansion, the civil officials considered regional development and state strengthening the top priority. The military men had much to gain personally if they could obtain control of more territory and of Beijing: high position, wealth, power, and fame. But as repeatedly pointed out by Wang Yongjiang and proved by the outcome time after time, the Northeastern regime and people would have little substantial gain in such expansion; instead, the Northeast often lost precious resources in the process because war expenditure was so huge. But the temptation of military victory and the illusion of power proved too strong to resist, even for the shrewd Zhang Zuolin. The civil officials, led by Wang Yongjiang, favored a policy of peace and development. They were eagerly engaged in building up the state and developing the economy. Wars were destructive to their projects, even though no war took place on the Northeastern territory – they consumed most of the resources that civil officials painstakingly accumulated, leaving little to fund economic development; they also interrupted business transactions, which were as crucial for the civil government because the government became more and more engaged in industrial and commercial enterprises; finally, wars frequently sent the exchange value of Fengtian currency into tailspin, seriously undermining the region's development. Several military officials, such as Zhang's sworn brother Zhang Zuoxiang and Zhang Xueliang's mentor Guo Songling, also opposed entering civil wars; they favored the policy of "Protect the territory and develop the Northeast" (*baowei sangzi, kaifa dongbei*).⁶⁴ But they could not sway the dominant opinion among the military.

⁶⁴ Hu and Zhang, pp. 30, 143.

Wang Yongjiang and his associates, by virtue of their emphasis on stability and development, represented the interests of the regional body politic much more than Zhang Zuolin and his military men. The business community feared wars tremendously because instability always caused great fluctuation in Fengtian currency and engendered big risks for their investments and business operations; the public, who was shouldering most of the military expenditure, needless to say, would be happy to be relieved from it. In a 1921 letter to Yang Yuting, Zhang Zuolin's most important military advisor and a major supporter of territory expansion, Wang Yongjiang reasoned,

Now the trend in the world is to emphasize civil and cultural affairs. From now on, when the Chinese fight the Chinese, the winner is not glorious and the loser is especially shameful. Both will be laughed at by foreign powers. Even if one accomplishes a complete victory, what one achieves is just a sneer from outsiders. That kind of victory is not good enough for the winner to proclaim as an outstanding hero, but the war is bad enough to harm our country.⁶⁵

As the General Counsel for both the governor-general's office and the military governor's office, Yang Yuting probably had the biggest influence on Zhang Zuolin. It was only unfortunate that Yang, a good friend of Wang's for many years,⁶⁶ chose to goad Zhang Zuolin on in military expansion. Large portions of the provincial revenue accumulated by Wang Yongjiang were devoted to the Arsenal of the Northeastern Three Provinces, which was headed by Yang Yuting. That was clearly against Wang Yongjiang's will because he collected that money from the people and wanted to use that money to fund development and to promote prosperity.

⁶⁵ Liaoning Provincial Archives, ed. *Fengxi junfa mixin* (The secret letters of the Fengtian Clique) (Beijing: Zhonghua shu ju, 1985), p. 36.

⁶⁶ See the numerous letters from Wang Yongjiang to Yang Yuting in Liaoning Provincial Archives, ed. *Secret letters of the Fengtian Clique*.

The over emphasis of Zhang Zuolin and most of his generals on military buildup led to the neglect of many developmental projects because the provincial treasury was not large enough to satisfy all needs. For instance, the 1923 military budget was somewhere between 76 and 88 percent of Fengtian's total expenditure, while education received probably less than 3 percent.⁶⁷ In 1925, the military expenditure was more than twice of the provincial government's income! The Fengtian government had to print and issue large amounts of currency not backed by bullion.⁶⁸ To Governor Wang Yongjiang, that was suicide. As a highly pragmatic administrator, Wang Yongjiang certainly knew the significance of military defense in a "warring states" situation. However, once the army was strong enough to fend off other warlords, he proposed, provincial funds should be invested in development. Given the favorable geographical condition and the fact that the Fengtian Army was the strongest among all warlord armies, there was indeed no need to invest much in the military. Wang Yongjiang wanted a powerful and wealthy state first, then a strong army, just like his role model, the ancient statesman Guan Zhong. In the end, Wang Yongjiang was so frustrated by Zhang Zuolin that he resigned all important positions in 1926 and returned to his home in Jinzhou, only nominally retaining the title of the president of the Northeastern University. Several efforts by Zhang Zuolin to invite him back as the governor failed.⁶⁹ It was ironic that the Chinese state building in the Northeast was not only frustrated from without by the presence of imperialist powers

⁶⁷ Gavan McCormack. *Chang Tso-Lin in Northeast China, 1911-1928: China, Japan, and the Manchurian Idea*, (Stanford, Calif.: Stanford University Press, 1977), pp. 91-92.

⁶⁸ Liu and Geng, p. 58.

⁶⁹ Wang Xianwei, pp. 26-29.

(more on this in the next chapter), it was also hindered from within by frequent participations in civil wars.

5. State Building and Development in Fengtian

The situation of warlord regimes competing for power in the Republican era was in many ways similar to that of the colorful periods of Spring and Autumn (770-477 B.C.E.) and Warring States (476-221 B.C.E.) in Chinese history, when hundreds of states competed with each other and the Qin gradually annexed all other states. Those five hundred and fifty years of division and contention were the most intellectually productive and culturally creative time in Chinese history. The Hundred Schools flourished and provided the basic frameworks of thinking for the Chinese for the next two millennia. Many of these schools dealt with issues of strengthening the states, through administrative, military, economic, and diplomatic means. The great statesman Guan Zhong (ca723 – 645 B.C.E.) of the Qi State (Qi guo), who was deeply admired by Confucius (551 – 479 B.C.E.), developed his ideas in building state and establishing hegemony in that contentious context. Wang Yongjiang, living more than two thousand years later but in a similar political situation of warlord competition (*junfa geju*), was also an admirer of Guan Zhong. He strongly recommended *Guan Zi* – an anthology written by Guan Zhong’s disciples – to Yang Yuting and Zhang Xueliang as a book that “must be read over and over.”⁷⁰ Wang Yongjiang then asserted, “Even today, if Guan Zi’s [here Guan Zi refers to Guan Zhong] philosophy could be carried out in China, the whole country could be strengthened. The benefit would not be limited to one province.”⁷¹ The

⁷⁰ Liaoning Provincial Archives, ed. *Secret letters of the Fengtian Clique*, p. 122.

⁷¹ Liaoning Provincial Archives, ed. *Secret letters of the Fengtian Clique*, p. 122.

well-known mantra of the Japanese Meiji regime (1868-1912) – “rich country, strong army” (*fukoku kyohei*) – was actually Guan Zhong’s words. It was also Wang Yongjiang’s policy – for him, the foremost task for the Northeastern regime was to build up a modern and robust economy; military strength was secondary as long as it was enough for self-defense. For Guan Zhong, the Meiji regime, and Wang Yongjiang, economic development was the key to the state’s success.

The state building projects under the leadership of Wang Yongjiang were all-encompassing, from the reform of the financial system to the establishment of sub-county level bureaucracy, from the strengthening of law enforcement to the placement of migrant workers, from the establishment of state-run enterprises to the founding of the Northeastern University. In this section, I will look at two economic projects planned and carried out by Wang Yongjiang – the administration of migrant workers and the merger of three banks – as part of his state building initiative. Through these projects, I hope to give a good idea of the state-building efforts of the civil officials and their collaboration with the business community. Also, the two projects were both related to the major subject of this study – the Fenghai Railway, one way or another.

At the turn of the twentieth century, the Northeast was just beginning to industrialize. Railway and migration were both central to the development of the Northeast and the two were closely related issues. Migrant workers provided the much needed labor for the construction of railways; railways in turn fundamentally altered the migration pattern – now migrants were able to travel quickly and inexpensively. Those from *guannei* – inside the Great Wall – could reach Jilin and Heilongjiang within one or

two days. Migrant workers moved more frequently and in much larger numbers – mostly coming to the Northeast because of better jobs. The Fengtian government did not wait for the job market to bring in the much needed labor. To further boost the regional economy, Wang Yongjiang established the Colonization and Immigration Plan in 1923 for the whole Northeast.⁷² His old associate Wang Jinghuan, now appointed by Wang as the head of the Bureau of Administrative Affairs (*zhengwu ting*),⁷³ oversaw the execution of the plan. The plan was specifically designed to address issues in the existing migration pattern – it channeled migrant workers, who tended to stay in prosperous areas, to the less populated and uncultivated areas. Migrant workers were directed into cash-crop agriculture, animal husbandry, pulp and paper industry, and mining. To enlarge the tax base, the plan also offered benefits, such as low-interest loans and free land, to retain migrant workers who otherwise might not have settled in the region.⁷⁴ Pulled by the expectation of a better life in the Northeast and pushed by the chaos caused by constant wars in central and north China, large number of peasants poured in. For instance, in 1921, at least 208,940 immigrant workers entered the Northeast; in 1922, the number was about 350, 000.⁷⁵ But even after such aggressive efforts to court immigrants, the construction of Fenghai Railway still encountered a shortage of labor. The company had to send agents to Zhili Province to recruit workers in the springs of 1925 and 1926,

⁷² Ronald Suleski. *Civil government in warlord China: tradition, modernization and Manchuria*, (New York: P. Lang, 2002), p. 91.

⁷³ Suleski, p. 92.

⁷⁴ Suleski, p. 94.

⁷⁵ Suleski, p. 91.

during the early stage of the construction.⁷⁶ The matter was nothing new for Fenghai because its general manager was Wang Jinghuan, who tackled the labor issue a couple of years ago. Overall, the immigrant workers played a vital role in the economic development of the Northeast.

The most important and urgent state building project Wang Yongjiang carried out was probably the financial reform. In 1922, Wang Yongjiang merged two other official banks into the Official Bank of the Three Eastern Provinces (*Dongsansheng guan yinhao*) and made it the only authorized agency to issue currency for the provincial government. Wang himself took the position of General Director (*duban*) and Liu Shangqing, who several years later would become the Fengtian Civil Governor, was appointed General Manager (*zongban*). Wang's reform of the banking system was not just about finance – the most important motive, besides streamlining Fengtian's financial system and cutting the cost, was to monitor and curb military spending.⁷⁷ The Official Bank was a powerful institution – not only in the financial world but in many sectors of the regional economy. Through widespread investment, the bank owned a variety of businesses – from brewery to printing plant, from pawnshops to money changing shops, and from weaving shops to grain stations.⁷⁸ It would also become the largest private shareholder of the Fenghai Railway Company (because all investors other than the provincial government were designated as “private”).

⁷⁶ FTSZGS (*Fengtian shengzhang gongshu dang'an*) (Fengtian provincial government office archives), (Liaoning Provincial Archives (Liaoning sheng dang'an guan), 1912-1931. [Cited by catalogue (*juan*) number]), 3797.

⁷⁷ Suleski, p. 134.

⁷⁸ Suleski, pp. 130-31. It acted much like the later day holding companies, such as the famous American company Berkshire Hathaway headed by Warren Buffett.

Wang Yongjiang's reform of the Fengtian bureaucracy reveals a different approach of state building from what has been emphasized in the scholarship. He beefed up certain state apparatus, noticeably the police, but pared slim many other state institutions to an unprecedented level. In 1917, while still the Provincial Treasurer, Wang advised Zhang Zuolin to slash the administrative cost. Zhang issued a decree to all administrative organizations, telling them that "the financial situation of the provincial government is extremely dire" and ordering them to "cut and merge units and reduce cost." In his commentaries on subordinates' petitions for more funds, Zhang repeated the message of tightening the budget many times.⁷⁹ In the case of county militias (*baoweituan*), Zhang Zuolin simply ordered a complete disbandment. All the property of county militias was to be transferred to the police departments⁸⁰ – it was likely that Wang Yongjiang was directly involved in the process because until recently he had been the police chief of the whole province. Wang Yongjiang was certainly aware of the great importance of a strong bureaucracy, but his emphasis was on efficiency. After becoming the acting civil governor, Wang Yongjiang continued to be attentive to costs; he even let bureau chiefs – the highest officials under himself – hold concurrent positions, to keep the bureaucracy trim and the cost low.⁸¹ He himself held multiple positions. Zhang Zuolin and Wang Yongjiang thus established an efficient state apparatus. For them, building the state sometimes meant reducing its bureaucracy.

⁷⁹ Ma Shangbin. *Feng xi jingji* (Economy under the Fengtian Clique) (Shenyang, China: Liaoning daxue chubanshe, 2000), p. 220.

⁸⁰ Ma Shangbin, p. 221.

⁸¹ Huang Cengyuan, "Wang Yongjiang fengsheng congzheng suoji" (Miscellaneous notes on Wang Yongjiang's career in Fengtian officialdom), *Essays in commemoration of Wang Yongjiang*, p. 104.

6. State building in Industrial Enterprises in the Northeast

The focus of this study is the Fenghai Railway, which I analyze mainly within two theoretical frameworks – state building and capitalism. Railway projects could be conceived out of either strategic/military, or developmental/administrative, or economic (meaning to make money out of the railway itself) concerns, or a combination of these reasons (all three cases will appear in Chapter 3 and 4 in my discussion of railway development in the Northeast). The Fenghai Railway was established with all the goals that I just stated. My interest is mostly in the economic aspect of the railway. Although the state clearly had strategic and administrative concerns, it was also determined to run the railway as a sound business – to make money out of the railway.

The Fengtian Textile Mill is important for our understanding the Fenghai Railway, because Fenghai followed the mill's pattern of funding and ownership, organization, and management, just on a much larger scale. As a much smaller and simpler project, the textile mill – created by the provincial government mainly for the purpose of making profits – allows us to see more clearly the capitalist mentality and behavior of the state, therefore better grasp the nature of state building in Fengtian Province. The textile mill was the first large-scale industrial enterprise established by the Fengtian government to produce consumer goods. It was not a coincidence that cotton spinning and weaving, the starting point of capitalist industrial mass production in England, now again would usher the modern industrial development in the Northeast. The textile industry concerned the basic, constant need of the population; therefore had a stable and large market. In the

1920s, since textile industry had matured, it was relatively easy to purchase the machines, establish a mill, and begin production, as long as the capital was sufficient.

The history of Chinese-own modern textile mills began with the Shanghai Mechanized Textile Bureau (*shanghai jiqi zhibu ju*), which began production in late 1889, after thirteen long years of preparation. The project was initiated by the reformist leader Li Hongzhang in 1876 and was carried out by many different associates including Sheng Xuanhuai, Zheng Guanying, and Ma Jianzhong. The bureau was pretty much a failure – and many government-merchant joint-ventures would follow suit – due to shortage of capital, want of technological knowhow, plenty of foreign competition, lack of managerial talents, and most importantly, the absence of clearly defined property rights and corporate governance.⁸² The desire for industrial development and economic growth was clear, but Li and his followers failed to establish a genuine capitalist enterprise. The bureau was not a company; its failure is hardly a surprise. In the second half of 1910s, many more modern textile mills began to emerge across the country, mostly in large treaty port cities like Shanghai, Wuhan, and Tianjin. But the Chinese textile industry remained underdeveloped and foreign dominance of the textile market continued.

In 1913, the Industry and Commerce Ministry (*gong shang bu*) in Beijing sent a letter and a six-volume guidebook to the Fengtian civil government (the letter was generic and was sent to all provincial governments), advising on how to improve the existing textile mills and how to establish new ones. The letter revealed great anxiety regarding the textile industry: “Even those who used to weave the native cloth (*tubu*) now

⁸² Chen Weining, *Shanghai jiqi zhibu ju de chuangjian guocheng jiqi shibai de yuanyin* (The creation and failure of the Shanghai Mechanized Textile Bureau). Master’s Thesis, Eastern China Normal University, Shanghai, 2004.

are buying the foreign cloth (*yang bu*). It is like the leakage of a broken cup (*lou zhi*), when will this loss end (*yi yu hu di*)? This ministry is greatly worried!”⁸³ Here the ministry might sound a bit incoherent to the modern reader, but the language was familiar to the contemporary Chinese – “leakage” referred to the loss of economic interests to foreigners. As pronounced in the letter later that, only by modernizing textile mills and paying attention to the technological details could the provinces “benefit the lives of the people and protect the Chinese economic interests (*liquan*).”⁸⁴ At the time, the notion of *liquan* – economic interest and power – was widely spread in China and the word almost always appeared in discussion of economic issues. But there was still no realization of the importance of a corporate structure for the success of a modern business.

The letter from the Industry and Commerce Ministry did not prompt the Fengtian government into action in establishing a textile mill. The obvious reason is that there was no money to fund such a large project. But the concern about *liquan* stayed heavy on the elite’s mind. In November 1919, Fengtian Provincial Assembly (*sheng yihui*) sent a resolution to Governor Zhang Zuolin, proposing that the provincial government establish a new textile mill with *guangkuan* – the government’s money. Zhang forwarded the resolution to Wang Yongjiang and placed him in charge of the project. In his order to Wang Yongjiang, we encounter familiar refrains: “Cotton products are necessary items in people’s lives. For decades we have been relying on the supply from outside, therefore, losing our *liquan* to foreigners. When will this loss end (*yi yu hu di*)?”⁸⁵ The foreigners here were the Japanese, whose textile products were dominating the Northeastern

⁸³ FTSZGS, 3315.

⁸⁴ FTSZGS, 3315.

⁸⁵ FTSZGS, 3287.

market.⁸⁶ It was noticeable that Zhang did not assign the job to the Bureau of Industry (*shiye ting*), but to Wang Yongjiang, who was the provincial treasurer. Zhang Zuolin had begun to let Wang Yongjiang lead civil officials and to rely on him for all the civil affairs. The foregoing story is what we can piece together from the paper trail in the archives. However, judging from his close relationship with the business community, Wang Yongjiang probably had been involved with the textile mill from early on and made the decision by himself. Zhang Zuolin had to approve the project and give a written order for the project to be officially started, but he probably did not spend much of his energy on it. He did become a shareholder.⁸⁷

The preparation for Fengtian Textile Mill (Fengtian fangsha chang) began in 1919. Shortage of funds was still the major problem – the project was too large even for the provincial government. The total cost was estimated at 4.5 million Fengtian *yuan* (the official currency in Fengtian Province) and later revised to 6 million – about 18 percent of the provincial government’s revenue in 1923.⁸⁸ Therefore, the mill was modeled on the familiar business formula of government-private joint venture (*guanshang heban*)⁸⁹ and joint-stock company to pool funds from both public and private sources. Wang Yongjiang was aware that most government-private joint ventures in China had failed, but if no private Chinese entrepreneurs could establish a modern industrial textile mill,

⁸⁶ Suleski, p. 118.

⁸⁷ Suleski, p. 120.

⁸⁸ Chen Yuguang, p. 67.

⁸⁹ The term *guanshang heban*, which literally means “government-merchant jointly operate”, was inherited from previous usage. It was used to describe the Fengtian Textile Mill and some other enterprises, even though many private shareholders were not merchants.

the government had to perform the task. We see the governor's anxiety from a letter he wrote to the Fengtian Textile Mill,

The goal of establishing the textile mill is to benefit the people in the long run. It has been a government-merchant joint venture from the beginning. I have paid great attention to every detail and have contemplated all possibilities before making decisions for the mill. I never dared to relax because government-controlled businesses often fail. They tend to waste money on the superficial but ignore the good business practices. In the end, these businesses squander the shareholders' money and behave like government offices. They often do not do any good for business development.⁹⁰

The Fengtian provincial government bought 50 percent of the textile mill's stocks – these were categorized as *guangu* (government shares); the other half were to be sold as *shanggu* (merchant shares) even if some of them were purchased by other government institutions, such as the Official Bank and the tax bureaus throughout the province. The term *shanggu* was obviously inaccurate here, since landowners and tax bureaus also became shareholders. The mill inherited the term from the usage by the earliest joint ventures, which indeed had only merchants as the state's business partner. Fengtian Textile Mill's merchant shares were distributed through the bureaucratic hierarchy and the business community. County magistrates were ordered to sell shares in their jurisdiction. The magistrates in turn relied on the help of local associations – business association (*shanghui*), agriculture association (*nonghui*), and education association (*jiaoyu xiehui*). These corporatist associations often served as liaison between the state and their constituencies. Shares were sold in all the 50 counties in the province, but the number of shares purchased by counties varied greatly – rich counties purchased several

⁹⁰ FTSZGS, 3292.

hundred or even over a thousand shares while some poor counties purchased only several shares.⁹¹

In 1920, the Fengtian Textile Mill was officially established; Wang Yongjiang appointed Tong Zhaoyuan, a trusted friend and the chief of the Shahe Tax Bureau (Shahe shuijuanju) in Andong Prefecture, as the general manager (*changzhang*, later renamed *zongli*).⁹² Lin Chengxiu, the deputy chief (*zuoban*) of the Land Survey Bureau, was later concurrently appointed as the deputy manager (*xieli*) to help handle the difficult process of establishing the mill.⁹³ In 1922, after he transferred Tong to head the Fengtian Foreign Affairs Bureau (Fengtian jiaoshe si), Wang Yongjiang appointed Sun Zuchang, the director of the state-own Fengtian Electricity Plant (*Fengtian diandeng chang*), the new general manager of the textile mill.⁹⁴ Tong and Lin remained directors on the board. In 1927, Sun Zuchang was concurrently appointed a councilor for the Fengtian Provincial Government (*Fengtian shenggongshu canyi*).⁹⁵ The board of directors (*dongshi hui*) and the board of monitors (*jianshi hui*) were also formed in January 1923 along the lines of Company Ordinance, before the production began.⁹⁶ The commercial law was capitalist in nature and played a major role in the textile mill's corporate governance; I discuss the role of commercial law in the spread of capitalism in China in Chapter 4.

Therefore, the textile mill was a state project as well as a capitalist enterprise. The general managers, both previously government officials, were appointed by Wang

⁹¹ FTSZGS, 3294.

⁹² Suleski, pp. 119-121; FTSZGS, JC10-26884.

⁹³ Ma Shangbin, p. 47.

⁹⁴ FTSZGS, 2566, 3294,

⁹⁵ FTSZGS, 13512.

⁹⁶ FTSZGS, 3292.

Yongjiang; they reported to him directly about the establishment and the operation of the mill. As the largest shareholder, the provincial government had the right to appoint five out of nine directors and two out of the three monitors; these positions were all filled by officials from the provincial government. The other four directors and one monitor were to be elected among the merchant shareholders. The situation worried Wang Yongjiang because he wanted the mill to be a profitable, commercial enterprise that would bring in revenue, rather than an office where officials would wield power and waste money. Judging from precedents, that was not uncommon in state-run enterprises. Never a person who simply let things happen, Wang Yongjiang did the extraordinary – he sent an order to the mill, demanding that the merchant shareholders must elect a *businessman* as the deputy manager (most merchant shareholders were not merchants),

As the Acting Civil Governor, I always place the people's interest in the first place. I have been doing whatever is good for industrial development, even if it is not the convention in the officialdom. Because I was so determined and worked so hard, now the first textile mill in Fengtian has been successfully established. Some of those who eagerly bought shares of the mill might have done so because of their trust in me. Therefore, I have the responsibility to take control of the issues of the mill, so that it will gradually become a sound business. Now, a deputy manager will be elected to represent the interests of merchant shareholders. The most ideal deputy manager would be someone who is an expert in textile technology;⁹⁷ the next best would be a businessman. A businessman, even if not familiar with the technology, at least has the expertise in commerce and knows the commercial aspects of the textile business. Such a person, if appointed as deputy manager, can effectively assist the general manager. As for the managing methods and regulations in the mill, if there are any problems, I will discuss with the general manager and the deputy manager after the election. The textile mill must follow these orders.⁹⁸

⁹⁷ Wang Yongjiang was making this comment with the knowledge that no candidate was an expert in textile technology; there were several businessmen who were representatives of large shareholders.

⁹⁸ FTSZGS, 3292.

Although unabashedly paternalistic and authoritarian, Governor Wang's purpose in interfering was to give the merchant shareholders more control and power vis-à-vis the bureaucrats acting on the state's behalf. It is interesting to see that Wang Yongjiang, the highest ranking civil official in the province, was particularly distrustful of government officials. Even though the state established and would be running the mill, the governor always envisioned it as a *business*. He wanted to have an expert in charge – either a technological or a commercial one.

In the end, the election was clearly bent in favor of merchant shareholders – five directors and two monitors were elected by merchant shareholders, each one more than stipulated in the Election Regulation (Xuanju jianzhang). These numbers were equal to those of government directors (*guangu dongshi*) and monitors (*guangu jianchayuan*), although the merchant funds never actually matched the government's investment. Han Wangling, a representative of Fengtian Industrial Bank and an elected director, was further elected the deputy manager.⁹⁹ Wang Yongjiang was probably right that the business community's investment was largely an investment in him because the prospects of the textile mill did not look bright – it was state-controlled and it would have to compete with the well-established Japanese manufacturers. On the one hand, such a show of faith of the business community was likely motivated by economic nationalism; on the other hand, given the undemocratic nature of Fengtian politics, it was perhaps not completely voluntary.

⁹⁹ FTSZGS, 3294.

The mill began partial operations in July 1923 and started full production at the end of the same year.¹⁰⁰ With 20, 000 spindles, 250 weaving looms, and five sock looms, its scale rivaled that of Japanese textile mills.¹⁰¹ The long-term plan was to expand to 50,000 spindles. The mill was an instant success. All investors were handsomely rewarded every year from 1923 to 1931, when the mill was taken over by the Japanese by force.¹⁰² The Japanese capitalists responded by moving their mills into Fengtian to compete directly with the Fengtian Textile Mill. In 1923 alone, two Japanese textile mills were established, one in the colonial Dalian, the other in Liaoyang, the largest cotton-producing area in the region. In 1924, a third Japanese mill was established in Jinzhou, Wang Yongjiang's hometown, also a cotton-producing area. In February 1924, shortly after the Fengtian Textile Mill began full production, it added a dyeing section to the factory in Fengtian and laid plans to open a branch mill in Liaoyang.¹⁰³ But the plan somehow never materialized.

The success story of the Fengtian Textile Mill testifies the power of a stable and effective state, even a cash-strapped one surrounded by imperialist powers. Wang Yongjiang's concerns about the wastefulness, corruption, and unprofessionalism of state-run businesses were certainly valid, but even he hoped to beat the odds, otherwise he would not have created the mill. Since the economy was underdeveloped and the bourgeoisie was not well-established, the state had to lead the economic development in a very hands-on fashion. Moreover, the state commanded much more resources than any

¹⁰⁰ Ma Shangbin, p. 51.

¹⁰¹ Ma Shangbin, p. 49; Suleski, p. 121.

¹⁰² Suleski, pp. 118-24.

¹⁰³ Suleski, p. 123.

capitalists, which if effectively employed, as in the case of the Fengtian Textile Mill, could achieve more than a completely private enterprise. In the textile industry, the Chinese state's advantage was most obvious in the issue of cotton supply. While Fengtian Textile Mill was under planning, the Bureau of Industry, assisted by county magistrates, conducted survey of areas in Fengtian suitable for cotton growing. Once a positive conclusion was reached for a location, the bureau set about mobilizing local farmers to start or expand cotton growing – it shared the details of the mill with the farmers and promised to purchase their cotton. The bureau also furnished information on cotton growing techniques and offered to provide low-interest loans. This mobilization campaign was even reported by the American diplomats to the State Department of the United States. The Fengtian government also sent agents to the United States to purchase seeds of high-quality cotton.¹⁰⁴

When Fengtian Textile Mill began operation, the local supply of cotton proved crucial. In 1923-24, just as the mill began to take off, Chinese textile industry experienced a crisis due to a severe shortage of cotton supply and a rise in price.¹⁰⁵ When the Beijing government, at the request of the Chinese Cotton Mill Owners' Association (Huashang shachang lianhehui), ordered a cotton embargo, the Japanese and other imperialist powers protested. The Beijing government had to lift the embargo and cotton continued to flow out of the country.¹⁰⁶ Many mills in Shanghai were forced to close and some were sold to Japanese competitors.¹⁰⁷ Cotton shortage was a perennial problem for

¹⁰⁴ Suleski, pp. 119, 249.

¹⁰⁵ Bergère, p. 93.

¹⁰⁶ Bergère, p. 94.

¹⁰⁷ Bergère, p. 97.

Chinese textile mills – even without any export, the cotton supply, never effectively planned and organized, would not be able to satisfy the needs of large-scale industrial production.¹⁰⁸ Located in China’s most modern city, the Shanghai textile mills operated more as purely capitalist enterprises in a conventional sense – in their private ownership and their open competition for supply and market. When faced with fierce and hostile competitions from Japanese companies, often designed to destroy the fledgling Chinese industry,¹⁰⁹ they simply could not do without the support from a strong state. In contrast, the Fengtian government’s meticulous planning, wide-ranging involvement of the population, and effective deployment of resources enabled the Fengtian Textile Mill to operate in a self-sufficient system and to become a strong competitor to the Japanese mills. The Northeast had imported cotton for centuries,¹¹⁰ without the push from the state, the Chinese farmers probably still would not join the market. Such specialization and market participation, if continued and expanded over time, would bring transformation to the Northeastern economy.

7. Conclusion

In Western Europe, the creation of modern states unfolded “in a slow process of trial, error, compromise, and consolidation;”¹¹¹ therefore Charles Tilly and his co-authors “self-consciously” avoided the term “state building” when naming this gradual process; instead, they settled upon “state formation” to “counter the intentionality and

¹⁰⁸ Bergère, p. 94.

¹⁰⁹ Bergère, p. 94.

¹¹⁰ Christopher Isett. *State, peasant and agrarian change on the Manchurian frontier, 1644-1940*, (Ph.D. Thesis, UCLA, 1998), pp. 242-43.

¹¹¹ Charles Tilly. “Why and How History Matters,” pp. 417-37 in Goodin, Robert and Charles Tilly, ed. *The Oxford handbook of contextual political analysis* (New York: Oxford University Press, 2006), p. 418.

teleology.”¹¹² State building in the Northeast (and probably many other non-Western context), in contrast to its precedents in Western Europe, was accomplished in a much shorter period of time, with stronger intention and clearer plan, because Wang Yongjiang and his predecessors had successful models to learn from. Therefore “state building” can be fittingly applied to the Chinese case. At the beginning of his career, with no previous administrative experience, Wang Yongjiang was able to quickly and successfully establish the first police school and police bureau in Fengtian because he studied the Japanese system thoroughly in Jinzhou, which was ruled by the Japanese, who, in turn, had imported police system from the West. What took Western Europe hundreds of years was achieved in the Northeast in two to three decades.

As we have seen, Wang Yongjiang’s ability was not limited to learning from successful precedents, he also carried out projects that were suitable for the local condition. Tilly et al, in their study of Western European states’ efforts to boost revenue, emphasize (rightly) the state’s greatly increased extraction from the population through taxation. Wang Yongjiang adopted similar methods right after becoming the Provincial Treasurer, by surveying land rigorously and establishing taxation bureaus in all possible locations. But there is no indication that he ever raised the tax rate. The greater extraction from the population often caused new conflicts between the state and the society. According to Tilly, that actually was the very reason why Western European states intensified bureaucratization and increased their coercive power over the population. As shown by Prasenjit Duara,¹¹³ in North China, the state’s extraction also caused great

¹¹² Tilly, 2006, p. 419.

¹¹³ Duara, 1988.

tension in rural society and the state actually weakened in the process by losing its legitimacy. Yan Xishan, the model governor and warlord ruler of Shanxi for almost the whole Republican period, taxed the population heavily – sometimes into the future – to fund developmental projects.¹¹⁴ In contrast, the Fengtian government obtained a large portion of its revenue from commercial operations like the Official Bank, Fengtian Textile Mill, and Fenghai Railway Company. For instance, as the largest shareholder, the provincial treasure benefited substantially from the profitable mill – in 1923 (the first year of production and the partial production began only in July), the bonus was 2.25 *yuan* (Fengtian currency) per share (every share was 100 *yuan*); in 1924, 6.9 *yuan*; in 1925-27, the bonus was 17, 20, and 84 *yuan* respectively.¹¹⁵ In addition to extraction from the population, the Northeastern regime also tried to strengthen and modernize itself by establishing profitable enterprises such as Fengtian Textile Mill to generate income. It was a new kind of state-building initiative.

But the state achieved far more than direct monetary income. A more profound concern of the state was the lack of modern industrial enterprises owned by the Chinese. In the 1913 letter from the Ministry of Industry and Commerce to Fengtian provincial government, we already saw that the Beijing government considered the promotion of modern industrial production the key to salvage the Chinese textile industry.¹¹⁶ The ministry actually made a policy to give machine-operated textile mills tax breaks. In

¹¹⁴ Donald Gillin. *Warlord: Yen Hsi-shan in Shansi Province, 1911-1949*. Princeton, N.J., Princeton University Press, 1967, pp. 138-39.

¹¹⁵ Ma Shangbin, p. 52. The inflation rate was approximately 38% in 1925, 117% in 1926, and 120% in 1927; see Chi Hsi-sheng. *Warlord politics in China, 1916-1928*. (Stanford, Calif. : Stanford University Press, 1976), p. 163.

¹¹⁶ FTSZGS, 3315.

Fengtian, that policy was carried out rigorously – petitions for tax exemption from traditional mills were denied;¹¹⁷ while industrialized mills that produced the “foreign cloth” (*yangbu*) did get tax breaks from the provincial government.¹¹⁸ The only criterion was whether the mill used modern machines in their production. By successfully establishing and running the Fengtian Textile Mill and Fenghai Railway, the state certainly planted by demonstration the seed of capitalism and modern entrepreneurship in the business community as well as many bureaucrats who participated in the project. The mill also successfully involved the peasants, who planted more cotton and benefited from modern industrial production. In the end, Wang Yongjiang’s objectives of “promoting the industry (*zhenxing shiye*)” and “regain the economic interests for the Chinese (*wanhui liquan*)” were achieved in a comprehensive way. The state’s efforts in industrialization and economic development in general were an integral part of the modern state building.

State building was certainly not easy even if there were successful models to learn from. While identifying himself as a scholar (*ru*),¹¹⁹ Wang Yongjiang evinced sophisticated pragmatism throughout his career, partly because he never embraced any radical ideology. Wang’s pragmatism set the tone for his administration. Zhang Zuolin was also sensible in knowing his own limit and in relegating civil affairs to Wang Yongjiang. In contrast, some warlord rulers such as Yang Sen (1844-1977) in Sichuan, because of their new ideas, often devoted precious resources to superficial modernizing

¹¹⁷ FTSZGS, 3316.

¹¹⁸ FTSZGS, 3325.

¹¹⁹ Wang Yongjiang. “Wang Yongjiang shi ci xuan” (Selected poems by Wang Yongjiang), 162-90. Dalian Jinzhou wenshi ziliao weiyuanhui, Dalian wenwu guanli weiyuanhui. *Wang Yongjiang jinian wenji* (Commemorative essays dedicated to Wang Yongjiang) (Dalian: Dalian chubanshe, 1993), p. 164.

projects. Although Yang Sen had the least disciplined soldiers in Sichuan, he often exhorted the virtue of discipline and orderliness to the public. Under the influence of popular notions in modern city administration, Yang invested heavily in public parks and modern paved roads, while knowing and caring little about economic development. Thanks to his high-handed manner in carrying out his modernizing projects, Yang Sen also greatly alienated the local elite.¹²⁰ As Wang Yongjiang often warned, strong ideology often led to harmful behaviors, rather than constructive deeds.¹²¹

¹²⁰ Stapleton, pp. 217-49.

¹²¹ Wang Yongjiang was wary of popular nationalism, communism, radicals, and political opportunists who took advantage of public sentiments. See Liaoning Provincial Archives, ed. *Fengxi junfa midian, di er ce* (Secret telegraphs of the Fengtian Clique, Vol. 2) (Beijing: Zhonghua shu ju, 1985), pp. 159-61.

CHAPTER TWO

The Conception of Railway:

Claims, Interests, and Competition in Northeastern Railways

Under Wang Yongjiang's leadership, the Fengtian government initiated its first ever railway project that was to be carried out completely by the Chinese – the Fenghai Railway. The railway, constructed during 1925-27, connected the provincial capital Fengtian with the county seat Hailong (see Map 2.2). As a provincial project, it did not seem impressive in the annals of Chinese railway – it was only 150-mile long, completely within the province of Fengtian.¹²² Yet Fenghai's fortunes reflect well the political vicissitudes of the late Qing and Republican China. As many other developmental projects, railway construction was often interrupted by the political upheavals in late Qing and Republican China, both caused from within and without. Fenghai's story, although not dramatic, is one of national frustration, imperialist encroachment, regional development, and historical rupture. Through the story of Fenghai, I hope to see the state and the society in large. In this chapter, I first look at the historical contingencies that had the potential to bring forth a railway between Fengtian and Hailong but failed to deliver;

¹²² Fengtian, Shenyang, Shengjing, and Mukden are different names of the same city. The city was called Shengjing, Shenyang, and increasingly Fengtian before the 1907 establishment of the three provinces in the Northeast; between 1907 and 1929, the province and its capital shared the same name Fengtian; after the Northeast willingly reunified with the Guomindang government at the end of 1928, the city was called Shenyang and the province called Liaoning until 1931; between 1931 and 1945, under the Japanese control, the city and the province were both renamed back to Fengtian. Mukden is the transliteration of the city's Manchu name and was used commonly by Westerners during late Qing and Republican times. People in the province mostly referred to the city simply as "the provincial capital" (*shengyuan*, *shengcheng*, or simply *sheng*). I refer to the city and the province by the official names of the time.

then examine institutional and personal initiatives that actually created the Fenghai Railway.



Map 2.1 Railways in the Northeast, 1911.

1. The International Competition

The earliest proposal for a railway that would connect Shenyang (Fengtian's name before 1907) and Hailong was put forward by none other than the famous statesman Li Hongzhang. In 1890, as Zhili governor-general, Li proposed to build the

Guandong (East of the Pass)¹²³ Railway. The trunk line would start from Tianjin, go through Tangshan,¹²⁴ Shanhai Pass (Shanhaiguan), Jinzhou, Shenyang, and end in Jilin, the capital of Jilin Province;¹²⁵ the branch line would connect Shenyang with the port city Yingkou, facilitating imports and exports for the Northeast. The then prefecture seat Hailong was midway between Shenyang and Jilin, therefore the Guandong Railway, when completed as planned, would have passed through Hailong. The Guandong Railway was the first ever major, strategic railway plan (eight hundred miles) by the Chinese government, of which the line between Shenyang and Hailong would be a small part. It was no secret that Russia still had tremendous interest in Northeast China, having already seized great stretches of territory from the Qing. Therefore, the Russian Trans-Siberian Railway, which would soon surround China's Northeastern frontier, could only cause great concern to the Qing government. The Guandong Railway plan was the Qing's effort to retain strategic control of the vast Northeast, still sparsely populated at the time. To facilitate the construction of the railway, the Chinese government established the Northern Ocean Official Railway Company (*Beiyang guan tielu gongsi*) in Shanhai Pass, where a naval base was also under planning. The court placed Li Hongzhang in charge; the Englishman C.W. Kinder, an important figure in the history of Chinese railways, was appointed the chief engineer.¹²⁶

¹²³ The pass refers to Shanhaiguan – the Pass of Mountain and Ocean, the easternmost point of the Great Wall. The term Guandong refers to Northeast China.

¹²⁴ At the time, there was already railway between Tianjin and Tangshan.

¹²⁵ The Northeast began to be referred to as provinces long before the administrative normalization in 1907, when the three provinces were formally established.

¹²⁶ Yin Tie. *Wan qing tielu yu wan qing shehui bianqian yanjiu* (A Study on railway and social changes in late Qing). (Beijing: jingji kexue chubanshe: 2005), pp. 52- 54.

The history of Fenghai would have been much simpler, had the Qing government been able to carry out the Guandong Railway plan smoothly. The construction began in May 1891 and progressed slowly due to lack of funds; it was halted in 1895 at Zhonghousuo, Fengtian due to the Sino-Japanese War. The huge cost incurred during and after the war made it even more difficult for the Qing to set aside money for the railway. In 1898, the railway was renamed Guanneiwai Railway (the Trans-Pass Railway)¹²⁷ and was placed under the supervision of Hu Yufen, an articulate, proactive reformist. Hu was able to negotiate a loan from the British and to continue the construction toward Shenyang. In 1903, the rail tracks reached Xinmin, only twenty-five miles short of Shenyang. However, the railway had to stop at Xinmin because of a treaty signed with Russia in 1898 – the “Renewed Treaty for Leasing Lands in Lüshun and Dalian,”¹²⁸ which stipulated that along the Southern Manchurian branch of the Chinese Eastern Railway (CER, built and controlled by Russia, more below), railway rights could not be granted to any other countries. Since the British provided both funds and the chief engineer for the Guanneiwai Railway, the railway could not come close to Shenyang, which was on the Southern Manchuria branch of the CER.¹²⁹

To help better understand Chinese railways in the Northeast, a brief introduction to the Chinese Eastern Railway (CER) is in order. In the late Qing and Republican times, the railway was the primary means through which the Russian and Japanese imperialist powers penetrated the vast Northeastern territory. After the 1895 defeat by Japan, the

¹²⁷ Jin Shixuan and Xu Wenshu. *Zhongguo tie lu fa zhan shi* (The history of railways in China). (Beijing: Xinhua shu dian, 1986), p. 119.

¹²⁸ Mi Rucheng. *Imperialism and Chinese Railways (1847-1949)* (diguo zhuyi yu zhongguo tielu, 1847-1949). (Shanghai: Shanghai renmin chubanshe, 1980), p. 78.

¹²⁹ Jin and Xu, p. 119.

Qing government was greatly weakened and became even more vulnerable to imperialist encroachment. The Russians, in return for forcing Japan to withdraw from the Northeast in 1895, coerced the Qing into an agreement that allowed Russia to build the Chinese Eastern Railway (*zhongdong tielu* or *zhongdong lu*) across the Northeast to reach two sea port cities: the Russian Vladivostok to the east and the Chinese Lüshun to the south. The railway, finished in 1903, cut through the three provinces of the Northeast in the shape of a giant slanted T, at a whopping length of 1600 miles. There was no better method for imperialist expansion than railways. The CER, with wide areas of right-of-way along the railroad and an in-house military force, was a powerful agent of Russian imperialism operating in the heart of the Northeast. On the railway zone, the Chinese Eastern Railway Company (CERC), a joint venture between China and Russia but controlled by the Russians, enjoyed “absolute and exclusive power of administration.”¹³⁰ In the aftermath of the Boxer Uprising, with its army still stationed on Chinese territory, Russia extorted another great concession from China – besides its right-of-way on both sides of the CER, it would have rights to coal mines within thirty Chinese *li* (about ten miles) on both sides of the railroad.¹³¹ In 1904-1908, the CERC further gained the rights to three lumber farms in Jilin and Heilongjiang provinces.¹³² The Russian presence seriously fragmented the Chinese administration and sovereignty in the region.

The situation worsened after the Russo-Japanese War of 1905 because the victor Japan was even more aggressive in encroaching upon Chinese territory and sovereignty.

¹³⁰ M. Royama. “The South Manchuria Railway Zone: And the Nature of Its Administration,” *Pacific Affairs*, (Vol. 3, No. 11. Nov., 1930, pp. 1018-1034), p. 1020.

¹³¹ Mi Rucheng, 1980, p. 405.

¹³² Mi Rucheng, 1980, p. 406.

The Japanese took over from the Russians the control of the railway to the south of Changchun (430 miles) and named it the South Manchuria Railway (SMR). During the war, the Japanese also built a major railway – the Anfeng Line (160 miles), linking the seaport city Andong with Fengtian and, despite repeated protests from the Chinese government, kept running the railway after the war. Andong was separated only by the Yalü River from Korea, which had been under the Japanese occupation since 1895. After the Japanese built a bridge across the Yalü in 1909, the Japanese army could reach the provincial capital Fengtian by train within hours. In 1906, the Japanese set up the Southern Manchuria Railway Company (SMRC, Mantetsu in Japanese), which was modeled after the British East India Company, to manage these railways and the Mantetsu Attached Land (MAL, *Mantie fushu di*) along the railways.¹³³ The Japanese also “inherited” from the Russians the Liaodong Peninsula as the Guandong Leased Territory, which included the seaport cities of Dalian and Lüshun. Just like the Russians, the Japanese set up an administrative structure also called Guandong Province (*Kantoshu*).¹³⁴ The imperialist presence in the Northeast was different from that of the treaty ports – it was featured by the long railways and the attached lands. The concessions in treaty ports like Shanghai and Tianjin, in contrast, were isolated spots that had impacts pretty much limited to these cities. The lands under the Japanese control may be only a small part of the Northeast, but because they were distributed from the north to the south, the imperialist penetration into the Chinese territory and society was much more

¹³³ Qu Xiaofan. *Mantie fushudi yu jindai dongbei chengshi kongjian ji shehui jiegou de yanbian* (The Mantie Attached Land and modern Northeastern urban space and social structure). *Shehui kexue zhanxian*, 1st volume, 2003. (Changchun: Jilin sheng shehui kexueyuan, 2003), pp. 155-56.

¹³⁴ Yin Tie, p. 76.

profound. With railways in the most prosperous areas under their control and a more aggressive attitude, the Japanese were to quickly surpass the Russians in their imperialist project.

Now that the Russian presence had been removed from Fengtian Province, the Chinese were finally able to extend their railway to the provincial capital, but not before negotiating with Japan, the parvenu member of the imperialist club. During the Russo-Japanese War of 1904-05, the Japanese army built a narrow-gauge railway from Fengtian to Xinmin – the Xinfeng Line, with the ambition of extending its influence to the western part of Fengtian Province in the future. In 1907, the Chinese were forced to buy the Xinfeng Line from the Japanese, only to tear it down and replace it with a standard-gauge (1.435 meters) railway. As an exchange (!), the Qing government had to borrow half of the funds from Japan needed to construct the 75-mile railway between Jilin and Changchun – the Jichang Railway, even though both cities were more than 200 miles to the north of Fengtian. The Chinese were also to employ Japanese engineers for both the new Xinfeng and Jichang railways.¹³⁵ The logic was difficult to grasp, just as the terms were hard to accept, but the Chinese had to bite the bullet because they were so eager to reach Fengtian by their own railway. The Qing government had little, if any, negotiating power in railway deals. That the Chinese had to negotiate with foreign powers for railway construction on Chinese territory would become a recurring theme in the railway history of the Northeast. Now for the Chinese, the city Fengtian, where the emperor's ancestors launched their conquest of China and where some of them were still buried, was within

¹³⁵ Mi Rucheng ed. *Zhongguo jindai tielu shi ziliao, 1863-1911* (Materials on Chinese Railways, 1863-1911). (Beijing: Zhonghua shuju: Xinhua shudian Beijing faxingsuo, 1963), pp. 577-79.

arm's reach. Yet because the Chinese railway was not allowed by the Japanese to cross the Southern Manchuria Railway, it stopped two and a half miles outside the city wall of Fengtian. Only five more years later – in 1912, after the Qing dynasty had collapsed – that the whole Jingfeng Railway (from Beijing to Fengtian) was finally completed. For the new Yuan Shikai regime, railway construction had to take a back seat, as it was busy trying to consolidate power and to establish a unified polity for the whole country. Hailong, now a county seat, still had to wait fifteen more years for the railway to come.

2. The Domestic Competition

In 1889, the Qing government declared its policy of building railways as part of the self-strengthening effort – after years of heated debates, the conservative opposers of railway construction were finally defeated. Thereafter, railways quickly became much desired by local societies throughout the country. The competition for a railway route between Tieling County (forty-two miles to the northeast of Fengtian) and Kaiyuan County (twenty-two miles to the northeast of Tieling) tells much of the eagerness among the Northeastern county elites to have railways. They saw the railway as an important means to spur economic growth and local development in general. Tieling and Kaiyuan were both already on the South Manchuria Railway (see Map 2.2), but a cross line would definitely increase commercial activities and bring prosperity to the local society. While the Kaiyuan elite proposed a railway between Kaiyuan and Hailong; the Tieling elite wanted a Tieling-Hailong line.¹³⁶ The two proposals were mutually exclusive because the two county seats were quite close to each other and either proposed railway would reach

¹³⁶ FTSZGS, 3795.

the county seat Hailong, an important city to the east not yet connected by railway. Either railway would also exclude future construction of a Fengtian-Hailong railway.



Map 2.2 Fenghai Railway and counties competing for railway access

County seat Tieling had been a prosperous commercial center for a long time because of its proximity to the Liao River (Liaohe). Every year, large quantities of agricultural products from the Hailong Prefecture, which included the four counties of Xi'an, Xifeng, Dongfeng, and Liuhe, were transported to Tieling by *dache* – the horse-drawn carts. The goods were then loaded onto boats and sent to the sea port city Yingkou on the Liao River. When the boats returned from Yingkou, they carried household items, such as sugar, paper, cloth, utensils, and kerosene.¹³⁷ Therefore, Tieling served as northern Fengtian's distribution center. However, since the southern branch of the Russian-controlled CER began to operate in 1903, railway had gradually replaced the river as the major transportation; agricultural products went directly to Dalian for exportation. For *dache* from the counties to the east, it was much easier to reach Kaiyuan than Tieling, both on the railway now; therefore the former became the new entrepôt and the later was hopelessly sidelined.¹³⁸ There was little doubt that a Tieling-Hailong railway would revive commercial activities in Tieling and bring back the past prosperity. On the other hand, a Kaiyuan-Hailong railway would further boost Kaiyuan's status as a commercial center and deal a fatal blow to the already declining business community in Tieling.

On May 27, 1910, the Japanese-owned newspaper Shengjing Times (*Shengjing shi bao*), which published in Chinese, reported that governor-general Xiliang had sent experts to survey the Tieling-Kaiyuan-Hailong area for railway planning. That was how

¹³⁷ Tieling shi zheng xie wenshi ziliao weiyuan hui. *Cultural and Historical Materials of Tieling, 9 Volumes*. (tieling wenshi ziliao). (Tieling, Liaoning: 1985-1995. Cited by volume number and article title), Volume 3, "The Rise and Decline of River Transportation at the Mafenggou Wharf in Tieling."

¹³⁸ Mi Rucheng, 1963, p. 528.

the Tieling Commerce Association (*shanghui*) and the Tieling Agriculture Association (*nonghui*) learned the news. On June 4, the Tieling elite quickly sent a petition to the Fengtian Business Promotion Bureau (*quanye dao*), presenting the benefits of a Tieling-Hailong Railway and the damage that a Kaiyuan-Hailong Railway would bring to the Fengtian business community. Their argument was mainly a nationalist one,

If a Kaiyuan-Hailong railway is constructed and connects with the South Manchuria Railway, the transportation will indeed become very convenient, but we are afraid that the power and right of transportation would completely fall into foreigners' hands. This is because Kaiyuan is far from the Liao River, consequently, all the grains and commodities would go directly to Dalian via the Japanese railway, rendering the Liao River useless. Therefore, we petition that a Tieling-Hailong railway be built, so that the river transportation would not languish and the transportation power could be retained in the Chinese hands. The economic interests of the whole province are at stake, not just those of the one county of Tieling. Since the defeat in 1895, we have lost almost all our transportation power and right. The Liao River is the only route left in our control, but a Kaiyuan-Hailong railway would debilitate its transportation. That would be cutting off the artery of our province.¹³⁹

It was a consensus at the time that in the critical enterprise of railway, Russian and Japanese influence should be excluded whenever possible. Tieling gentry and merchants also suggested that the railway rely solely on official funds, because in private enterprises, foreigners might manage to become shareholders and hold some sway in the railway company. Specifically, “foreigners” here referred to the Japanese, because the Kaiyuan elite had close ties to the Japanese. It should not be too much a surprise, given that Kaiyuan had been partially occupied by the Japanese since the end of the Russo-Japanese War in 1905. The occupied area, named the Mantetsu Attached Land (MAL), was managed mainly by the SMRC, but policed by the Guandong Provincial Government. Although the SMRC was a railway enterprise in name, it acted like a government on the

¹³⁹ FTSZGS, 3795.

MAL, managing administrative issues such as infrastructure, land rental, education, public health, and taxation. There were MAL's in many cities, all next to the railway station; they fragmented the administration of the Northeast and constituted a great threat to Chinese sovereignty. In small cities such as Kaiyuan, the MAL often became the new urban center, replacing the previous one. Because the Japanese eagerly courted businesses by providing modern infrastructure and lowering taxes in the MAL, many Chinese merchants owned businesses there. The MAL therefore provided the means of contact for the Japanese with Chinese elite, especially the merchants.

On June 7, the director of Fengtian Business Promotion Bureau (*quanyue dao*) dutifully relayed the Tieling petition to the governor-general, the capable and incorruptible Xiliang. In Xiliang's comments made on June 13, the governor-general stated that he had been planning for a narrow-gauge rail line in the Tieling-Hailong area to facilitate transportation. Once the survey and estimate reports were submitted by the surveyors, he would make a decision and inform the Tieling community. On July 19, the governor-general indeed sent the director of Business Promotion Bureau an assessment of the railway situation, to be relayed to the Hailong Prefect and Tieling Magistrate. According to the surveyor, since the fertile land of Hailong produced large quantities of grain and cash crops, a railway was indeed urgently needed. But a narrow-gauge railway would not be able to transport the rich products, yet a standard-gauge railway would be too costly. Therefore, the governor indicated, the issue was still under "careful consideration;" there was going to be no immediate action.¹⁴⁰ A larger story here is that Xiliang and his predecessor Xu Shichang both struggled with railway issues throughout

¹⁴⁰ FTSZGS, 3795.

their appointment. Xiliang, who opposed foreign railway loans before coming to the Northeast, now worked hard on borrowing money from the United States and Great Britain to fund the Jin'ai Railway between Jinzhou and Aihui. The change was due to the urgent situation of the Northeast – pressed by the aggressive imperialism of Russia and Japan, the governor-general now hoped to introduce American and British presence into the Northeast to achieve a balance of international powers in the region. That plan meshed perfectly with the American policy of neutralizing the Northeast. Yet despite the two governor-generals' four years of great effort, loans from the United States and the Great Britain never materialized and the Japanese and Russian dominance continued.¹⁴¹

The Kaiyuan elite, after hearing the news of a possible Tieling-Hailong railway, also sent in a petition in July 1910, forcefully putting forward twelve (!) reasons why a Kaiyuan-Hailong railway would be more advantageous than a Tieling-Hailong line. Signers of the petition were an impressive crowd – the director of education (a graduate of the University of Politics and Law in Japan), a representative in the National House of Advisories (*zi zheng yuan*) (also a graduate of the University of Politics and Law in Japan), the director of commerce association, the director of the county assembly, and sixteen other education and business elite members. The petition itself was impressive as well – it was well-informed, soundly argued, and supported with detailed information, although several of the twelve reasons were fairly repetitive. The major argument was that a Kaiyuan-Hailong line was shorter, easier to build (no great geographical barriers), less costly, and therefore more likely to succeed and be profitable. The Kaiyuan petition

¹⁴¹ Ma Linghe. *Qing mo min chu tielu waizhai guan yanjiu* (A study on the views on railway loans during late Qing and early Republican) (Shanghai: Fudan daxue chubanshe, 2004), pp. 226-58.

sounded confident, righteous, and a little bit impatient, probably not pleasant to the ears of the governor-general,

The issue of railway route is of great concern not only to people in Kaiyuan and Tieling, it is also crucial to the livelihood of people in the four cities [referring to the county seats] in Hailong Prefecture. We suggest that this issue be decided by a public conference participated by all the six cities. This is the only way that can be fair to the people and the only way to reach a decision that people would genuinely accept.¹⁴²

What we see is a very assertive county elite fiercely fighting for local interests. It is interesting to see that the Kaiyuan elite even requested a democratic decision-making process; their bold petition suggested a distrust of the governor and smacked of a challenge to the provincial authority. The sentiment of localism is palpable.

It is also strikingly odd that the tone and vocabulary of the Kaiyuan petition were sometimes foreign and there were derogatory descriptions of the Chinese. It probably was drafted by the two Chinese who studied in Japan. For instance, for the unit of distance, instead of the universally used *li*, the petition used the term *qingli* – “Chinese *li*,” giving the document an alien tone. Moreover, it asserted that “The people in China (*zhongguo*) have only primitive knowledge” and “The people in China (*qingguo*) do not have sound judgment.”¹⁴³ Both *qingli* and *qingguo* were clearly Japanese terms. It was not yet common for the Chinese to be self-deprecating; and the tone of the document was that of a foreigner. Such new attitude and strange vocabulary were emblematic of the emerging force of those who were educated in Japan or became close to the Japanese.

The SMRC would certainly have been delighted to see a Kaiyuan-Hailong Railway, which, as pointed out by the Tieling elite, would practically serve as a feeder

¹⁴² FTSZGS, 3795.

¹⁴³ FTSZGS, 3795.

line for the SMR. The Japanese had been watching the Chinese activities related to the Kaiyuan-Hailong railway since at least 1907.¹⁴⁴ In the following years, the Japanese closely watched the Chinese interests (mostly private) in building the railway and wanted to participate whenever possible. But these plans did not materialize. In 1910, when the Kaiyuan-Tieling debate was ongoing, the Japanese were certainly watching with intense interests. In a letter to the Railway Bureau in Japan's central government dated July 14, 1910, the SMRC director commented,

If the Hailong railway intersects with our railway at Fengtian, our company would strongly oppose it, because it would allow products to be transported out of the region by the Jingfeng Railway (the Guanneiwai Railway); therefore, instead of being a feeder line, it would become a competing line...It concerns not only our company's interests, but also those of the Japanese Empire...The best choice is Kaiyuan. If Tieling becomes the intersection, the Chinese will be encouraged to transport commodities by boats [to Yingkou], therefore, we should not consent to choosing Tieling.¹⁴⁵

The thought process was similar to the Tieling elite but the intentions were different. In the issue of choosing a railway route to Hailong, the Japanese interests coincided with those of Kaiyuan. The SMRC, the Japanese consulates in Fengtian and Tieling, and Tokyo all participated in the discussion of how to handle the railway issues.

In October, 1910, Tieling commerce and agriculture associations sent in another letter to the governor-general, warning about the collaboration between the Kaiyuan elite and the Japanese. It was reported, they said, that the Kaiyuan elite had allowed the Japanese to participate in their own railway enterprise – a narrow-gauge railway from

¹⁴⁴ Jilin sheng she hui ke xue yuan “Man tie shi zi liao” bian ji zu. *Man tie shi zi liao, di er juan* (Historical Materials of the South Manchuria Railway Company, volume 2), (Beijing: Zhonghua shu ju, 1979), p. 810.

¹⁴⁵ Jilin sheng she hui ke xue yuan “Man tie shi zi liao” bian ji zu, pp. 815-816.

Kaiyuan to Hailong.¹⁴⁶ The Japanese would conveniently join as shareholders with some used rails taken from the Anfeng Railway, a white-elephant property that had been sitting in warehouse for years. The Kaiyuan elite, perhaps after knowing that the Fengtian-Hailong line was recently accepted, wanted to take the matter into their own hands –with the support of the Japanese. Concerned about the welfare of Tieling as well as the province, the Tieling elite decided to start their Tieling-Hailong railway project – they established a Commission for Inviting Participation (*zhao gu shiwu suo*). According to their report, people from all walks of life showed their support and were willing to buy shares.¹⁴⁷ From their previous reports, we can see that the Tieling elite clearly knew that they could not fund a railway; therefore their initiative was essentially a show of determination and willingness to contribute. It was the only way to keep up with the aggressive Kaiyuan elite, at least in spirit, if not in achievement. Neither railway project was approved, but the Japanese involvement in the planning of Kaiyuan-Hailong narrow-gauge railway indeed made the Chinese nervous for many years. In 1915, even the Ministry of Communications in Beijing was alerted by the preparation of such a railway. Nothing turned out in the investigation by the provincial government and the county magistrates.¹⁴⁸

The railway feud between Kaiyuan and Tieling continued into the Republican era, as new railway initiatives kept coming out of Kaiyuan and every time the Tieling elite were determined to frustrate it. After several failures, the Kaiyuan elite set a smaller goal

¹⁴⁶ FTSZGS, 3795.

¹⁴⁷ FTSZGS, 3795.

¹⁴⁸ HLXGS (*Hailong fu, Hailong xian gongshu, and Hailong xian zhengfu dang'an*) (Hailong Prefecture/County government documents), Meihekou Municipal Archives (Meihekou shi dang'an guan), 13.

for railway. In 1912, Wang Dehou, a businessman from Kaiyuan's MAL, partnering with Japanese merchants, proposed to build a narrow-gauge railway between Kaiyuan's MAL and Xifeng (see Map 2.2). Since Xifeng, a county seat thirty miles to the east, was halfway between Kaiyuan and Hailong, the Kaiyuan-Xifeng Railway would not compete too much with Fenghai – the approved route. Tieling elite opposed again, arguing that such a railway would still be a feeder line for the Japanese railway. Although Kaiyuan and Xifeng elite later jointly submitted another proposal, shifting the beginning point from the Japanese MAL to the old county seat of Kaiyuan, Tieling elite still protested and endorsed the Fenghai Railway.¹⁴⁹ The Tieling discourse on the necessity of defending Chinese railway rights and interests (*liquan*) was powerful, because it used the vocabulary of economic patriotism that easily appealed to most Chinese at the time. After the provincial government and the provincial assembly (*ziyi ju*) approved the Fenghai Railway, the issue seemed settled.

3. The Third Choice Came to the Forefront

The Hailong elite thought differently from their counterparts in Tieling and Kaiyuan – they wanted a railway directly connecting Hailong with the provincial capital Fengtian. Wang Yintang, a Hailong gentleman and a member of the Fengtian Provincial Assembly, was the first to propose a Fengtian-Hailong railway to the provincial assembly in 1910.¹⁵⁰ An educator and active participant in county and provincial politics, Wang embodied the ascendancy of local power and autonomous mentality during late Qing and Republican times. Through provincial assembly, county elite like Wang could directly

¹⁴⁹ FTSZGS, 8473.

¹⁵⁰ Zhang Changgong, ed. *Meihekou Shi zhi* (Meihekou gazetteer), (Changchun: Jilin chu ban she, 1999), p. 905.

participate in provincial politics as well as function as the liaison between provincial and county-level elite. At the same time, through county institutions like education, commerce, and agriculture associations as well as county councils (*chengxiang yishi hui*), local elite were also much more proactive in county affairs. With no prominent background and only a *bingsheng* degree, the lowest in the Qing examination system, Wang would have little impact in the provincial, not to say national politics. But because of the institutionalization of local power in provincial and national assemblies, Wang was able to become active at provincial level and was even involved in national politics.¹⁵¹

The Fengtian Provincial Assembly endorsed Wang Yintang's railway proposal and drafted a resolution, which was presented to the governor-general first in the summer then in the winter of 1910. Unlike the Guandong Railway, a national project, Fenghai was a provincial one; therefore it would be constructed only to the border of Fengtian province. The connection with Jilin – the provincial capital of the neighboring Jilin Province – was mentioned, but not as the responsibility of the Fengtian Province. To the two petitions, Governor-general Xiliang responded with “Building a railway is a grand project; further investigation is necessary before making a final decision” and “I will contact the Ministry of Post and Transportation (You chuan bu) and will inform you after the reply comes back.”¹⁵² But the main reason that the governor-general did not approve any railway plan was probably the lack of funds. As an early supporter of provincial railway enterprise (*shang ban tielu*) when he was governor-general of Sichuan, Xiliang knew clearly that the Sichuan railway initiative, like most provincial railway projects,

¹⁵¹ Enatsu Yoshiki. *Banner legacy: the Rise of the Fengtian Local Elite at the End of Qing dynasty*, (Ann Arbor: University of Michigan, 2004), p. 71, pp. 104-105.

¹⁵² FTSZGS, 3792.

was strife with graft and infighting, making little progress over years in railway construction. It was therefore unlikely for him to put railway in the hands of the business community. At the same time, the provincial treasure was pretty much depleted when Xiliang was placed in charge of the Northeast, making it also impossible for the provincial government to fund the new railway.

In 1913, the Japanese wrestled from the Yuan Shikai government the right to provide loans for the Kaiyuan-Hailong railway, together with other four railways,¹⁵³ complicating the railway competition in northeast Fengtian. The five railways, some of which were never built or later built by Chinese funding, became famously known as the Five Railways in Manchuria and Mongolia (Manmeng wu lu). The deal readily showed how aggressive the Japanese were in encroaching upon China's sovereignty and testified the inclination of Yuan Shikai to give in to foreign powers so he could secure loans and defeat domestic political enemies. For imperialist powers, providing railway loans was the next best thing to building railways directly – it enabled them to install managers and engineers in the railways and to secure contracts for companies from their countries. In 1917 and 1918, the Five Railways in Manchuria and Mongolia were adjusted and re-negotiated with the Duan Qirui regime¹⁵⁴ as the Four Railways in Manchuria and Mongolia (Man meng si lu). Kaiyuan-Hailong-Jilin now replaced the original Kaiyuan-Hailong plan.¹⁵⁵ These agreements between the Chinese and Japanese governments were to become barriers for the Fengtian government, because for Fenghai, the Chinese wanted

¹⁵³ Mi Rucheng ed. *Materials on Chinese Railways (1912-1949)* (Zhonghua Minguo tie lu shi zi liao, 1912-1949) (Beijing: She hui ke xue wen xian chu ban she, 2002), p. 211.

¹⁵⁴ Duan Qirui never became the president, but was the de facto head of the central government before his army was defeated by the allied forces of Zhili and Fengtian cliques in 1920.

¹⁵⁵ Mi Rucheng, 2002, pp. 293-94.

no interference from the Japanese; they planned to fund the railway completely with their own money. The Fengtian government had to negotiate with the Japanese to get the railway right back.

In August 1912, when the dust of the 1911 Revolution was still settling, the Fengtian Provincial Assembly (*sheng yihui*) – the new version of the pre-revolution *zìyì ju* – sent the railway proposal again to the governor. The two primary motives for such a railway line, as stated in the petition, were “to develop the industry and commerce and to recover railway revenue and power (*liquan*).” The governor, now Zhao Erxun again, agreed that building a railway between Fengtian and Hailong was indeed necessary. Zhao cautioned about the difficulty of financing. Obviously more concerned about social stability, he changed the assembly’s plan so that only the rich would be forced to buy railway shares.¹⁵⁶ Overall, Governor Zhao was not optimistic about building the Fenghai Railway. His subordinate, a certain Xie, who was assigned to comment on the railway proposal, explicitly showed his suspicion about the feasibility of the railway plan – because of the difficulty of funding and potential diplomatic dispute with the Japanese. The Fengtian government in the several years after the 1911 revolution was unstable, pessimistic, and reluctant to take responsibilities. In addition, since most provincial railway projects had failed, the pessimism of Zhao Erxun and his subordinate was not without good reasons. The Fenghai project was shelved for now.

4. The Fenghai Railway – This Time for Real

¹⁵⁶ FTSZGS, 3792.

In 1919, Zhang Zuolin and Wang Yongjiang decided to resurrect the Fenghai project,¹⁵⁷ but it was not until 1923 that Wang Yongjiang set about taking concrete steps in getting the railway constructed.¹⁵⁸ The long delay was partly because Zhang Zuolin led the Fengtian army to participate wars inside the Great Wall, depleting the provincial treasury and disrupting the development projects. In 1922, after the Fengtian army suffered a sound defeat by the Zhili Clique led by Wu Peifu, Zhang Zuolin retreated into the Northeast. The Beijing government now fell totally under the control of the Zhili Clique and Zhang Zuolin declared autonomy (*zizhi*). As the national ambition was frustrated and the Northeastern regime became more inward-looking, conditions were ripe for the Fenghai Railway and other development projects.

Wang Yongjiang had to negotiate with the Japanese SMRC before he could order the construction of Fenghai Railway. In 1918, the Japanese seized from the Beijing government the right to fund a Kaiyuan-Hailong-Jilin railway. Since the Kaiyuan-Hailong line would be almost parallel to Fenghai, the Japanese had to be appeased so they would give up their claims on the unconstructed Kaiyuan-Hailong Railway. Negotiation began in January 1923 and took about one and a half years. In June 1924, the two sides reached a deal: the Japanese would relinquish their rights to provide loan and to construct the Kaiyuan-Hailong-Jilin line, while the Fengtian government would let them provide both loan and construction for another railway – the Taonan-Ang'angxi line

¹⁵⁷ Ji Ying. “Wang Yong and the Fenghai Railway” (wang yongjiang he fenghai tielu). *Zhongguo di ming*, Volume 6, 2004, p. 48.

¹⁵⁸ *Ibid.*, p. 48.

(*Taoang tielu*).¹⁵⁹ The quid pro quo was quite favorable to the Chinese, who achieved two goals in one move. Besides settling the issue of building the Fenghai Railway, the Chinese introduced the Japanese presence into Heilongjiang Province and would be able to use their power to check the influence of the Russians. The Japanese achieved its own goal of establishing a foothold in the Soviet Union's scope of influence – the northern part of the Northeast. The Taoang Railway would have to intersect with the Soviet-controlled CER; it took the Chinese three years of negotiation to get the Soviet Union's permission.

Now, at long last, the Fengtian government was ready to build the Fenghai Railway. In February 1925, the Fenghai Railway Preparatory Committee (*choubanchu*) was established in the capital city.¹⁶⁰ On May 14, the Fenghai Railway Limited Company (Fenghai tielu youxian gongsi) was established, headed by Wang Jinghuan, Wang Yongjiang's earliest and most trusted associate. Wang Jinghuan was already the chief of the Fengtian Provincial Bureau of Administrative Affairs at the time – the highest-ranking official under Wang Yongjiang himself. As we will see, the railway company eventually became a very powerful institution in Fengtian, partly because Wang Jinghuan was the first general manager.

The confidence and initiative shown by Zhang Zuolin and Wang Yongjiang in railway affairs were striking in contrast to Qing governor-generals' reluctance and inability to take responsibilities in building the Fenghai Railway. The ability of Zhao

¹⁵⁹ Zhongguo tielu shi bianji yanjiu zhongxin, ed. *Zhongguo tie lu da shi ji* (1876-1995) (Important events in the history of Chinese railways, 1876-1995) (Beijing: Zhongguo tie dao chu ban she, 1996), p. 93.

¹⁶⁰ Ma Shangbin, p. 127.

Erxun and Xiliang, both among the most capable officials during late Qing, was not the issue. The obvious cause was that the governor-generals served only short stints in the Northeast, which made it difficult to start and finish large projects. The difference in mentality was probably another reason – Zhang and Wang were the final authority of Fengtian; they both knew they were ultimately responsible for Fengtian, therefore acted with great gumption. The governor-generals, in contrast, were caretakers of the Northeast for the emperor – although both demonstrated greater initiatives in their administration than most officials, their drive and achievement paled in comparison to those of Zhang Zuolin and Wang Yongjiang. State building in the Northeast proceeded only fitfully during late Qing; now it was advancing at full speed.

5. The Domestic Competition Continued

Railway has drastically changed urban hierarchy since it was first created in England, transforming desolate villages into booming entrepôts while sidelining previously prosperous urban centers. It was especially so in frontier regions like the Northeast. A short, intra-province railway like Fenghai could not shift regional metropolises, but it did alter the fortune of many county cities. A new round of competition for railway access began in north Fengtian just as the Fenghai Railway plan was about to materialize.

Local elite in Dongfeng (see Map 2.2), a county to the west of Hailong, were especially impressive in their appreciation of the power of railway and their efforts in taking advantage of it, although there had never been any railway in their county. Their attempt to make Dongfeng a railway hub failed, but their insight is indeed remarkable.

Although Fenghai's Meixi branch line (from Meihetai to Xi'an) would soon go through Dongfeng's county seat and a railway station would be set up there, the local elite astutely foresaw that Fenghai Railway might cause their city to decline, at least vis-à-vis the neighboring Meihetai¹⁶¹ (see Map 2.2), which would soon become the junction of the trunk line and the branch line. In May, 1925, when the construction of Fenghai started from Fengtian, the chamber of commerce and agriculture association of Dongfeng, together with the county magistrate, submitted a petition to the governor. The Dongfeng elite entreated that their county seat, instead of Meihetai, a bleak village at the time, be designated as the intersection of the trunk line and the branch line. First, the Dongfeng petition reasoned, although making Dongfeng the railway intersection will prolong the trunk line 20 *li* (10 miles), it will shorten the branch line to Xi'an by 40 *li*. It further argued that it was simply a waste to discard the established business center in Dongfeng and build a new one in Meihetai. Moreover, the magistrate threatened,

The three counties of Dongfeng, Xifeng, and Xi'an boast the richest agricultural products in the Northeast. In the past years, these products have been carted to Sunjiatai and Gongzhuling, then transported further onto the Nanman Railway (*Nanman tielu*).¹⁶² If the Fenghai Railway was not convenient enough for the Dongfeng merchants, the rich products in this area might continue to rely on Nanman for transportation.¹⁶³

The Dongfeng Chamber of Commerce (*shanghui*) also sought help from the Fengtian General Chamber of Commerce (*Fengtian zong shanghui*), asking it to speak to the governor in behalf of Dongfeng. The general chamber did oblige and relayed Dongfeng's

¹⁶¹ Meihetai was later renamed Meihekou.

¹⁶² The Chinese commonly referred to the SMR as "Nanman tielu" or simply "Nanman" – in Chinese as well as Japanese, the character *nan* means south and *man* means Manchuria.

¹⁶³ FTSZGS, 3797.

petition. Concerned about the fortune of their county but also appearing broad-minded, the Dongfeng chamber argued that,

Meihetai is a desolate village 45 *li* [about 22 miles] from Dongfeng county city. If a business district is established in Meihetai, the already prosperous business center in Dongfeng would certainly wither.... The established infrastructure and commercial houses would be rendered useless. The businessmen in Dongfeng employ more than a million yuan of loan from the Official Bank and Provincial Saving Association (*sheng chuxuhui*); the taxes they pay every year are about 200 thousand *yuan*; both rely on the prosperity of Dongfeng. Moreover, if Dongfeng becomes blighted, the county administration and the rule of law will be weakened as well. Facing such a grave situation and implored by Dongfeng businessmen, this chamber indeed can no longer remain silent on the issue.¹⁶⁴

Unlike Tieling and Kaiyuan, which were rivals to each other, Dongfeng was competing with a nonexistent, future trade center. The small village Meihetai, as predicted by the Dongfeng elite, because of its status as a railway junction, would become the biggest city in the area, surpassing county seats Hailong and Dongfeng. It eventually became both the administrative and the commercial center, seizing the county seat from Hailong and eclipsing the once dominant market town Shanchengzhen¹⁶⁵ (see Map 2.2). The Dongfeng elite showed great foresight in their understanding of the transforming power of railway. Governor Wang Yongjiang did order the Fenghai Railway Company to deliberate on the issue, but no change was made to the railway route, probably due to engineering considerations.

Elite from Huinan County (see Map 2.2), Hailong's neighbor to the east, had a more modest request than Dongfeng's – they asked that the railway be extended to their county seat from Chaoyangzhen, a town in Hailong County that was designated the

¹⁶⁴ FTSZGS, 3797.

¹⁶⁵ Disclosure: Meihekou is where I was born and raised. Thanks to its status as a railway junction, it recently became a major processing and distribution center of tree nuts in the Northeast.

northern terminal station of the Fenghai Railway. On September 13, 1925, the county elite submitted a petition to Governor Wang Yongjiang, relayed by magistrate Bai Chunyi,

Huinan is located in the frontier region between Jilin and Fengtian. Sometimes as many as a thousand bandits come down from Jilin to attack. The army could not arrive in time. With railway, the army can get here much faster and provide effective defense. This is the first reason why we urgently request an extension of the rail line. The border area between Huinan and Mengjiang counties is a rich source of lumber, but the logging industry is not developed because the transportation is too expensive. If the railway reaches Huinan, then the forestal products of the two counties can be fully tapped into. This is the second reason why we urgently request an extension of the rail line. The Huifa River is thirty *li* to the north of Huinan county city and the coal mine of Shansonggang and the iron mine of Anzihe are to the south, a railway would certainly invigorate mining and fishing industries. This is the third reason we urgently request an extension of the rail line. A railway will also give farmers incentive to cultivate and sell grains because the transportation would become cheap. This is the fourth reason why we urgently request an extension of the rail line.¹⁶⁶

The magistrate backed up the request in the same petition: “Such an extension of Fenghai railway will definitely boost the local industrial and cultural development; at the same time, it will not go against the railway’s goal of making profits.”¹⁶⁷ The Huinan elite might not realize that they just joined the “scramble for resources” – the provincial government and the Fengtian business community simply did not have enough money to build a longer railway, even though the short extension would be profitable. Convincing as their arguments were, the Huinan elite had to wait until the railway was stably running and began to make money. Three years later, in November 1928, the Huinan elite petitioned again to the Fengtian provincial government, the Communications Committee of the Northeastern Three Provinces (which was in charge of railway matters, more in

¹⁶⁶ FTSZGS, 3797.

¹⁶⁷ FTSZGS, 3797.

Chapter 3), and the Fenghai Railway Company. The arguments were basically the same, but they were probably worth repeating. Fenghai replied promptly with a confirmative answer, but indicated that the extension was still in the survey phase and the time of construction had not been set yet. But Huinan could no longer wait – the elite submitted the same request again In June 1929 and July 1930.¹⁶⁸ In 1931, the preparation of an extension railway was in full speed, but it was aborted by the Japanese invasion on September 18, 1931. Huinan's railway hope was dashed.

The newly established Jinchuan County had yet another kind of experience with railway route. In 1929 and 1930, when Fenghai was planning an extension to Fusong County, Jinchuan's chamber of commerce and the agricultural association, like elite in other counties, twice petitioned that the extension line go through Yangzishao, the county's largest trading center and Xiaojinchuan, the still desolate county seat. After the preliminary survey, it appeared that Yangzishao and Xiaojinchuan would be on the route. Three months after the second petition was set out, in June 1930, Jinchuan magistrate sent a petition to the Liaoning Provincial Government (both Wang Yongjiang and Zhang Zuolin had died by now), requesting to move the county seat onto the planned railway route,

After contemplating on the issue of setting the county seat, I reach the conclusion that the location should be in the middle of the county and the transportation be convenient. Now Shenhai (Fenghai's new name) Railway is planning to extend to Fusong and the station within Jinchuan County is designated to be in Lijiadafang ... even some established counties, because of their consideration of the transportation issue, moved their county seats close to railways. Now we are still in the process of establishing Jinchuan County, there will be no extra cost if

¹⁶⁸ SHTL (*Shenhai tielu wenjian dang'an*) (Shenhai Railway documental archives), Liaoning Provincial Archives (Liaoning sheng dang'an guan), 1925-1932. [Cited by catalogue (*juan*) and file number], 179.

we move the county seat to another place. It seems necessary to change the county seat to Lijiadafang.¹⁶⁹

The provincial government agreed that the county seat should be on the railway line, but pointed out that the route had not been finalized by Shenhai Railway Company. It therefore ordered Jinchuan magistrate to postpone the establishment of a county seat, pending the decision from Shenhai. The provincial government then ordered Shenhai to report its final decision as soon as possible. Vice General Manager Chen Shutang conducted the second survey of the extension line to Fusong and reached the conclusion that going through Jinchuan County was a bad idea, for both economic and strategic reasons. The provincial government and the Communications Committee accepted Chen Shutang's recommendation. But that did not make any difference – before Shenhai began the construction of the extension line, the Japanese occupied the whole region. In 1941, Jinchuan lost its county status, was divided and merged into neighboring counties. In 1944, railway came to Shansonggang, which was near the old county seat, because of its coal mine. Fusong County did not get railway access, not even today.

6. The International and Domestic Competition Intertwined

The Fenghai Railway Company gradually became a powerful institution in eastern Fengtian, commanding a huge amount of resources and operating railway stations and markets in many cities and towns. As local elite were vying for access to the Fenghai Railway, the company was involved in its own competition. It jealously guarded its monopoly of transportation in northeast Fengtian. The potential challenge came from none other than the Kaiyuan elite. Their 1910 attempt to gain more railway access failed;

¹⁶⁹ SHTL, 179.

but with support from powerful military men including Zhang Xueliang, Guo Songling, and Gao Jiye,¹⁷⁰ and cooperation from Xifeng elite,¹⁷¹ the Kaiyuan elite were finally able to build a narrow-gauge railway from Kaiyuan to Xifeng in 1926, even one year before the Fenghai was completed. The railway company was befittingly named Kaituo (blaze new trails) – it was probably the first completely private, commercial railway enterprise in Fengtian. It was not clear how the Kaiyuan elite sold their case to the three military men, all known for their anti-Japanese sentiments.

In March 1924, when the Kaiyuan-Xifeng Railway was under serious preparation, the Japanese originally opposed it, not because such a railway would compete with the SMR, but because they thought they were entitled to be part of it. The treaty regarding the Four Railways in Manchuria and Mongolia was signed with the Beijing government in 1918, which gave the Japanese the rights to provide loans to a Kaiyuan-Hailong line. It would include the route from Kaiyuan to Xifeng.¹⁷² In April, Kawamura Takeji, the director of the SMRC, sent a letter to the Japanese Fengtian consul general, asking him to “protest to the Chinese government so the project can be stopped.”¹⁷³ But the protest was dropped because the Fengtian government successfully negotiated with the Japanese, transferring the loan right to the Taoang Railway, which would cut through the Soviet-controlled CER.¹⁷⁴ The SMRC now took a new approach to participate – it found a certain Wato Ryoukichi and supported him in the open bidding for providing construction

¹⁷⁰ Ma Shangbin, pp. 130, 136.

¹⁷¹ Li Yi and Wang Yuqi, ed. *Kaiyuan county gazetteer* (*Kaiyuan xian zhi*). Taipei, Taiwan: Cheng wen chu ban she, 1974 (reprint of 1930 edition). Section of “Transportation.”

¹⁷² Jilin sheng she hui ke xue yuan “Man tie shi zi liao” bian ji zu, pp. 816-817.

¹⁷³ Jilin sheng she hui ke xue yuan “Man tie shi zi liao” bian ji zu, p. 818.

¹⁷⁴ Mi Rucheng, 2002, p. 626.

materials for Kaituo. It even provided the “special subsidy” for Wato, which, according to the untrustworthy Wato, was used in bribery.¹⁷⁵ Wato succeeded with a low price. That was probably why the narrow-gauge rails from the SMRC – those sitting in warehouse for almost twenty years now – were finally put in use.¹⁷⁶ Now the SMRC aggressively supported Wato and the railway. In 1925, it provided a loan to Kaituo, still through Wato, with the expectation that Kaituo would extend to Hailong.¹⁷⁷

Kaituo came head to head with Fenghai when it planned to extend to Xi'an, the terminal station of Fenghai's branch line. In July 1925, when both Fenghai and Kaifeng railways were under construction, Fenghai's general manager Wang Jinghuan heard that Kaituo planned to extend to Xi'an. Wang sent a petition to his old friend Governor Wang Yongjiang, requesting him to “reproach” Kaituo if it would indeed ask for permission to reach Xi'an.¹⁷⁸ Wang Jinghuan's concern was similar to that of the Tieling gentry and merchants – the Kaituo would be serving the Japanese SMR in the expense of Chinese railway *liquan* – in this case, Fenghai's revenue and power. The provincial government actually guaranteed, as stated in Fenghai's charter, that no line parallel to Fenghai would be allowed so potential disputes could be avoided. The governor agreed and promised to protect Fenghai's monopoly. Kaituo was not able to extend its railway to Xi'an. Between 2007 and 2010, while this dissertation is written, the railway between Xifeng and Xi'an (now named Liaoyuan) is being constructed; Fenghai's railway monopoly in the area finally comes to an end. Meihekou will probably suffer a loss in railway traffic while

¹⁷⁵ Jilin sheng she hui ke xue yuan “Man tie shi zi liao” bian ji zu, p. 822.

¹⁷⁶ Ma Shangbin, p. 136.

¹⁷⁷ Jilin sheng she hui ke xue yuan “Man tie shi zi liao” bian ji zu, p. 830.

¹⁷⁸ FTSZGS, 3797.

Kaiyuan finally gets another boost in business, eighty years after Kaituo opened its business.

7. Conclusion – Localism and New Elite

In Robert Hymes's two brilliant studies of Fuzhou, Jiangxi during Song Dynasty (960-1270),¹⁷⁹ he argues that, because the weakened Southern Song state failed its duty of defending the country as well as its routine responsibilities such as local defense, social welfare, and building bridges, the Fuzhou elite "underwent a major shift of concerns and self-conceptions, a turn from national to local spheres of interest."¹⁸⁰

During late Qing and early Republican period, a similar transition took place due to different as well as similar reasons. In late Qing, Chinese elites were greatly alienated from the central state by its repeated failure to deal with imperialist encroachment. The locality-oriented sentiment in turn further debilitated the authority of the court. The Qing court certainly would not easily yield its power without a fight. The struggle over railway rights in 1900s was a climax of the central-local confrontation. After most provincial railway enterprises failed miserably, it was only rational, although politically deadly, for the Qing court to change its early policy of supporting provincial railway enterprises and to take control of major railway lines (*ganlu*). A 1908 edict praised the state-run railways while dressing down the private, provincial ones.¹⁸¹ In May 1911, the central government went one step further by announcing that all major railway lines would be constructed by

¹⁷⁹ Robert Hymes. *Statesmen and Gentlemen: The elite of Fu-chou, Chiang-hsi, in Northern and Southern Sung*. Cambridge: Cambridge University Press, 1986; *Way and Byway: Taoism, Local Religion, and Models of Divinity in Sung and Modern China*. Berkeley, Los Angeles, and London: University of California Press, 2002.

¹⁸⁰ Hymes, 2002, p2.

¹⁸¹ Yin Tie, pp. 304-306.

the state and provincial enterprises were allowed to build only branch lines (*zhilu*).¹⁸²

This of course would mean that all major railways would be funded by foreign loans and be controlled by the state and to some extent the foreign powers. What the state wanted to hang on here certainly was not just the railways, but the control of the whole country, which had been loosening for about five decades, since the Taiping Rebellion greatly weakened the central government. The struggle between the state and the local elite centered on railway rights and the chaos created thereby gave the revolutionaries a golden chance to start the 1911 Revolution in Wuchang, which quickly led to the downfall of the Qing dynasty. But ultimately, it was the established elite, greatly alienated, who brought down the Qing. The revolutionaries, small in number, young in age, and lacking in establishment, could not possibly complete the revolution they courageously launched.

The establishment of the Republic failed to bring about an effective central state which could reach the whole country with its mandate. Those engaged in national politics were seldom glorious because, for one thing, they often did not enjoy much power due to the weakness of the central state; for another, they were often criticized by the media, and the unlucky ones even beaten by radical students. Therefore, the elites remained unattracted and uncommitted to national affairs – Wang Yongjiang himself had several opportunities to take office in the central government, but refused to do so. Overall, the Chinese elites during late Qing and early Republican periods, not unlike those in the Southern Song, shifted their orientation from the national to the local sphere – it was the local power and prestige, instead of the national, that occupied their mind.

¹⁸² Mi Rucheng, 1963, p. 1236.

As the Chinese elites shifted their attention from national to local affairs, the makeup of Chinese elites also underwent drastic changes, due to the emergence of new institutions, new career opportunities, and new social values. The new elites – the capitalists and the specialists – were more likely to have a local rather than national outlook. The ascendancy of capitalists and specialists was remarkable – as we will see in the two top managers of the Fenghai Railway Company: Zhang Zhiliang the businessman and Chen Shutang the engineer. Capitalists, including county merchants, were the larger crowd while the specialists were the new comer. With their institutionalized power in chambers of commerce, merchants old and new were wielding much greater power and having bigger impact than during any previous times. The merchants in Tieling and Kaiyuan as well as many other counties played a major role in negotiating the railway routes.

In Fengtian province, since Zhang Zuolin became the military governor, localism had been not only a notion, but a political reality – there were few things that went on between the central government and the province. The civil elite's shift of orientation from national to local concerns was more complete than ever. As the national sphere faded and the province became the cosmos, county politics gained more attention. Concomitantly, the local elite's focus shifted from seeking high office to local development. The process coincided with the industrialization and modern state building of the Northeast. For county merchants, it was a great advantage to have railway access; for other elites, the revenue generated from railway transportation was also essential for local development and administration. Therefore, for local elites in early twentieth

century, the stake of railway issues was high, and as we have seen in Tieling and Kaiyuan elites, they competed energetically for railway access.

We should also note that, the localism during late Qing and Republican times was quite different from that of the Southern Song. In Southern Song, according to Hymes, “local interests were sometimes conceived not simply as apart from, but as directly opposed to, the interests of the court and of the central and local bureaucracy.”¹⁸³ The situation was different in the Northeast – localist sentiment was not limited to those outside the officialdom, but also shared by local officials, most of whom were native Northeasterners. Moreover, although the local elites were disenchanted or even hostile to the central state, in the era of global nationalism, they still had a nation to hang on to, at least more so than the Fuzhou elite in Southern Song. At least some of them remained concerned about the well being of the nation – localism and nationalism could coexist. In the process of political agitation, the local elites developed a powerful nationalist discourse of political sovereignty and economic right (*liquan*). Among the popular political catchwords of the time, *liquan* appeared most often in the railway competition in the Northeast. The Tieling elite, by invoking the rhetoric of *liquan* in their petitions, were able to merge their local interests with those of the nation and raise the political stake for the provincial government. In such a political context, Kaiyuan had little chance of becoming the starting point of a new railway to eastern Fengtian, even if it was a better choice economically.

¹⁸³ Hymes, 1986, p. 213.

CHAPTER THREE

Building a Railway, Building a State: The Construction and Administration of the Fenghai Railway

Trying to dissuade Zhang Zuolin from engaging in civil wars was a major concern for Wang Yongjiang throughout his career at the top of Fengtian bureaucracy. Indeed, for Wang Yongjiang, not only civil wars but also any engagements outside the Northeast were distractions for the regime. After the military victory against the Wan Clique (*Wan xi*) in 1920, Zhang Zuolin, never a simple military man, became especially active on the national political stage. In 1921, he was appointed, in addition to Governor General of the Northeastern Three Provinces, the Mongolia Commissioner (*Mengjiang jinglüeshi*), reaching a high point in his political career. But Wang Yongjiang, together with Zhang Zuoxiang (Zhang Zuolin's sworn brother, not biological brother), the Jilin Governor, did not think Zhang Zuolin should care so much about more titles and more territory; they wanted him "to secure the roots" (*gu bengen*).¹⁸⁴ When Zhang went to Beijing to engage in political deal making, they repeatedly tried to pull him back to the Northeast via telegraphs.¹⁸⁵ Wang was also suspicious of the motives of Zhang Zuolin's alliances – Sun Zhongshan, Duan Qirui, and Lu Yongxiang; he complained to Yang Yuting that "They all want to freeloader; they get money from us and then double-cross us. They are not

¹⁸⁴ Liaoning Provincial Archives, ed. *Fengxi junfa midian, di er ce* (Secret telegraphs of the Fengtian Clique, Vol. 2) (Beijing: Zhonghua shu ju, 1985), p. 111.

¹⁸⁵ Liaoning Provincial Archives, ed. *Secret telegraphs of the Fengtian Clique*, Vol. 2, p. 111, p. 128.

reliable at all.”¹⁸⁶ Wang Yongjiang’s heart was in local development, not in the national power struggle.

The glory of military victory, territory gain, and high rank turned out to be fleeting. In 1922, Zhang Zuolin was soundly defeated by the Zhi Clique (*Zhi xi*) army; the Feng Clique lost about 70, 000 soldiers and 30 million *yuan*.¹⁸⁷ Wang Yongjiang was probably more anguished than Zhang Zuolin – he laboriously built up a fortune over five years; now it was dissipated in a week. Nothing was gained and the indirect loss was beyond estimate. Calculating that it was a good time to confront Zhang Zuolin, Wang left the provincial capital and went to Dalian to have his eyes treated by Japanese doctors. In the aftermath of a huge military defeat and political uncertainty, Wang Yongjiang stayed away for three long months, bargaining with Zhang Zuolin about “the separation of military and civilian government” (*junmin fenzhi*).¹⁸⁸ Zhang Zuolin had to cave in because the Fengtian government simply could not function properly without Wang Yongjiang. Wang also tried to sway Yang Yuting, the highest military advisor to Zhang Zuolin, to support development instead of military expansion. In July 1922, Wang wrote to Yang,

You, my dear brother, have always been judicious. As a military official, you are in the position to advocate the reduction in military expenditure, so we can jointly promote civil affairs. In the future, we should make Fengtian into a dignified and wonderful Fengtian, not a chaotic and lousy Fengtian. This way, we can bring happiness and prosperity to our homeland. This is the only issue that I worry about every day and every night.¹⁸⁹

¹⁸⁶ Liaoning Provincial Archives, ed. *Secret letters of the Fengtian Clique*, p. 15.

¹⁸⁷ Zhang Bofeng, et al, ed. *Beiyang junfa, di si juan* (The Northern Coast Warlords, Vol. 4) (Wuhan: Wuhan chubanshe, 1990), p. 112.

¹⁸⁸ Suleski, p. 62.

¹⁸⁹ Liaoning Provincial Archives, ed. *Secret letters of the Fengtian Clique*, p. 36.

This was not Wang's only attempt, but there is no evidence that Yang ever changed his mind.

The 1922 debacle did cause the whole Fengtian Clique to undergo a great deal of introspection and self-criticism. Aiming at a future rise, the Fengtian governing elite launched a series of new policies, ranging from economic development to military modernization, from internal political structure to relationship with the Japanese. However, the division between the military and civil officials remained deep. Zhang Zuolin and most of his military associates were eager to recapture Beijing and dominate the rest of China; but for Wang Yongjiang and his associates, the most urgent task was to strengthen the regional economy and the unification of the whole country should wait for a ripe opportunity. A common interest of the two groups though was to construct a railway network under the Chinese state's own control, because it would not only benefit military operation and civil administration, but also expand the regional economy. The lines linking the three provincial capitals – Fengtian, Jilin, and Qiqihar (see Map 2.1) – were the most urgently needed. Except the military buildup, the railway network was the largest state building, cross-province project in the Northeast. The construction of the Fenghai Railway was part of this grand state building initiative. I tell the story of the Fenghai – its financing, construction, and management – both chronologically and thematically, hoping to strike a balance between providing historical details and making theoretical connections. In this chapter, I highlight the strategic and administrative aspects of Fenghai while in the next chapter, I will give emphasis to its capitalist nature.

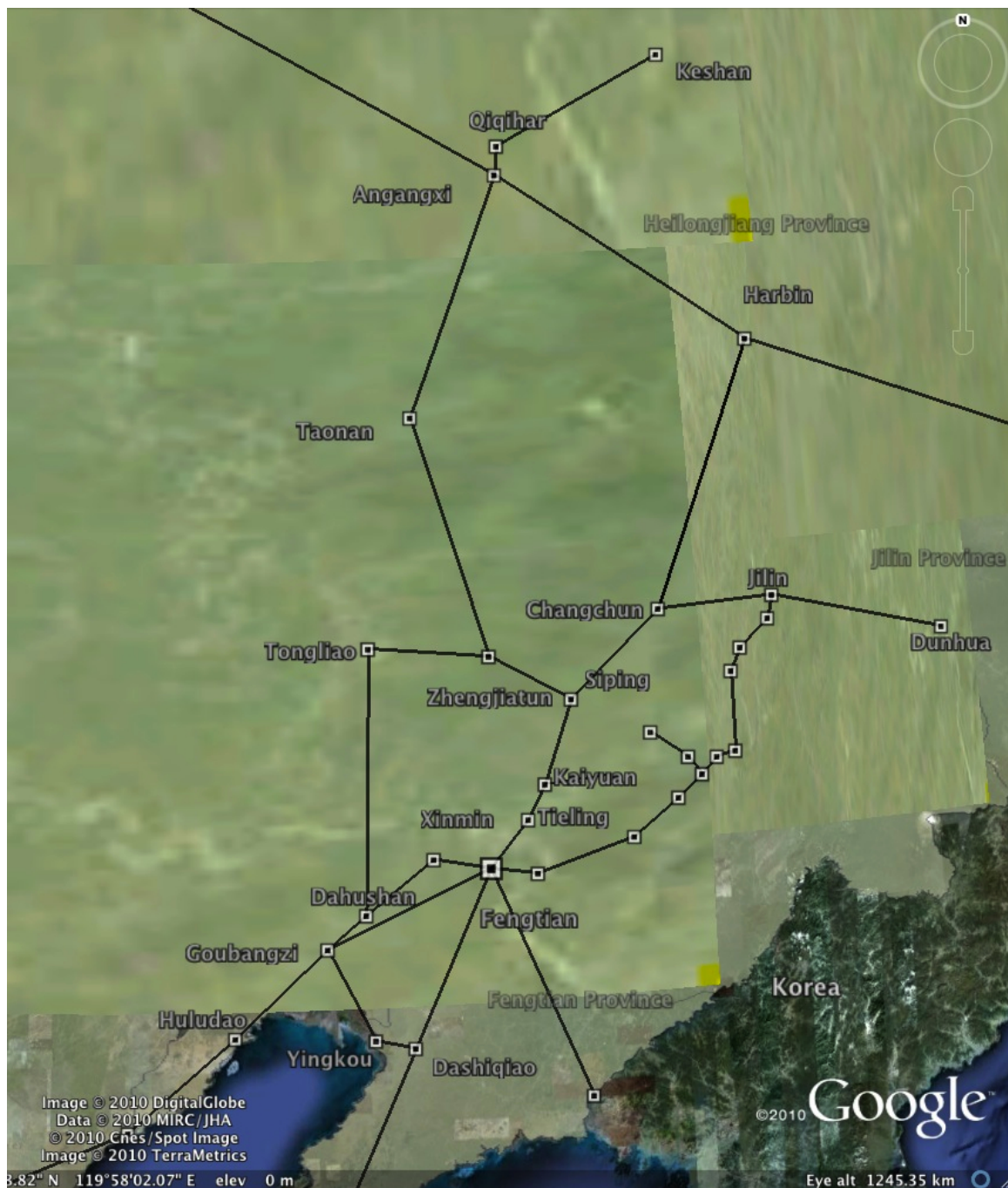
The two themes will inevitably overlap in my narrative, because both were crucial components of the Northeastern regime's state building efforts.

1. The Great Expectation of The Fenghai Railway

The Northeastern regime's 1922 railway plan included two trunk lines – one in the eastern part of the region connecting Fengtian, Hailong, and Jilin (the capital city of Jilin province); the other in the west connecting Dahushan on Jingfeng Railway with Heilongjiang's provincial capital Qiqihar, then continuing further north to reach a major grain-producing county called Keshan¹⁹⁰ (see Map 3.1). The two railway lines would connect with the existing Jingfeng Railway, which ran between Beijing and Fengtian, to have seaport access. The Chinese railway network would sandwich the Japanese South Manchuria Railway (SMR) and cut through the Soviet-controlled Chinese Eastern Railway (CER), presenting formidable competition to both for commodity and passenger transportation. The new lines not only would facilitate the movement of armies, they would also enable the state to better reach, control, and develop the whole Northeastern territory.

Such an ambitious railway plan would require enormous administrative power and intensive coordination, within and across provincial boundaries. To better carry out railway projects, the Northeastern regime established the Communications Committee of the Three Eastern Provinces (*dongsansheng jiaotong weiyuan hui*) (Communications Committee hereafter) in May 1924. Besides railways, the committee would also supervise and coordinate all other transportation and communication issues for the whole

¹⁹⁰ Ma Shangbin, pp. 114-15.



Map 3.1 Railways in the Northeast with emphasis on the Northeastern regime's Western Trunk Line (from Dahushan to Keshan).

Northeast, including postal service, telephones and telegraphs, roads, and navigation.¹⁹¹ Committee members were all provincial-level officials – the civil governors of the three provinces, the heads of several key bureaus in Fengtian provincial government, and four high-ranking military men including Yang Yuting and Zhang Xueliang. Zhang Zuolin appointed Wang Yongjiang as the chairman of the committee.¹⁹² The significance of the committee lay in its supra-province structure and authority, which made the institution look like a cabinet. Compared with provincial autonomy, a common reality as well as a federalist discourse at the time, such centralization among three provinces looked even more separatist and independent. After Zhang Zuolin announced his detachment from the central government in 1922, “provincial autonomy” was his major ideological repertoire for justification and legitimacy. That of course was not the ultimate intention of Zhang Zuolin, or even Wang Yongjiang, who wanted to stay away from the struggle outside the three provinces and to concentrate on the regional development. It was an effort to strengthen the three Northeastern provinces and accelerate the state building process. The makeup of the committee shows that the Northeastern regime regarded transportation issues, especially those of the railways, as the top priority for regional development.

Such was the political context of the creation of the Fenghai Railway, although the initial idea of Fenghai dated to late Qing. Fenghai was the Fengtian part of the eastern trunk line, which would connect the two provincial capitals of Fengtian and Jilin (see Map 2.2). The Jilin provincial government would build the Jihai Railway, which would connect with Fenghai at the provincial border town Chaoyangzhen, a prosperous trade

¹⁹¹ Ma Shangbin, p. 121.

¹⁹² Ma Shangbin, pp. 121-22.

center in Hailong County (see Map 2.2). The two railways would be managed separately by the two provinces. The separation of a railway line at the provincial border is a clear indication of provincial autonomy in civil affairs, although when interacting with the outside, the whole Northeast was militarily and politically integrated under the leadership of Zhang Zuolin. Zhang ruled Jilin and Heilongjiang provinces indirectly by appointing trusted military leaders; even in Fengtian, he gave the custody of civil affairs to Wang Yongjiang.

Therefore, although Zhang Zuolin and Wang Yongjiang often disagreed on where to spend the money in Fengtian's provincial coffer, both were willing to invest a large amount on the Fenghai Railway. But the two wanted Fenghai for different reasons. For Wang Yongjiang, the administration and development of eastern Fengtian was the primary motivation behind building the Fenghai Railway. In his letter to Fengtian magistrates dated April 7, 1923, Wang Yongjiang ordered them to sell Fenghai Railway stocks to the public. He also explained the significance of the railway for administrative integration and economic development,

The roads in eastern Fengtian are dilapidated; as a result, it is difficult for the administration to reach there; the local people are ignorant and their minds have long remained unenlightened. Furthermore, the industry and commerce are backward and the bandits rampant. The root of these problems is the underdevelopment of transportation. For local development, it is essential to develop the transportation; and for the development of transportation, the key is to build railways. This office is planning the Fenghai Railway to connect Fengtian with Hailong. In the future, for counties in eastern Fengtian, because of this railway, commerce will be significantly developed and production considerably boosted.¹⁹³

¹⁹³ FTSZGS, 3796.

Wang Yongjiang's recognition of the profound impacts of railways and expectations from the Fenghai Railway were quite different from those of the early planners of railways in the Northeast, such as Li Hongzhang, who mainly wanted to lay claim to the Chinese territory that was threatened by Russia. What Wang Yongjiang wanted to achieve through railways was nothing short of a transformation of the Chinese society – from the bureaucratic administration to the enlightenment of the people to the development of local economy.

The most immediate and obvious benefit of a new railway in eastern Fengtian would definitely be a great boost in trade and immigration; more profound changes would take time to materialize. The fertile land of Hailong, Dongfeng, Xifeng, and Liuhe counties (all previously belonged to the Hailong Prefecture when the Fenghai Railway was first proposed in 1910) produced rich agricultural products every year; but because there was no railway, the products could not be transported to the outside world. A railway would undoubtedly expedite the exportation of local products. Furthermore, it would also facilitate the planned movement of new immigrants into the area.

For Zhang Zuolin, railways between the three provincial capitals were crucial for military and strategic purposes, because provincial capitals were both political and military centers. Zhang Zuolin had to rely on the Japanese SMR to transport his army, but the requirements were both hindering and humiliating. The Chinese army not only had to pay the fare first, but the movement had to be approved by the consul of the Japanese Fengtian Consulate and the headquarters of the Japanese Guandong Army. Furthermore, the Chinese army had to be temporarily disarmed – the guns and ammunition had to be

transported separately from the soldiers.¹⁹⁴ For Zhang Zuolin, the only way out was to build his own railways.

2. Financing Fenghai – Pooling Resources from the Whole Province

In the history of railways, financing has always been the primary task for planners, because railway projects require large initial investment, which can be earned back only over a long time, if ever. In early twentieth-century China, it was particularly difficult for the Chinese to gather enough money to fund a railway. During late Qing, frequent wars with foreign powers had depleted the central government's treasury. Military expenditure during the wars was already large; the indemnities afterwards further aggravated the financial situation. Therefore, all the major railways were funded by foreign loans and the funding of railways was a hotly debated national issue. The Qing court's decision to nationalize all major railways, so they could be better funded, infuriated the local elites so much that many became alienated and later joined the force to overthrow the dynasty. In the early Republican period, as civil wars now consumed much of the country's resources, it was just as difficult to provide capital for a railway. The central government often did not command stable revenue and when it came to expenditure, the military took the first priority. The provincial governments, now all under warlords' rule, also mostly devoted resources to military buildup. Therefore, there was little progress in railway construction before the partial unification by the Guomindang (GMD) in 1928. Some unfinished railway projects dangled for years. But the country badly needed more railways. Relying on loans for railway construction, including foreign ones, was fairly common among

¹⁹⁴ Che Weihai, Zhu Hong, and Wang Xiuhua. *Fengxi dui wai guanxi* (The foreign relations of the Fengtian Clique) (Shenyang: Liaohai chubanshe, 2000), p. 159.

Western countries. But the Chinese governments, central and regional, were often reluctant to borrow from foreign powers for fear of losing *liquan* – economic autonomy and benefits – to imperialist powers or invoking reproof from the patriotic media. It was still fresh in everyone’s memory that, not long ago, the issue of *liquan* – railway right – hastened the downfall of the Qing dynasty. The political risk was too high.

While the Northeast enjoyed more political stability than other parts of China, the financial situation was similarly dire – Zhang Zuolin demanded an unreasonably large proportion of the provincial revenue for military expenditure. The Fengtian Army was one of the largest as well as the best-equipped in the country. Therefore, the civil government of Fengtian, mindful of regional economic development, faced great financial restrictions. As for foreign loans, it was the consensus at the time, among both the officials and the public in Fengtian, that they should not be allowed to participate these critical projects. In the documents on Fenghai Railway and Fengtian Textile Mill, the concern for *liquan* frequently showed up. The reason behind the Northeast’s success was Governor Wang Yongjiang, widely known in the country as a “financial wizard” (*licai nengshou*).¹⁹⁵ The governor’s method was to pool resources from the whole Fengtian province. Such an approach would not only even out the financial burden across the province but also bring a large number of citizens – mainly the haves – into the orbit of capitalist industrial enterprise.

¹⁹⁵ Zhang Kaicheng and Gu Qingfu. “Guanyu Wang Yongjiang” (About Wang Yongjiang), pp. 120-125. Dalian Jinzhou wenshi ziliao weiyuanhui, Dalian wenwu guanli weiyuanhui. *Wang Yongjiang jinian wenji* (Commemorative essays dedicated to Wang Yongjiang) (Dalian: Dalian chubanshe, 1993), p. 120.

In 1924, the future chief engineer Chen Shutang conducted the survey of the Fenghai Railway lines, including the forty-mile-long branch line from Meihekou to Xi'an, and estimated the construction budget at 24 million Fengtian *yuan* (*fengdayang*). Xi'an was a coal-mining town and a county seat to the west of the Fenghai trunk line. At the time, Chen was still the Director of General Affairs (*zongwu chuzhang*) of the Sitao Railway, which was owned by the provincial government but funded with Japanese money. Under Governor Wang's order, he was lent to Fenghai to conduct the survey for routes; later he became Fenghai's chief engineer (*jishu zhang*) and vice general manager (*xieli*). In May 1925, Fenghai's capitalization was set at 20 million Fengtian *yuan*. Wang Yongjiang decided that half would come from the provincial treasury and the other half was to be raised by selling railway stocks to the public, following the successful precedent of the Fengtian Textile Mill.¹⁹⁶

For issues like selling stocks, the most effective means to reach the public was the bureaucracy, not only because mass media had not yet reached many households, but also there had to be strong persuasion and even coercion in the selling. Overall, the sale of Fenghai stock was probably more coercive than that of American war bonds during the two World Wars. Unlike the American politicians selling war bonds, the governor did not resort to patriotic appeals, which were actually popular in China at the time.¹⁹⁷ Wang Yongjiang was distrustful of the nationalism of "students and the masses," for fear of it being employed by those with "red ideology" (*chihua zhuyi*).¹⁹⁸ The

¹⁹⁶ Ma Shangbin, p. 131.

¹⁹⁷ Mark Anderson brought to my attention the similarity of the selling of Fenghai stock and of war bonds.

¹⁹⁸ Liaoning Provincial Archives, *Secret telegraphs of the Fengtian Clique*, Vol. 2, pp. 159-60.

Northeastern regime, unlike the GMD and the CCP, never embraced any ideology other than Confucianism and was leery of strong popular sentiments.

To sell Fenghai Railway stocks to the public outside the provincial capital, Governor Wang Yongjiang relied on the county magistrates. In his letter to magistrates in April 1923, which we mentioned earlier, the governor ordered the magistrates “to convene the local *shenshang* (gentlemen and merchants) and to earnestly explain the benefits of railway.” The magistrates then must send in an estimate of the number of shares of Fenghai stocks that their counties would be able to purchase – each share was set at a hundred Fengtian *yuan*, which was a large sum, about the monthly salary of a middle manager at Fenghai.¹⁹⁹ Wang Yongjiang told magistrates in the same letter that, the private land used by the railway would not be purchased with cash; instead, railway stocks would be given as compensation. The governor warned the magistrates against “forcing quotas upon the people according to the size of their landholdings,” which might jeopardize some people’s livelihood and cause social instability. Governor Wang probably knew that there would be coercion in the selling of Fenghai stocks. Although he did not mention any financial difficulty, it is clear that the governor wished that the public would purchase all the railway stocks – “Since there are many requests from the public for building railways, now is a good time to persuade the public to invest. Only if the public’s investment is not enough, will the government fill the gap.” As we will see later, the population was certainly not as enthusiastic as the governor hoped.

The responses from county magistrates to the governor, as expected in the Chinese hierarchical bureaucracy, were unanimously enthusiastic; some even showed

¹⁹⁹ FTSZGS, 3796.

“boundless admiration” to the governor’s decision. Magistrates of rich counties promised to sell large number of railway shares while those of poor counties sent in small figures. For instance, the Xingjing magistrate pledged two hundred shares but the Beizhen magistrate only planned to buy twenty shares in total.²⁰⁰ Several magistrates gave constructive suggestions, such as establishing a railway bank or partnering with a bank to sell railway bonds. The Kangping magistrate suggested setting the railway stocks at ten or twenty yuan per share so even the middle-income families could easily purchase them. But the sound advice, which could later save Fenghai the hassle of dealing with fragmented stock shares, was never adopted by the governor. It is possible that the governor wanted to set the stock shares at a high value so that the ordinary people would not be forced to purchase them, a point he later repeated to the magistrates in another letter.²⁰¹ Several magistrates also asked the governor to send a more detailed plan, with information such as profitability and cost, so they could present to the public and make a more persuasive case. They pointed out that such a plan was particularly useful in persuasion because the governor explicitly prohibited forcing quotas on the public.²⁰² Overall, the counties on the railway – Fushun, Xingjing, Hailong, Dongfeng, and Xi’an – were more eager to contribute and bought more shares than other counties with similar financial resources.²⁰³ The most interesting report is the one from the Kaiyuan magistrate: “The gentlemen here all have embraced the Kaihai’ism (*Kaihai zhuyi*) [the ism of building a railway between Kaiyuan and Hailong]. Although they did

²⁰⁰ FTSZGS, 3796.

²⁰¹ SYSZGS (*Shenyang shizheng gongsuo dang’an*) (Shenyang municipal government documents, 1924-1931), Shenyang Municipal Archives (*Shenyang shi dang’an guan*), 3763.

²⁰² FTSZGS, 3796.

²⁰³ SHTL, 52.

not openly express opposition to the Fenghai Railway, few of them responded to buy Fenghai stocks ... I will order the ward heads to recruit 100, 000 *yuan*; I also plan to take some money out of the county coffer and to personally recruit stock money from rich households.” In Tieling magistrate’s report, we see a completely different response: “Tieling people have been enthusiastic about building railways ... years ago, there was a railway rivalry between Tieling and Kaiyuan ... [because of that] I think that Tieling people can truly understand the significance of Fenghai Railway. When I gathered local gentry and merchants and explained [the sale of Fenghai stocks] to them, they indeed showed exuberant support (*qun qing xin dong*).”²⁰⁴ Tieling probably would suffer some loss of business once Fenghai began to operate, but as long as Kaiyuan did not get connected to Hailong, the Tieling elite seemed did not mind.

When the selling of Fenghai stocks unfolded in counties, magistrates communicated frequently with the governor as well as the Fenghai Railway Company. The process of selling Fenghai stock across the province provides us an opportunity to look at the state apparatus and its interaction with the society. In urban area, magistrates called upon the cooperation of local elites – mainly business associations (chambers of commerce) and agriculture association. For instance, in Hailong County, where the other end of the railway would be located, the magistrate frequently discussed the issue of selling Fenghai stocks with the local chamber of commerce, because merchants were the major owners of capital.²⁰⁵ The associations were a crucial corporatist liaison between their constituencies and the state. By relying on corporatist organizations such

²⁰⁴ FTSZGS, 3796.

²⁰⁵ HLXGS, 255.

as the chambers of commerce instead of setting up its own bureaucratic institutions, the state not only saved administrative expenses, it also better connected with the local society. Therefore, Wang Yongjiang's state building in the Northeast did not evince the state's clear "differentiation" from other organizations, which Charles Tilly considers a characteristic of stateness.²⁰⁶ Instead, the Northeastern state inherited from pre-modern China the tradition of using the local elite to monitor, control, and serve the local society. Like many other regimes, it organized the local elite into an institutionalized, cost-effective, and to some degree, representative, system. In contrast to state's differentiation, it can be seen as the state's fusion with the local elite and society. It was largely because the Fengtian Clique was not a revolutionary regime. Zhang Zuolin and Wang Yongjiang's only ideological source was Confucianism; they never embraced any radical modern political thoughts held by the GMD. It was only natural that state building in Fengtian was different in many ways from the more-studied case of the Nanjing government.

In the rural areas, for selling railway stocks as well as other administrative tasks, county magistrates relied on their subordinates, primarily ward heads (*quzhang*, ward was the administrative unit below county), police chiefs (*quguan* or *xunguan*), and village heads, who were not part of the bureaucracy but functioned as liaisons between the state and the villagers.²⁰⁷ The selling of Fenghai stocks in cities did not cause any disputes, whereas in rural areas, it brought about much contention. Fenghai stocks were sold to landowners all over the province; those whose land was used by Fenghai were

²⁰⁶ Tilly, 1975, p. 27.

²⁰⁷ SYXGS (*Shenyang xian gongshu dang'an*) (Shenyang County government documents, 1911-1932), Shenyang Municipal Archives (Shenyang shi dang'an guan), 4004; SYSZGS, 3763.

compensated by stock shares. Both kinds of cases caused confusion for village heads and villagers, because for centuries, the measurement and administration of land had never been rigorous in China.

Although the governor wanted the Fenghai stocks to be viewed as an opportunity for the people to share the future success of Fenghai Railway,²⁰⁸ in the rural area, they were often perceived as yet another special tax imposed by the state. The selling of Fenghai stocks caused similar disputes to those that often occurred in tax collection. In the Shenyang County Archives, I have found four disputes:

- A village head accused an absentee landowner of “not paying the Fenghai money” (here again Fenghai stock was treated as tax) as well as avoiding other monetary and labor duties. He indicated that it was the ward head who ordered the use of quotas according to the size of landholdings and quotas were enforced in all villages. The case was solved through mediation and in the end, the landowner bought Fenghai shares.²⁰⁹
- An absentee landowner, who resided in the provincial city, accused a village head for enforcing higher Fenghai quota on his land, and the tenant for paying it from the rent. The acting police chief of the ward, under the order of the magistrate, investigated the case and found the quota was not excessive.²¹⁰
- A village head accused a powerful landowner for not paying military fees, not finishing corvée duty, and not paying Fenghai money. The acting police chief

²⁰⁸ SYSZGS, 3763.

²⁰⁹ SYXGS, 279.

²¹⁰ SYXGS, 6690

intervened and the landowner paid all the dues.²¹¹ Although three payments were lumped together, we know that with “Fenghai money,” he was purchasing the stock; but the other two payments were taxes.

- A village head complained that he could not even contact the absentee landowner; therefore, the quota of Fenghai stocks could not be enforced. The magistrate, who affirmed the using of quota, ordered the police chief to collect Fenghai money from the tenants.²¹²

The provincial government repeatedly prohibited enforcing quotas according to the size of landholding, but the age-old practice proved indispensable for magistrates, ward heads, and village heads, many of whom probably treated the selling of railway stocks as tax collection themselves. The office of Shenyang magistrate was only about 400 yards from the governor’s office – if he took using quotas for granted despite the governor’s repeated warning, it is probably safe to assume that quotas were widely used throughout the province. But in all the four cases, village heads were trying to force quotas only on large landowners. Most small farmers were probably spared – it can be confirmed in the newly-established Qingyuan County, where, in the three villages for which I have source materials, there were only six buyers of Fenghai stocks and five of them bought only one share. It is likely that other villagers did not invest any money in Fenghai stocks. But abuse did happen, although from the beginning, Governor Wang Yongjiang had admonished against the use of quotas on poor families. In Hailong County, for example,

²¹¹ SYXGS, 6088.

²¹² SYXGS, 4004.

there were many fragmented shares,²¹³ which could mean that even some ordinary families were forced to invest in Fenghai. It is possible that Hailong showed greater commitment because it would be the largest beneficiary from the new railway. But such a policy certainly violated the governor's order. In a letter to the magistrates sent in June 1925, we find the governor sternly warning against quotas for the third time,

I heard that in Xinmin County, every *mu* (one-sixth of an acre) is assigned to contribute nine *jiao* (*jiao* is a dime in Fengtian currency) to buy railway stocks. If this is verified to be true, then for households rich and poor, the amount is evenly distributed. This not only would cause much trouble, it is also onerous for the poor people. Moreover, in the future, the fragmented shares will cause problems for the distribution of bonuses. I am afraid that this allocation of quotas probably also happened in other counties; therefore, I urgently order you to prohibit this practice and stop it immediately. If anybody, while appearing obedient, actually breaks the rule, I will definitely dismiss him from office once I confirm his wrongdoings.²¹⁴

Overall, the selling of Fenghai stocks in the rural area can be considered a success – the provincial government achieved its goal of raising money without creating too many problems for the population. The recruiting process prolonged into 1928, after the railway had begun full operation and much later than the planned time, partly because the provincial government did not place too much pressure on the magistrates.

The selling of Fenghai stocks seemed a nonevent in cities (including county seats) while in the rural areas, it caused many disputes; but the capital raised in cities was much larger.²¹⁵ However, we should be aware that in the political context of the Northeast, it was unlikely for any discontent to be recorded. To reach the affluent class in the provincial capital, where the largest wealth was concentrated, Wang Yongjiang

²¹³ SHTL, 4.

²¹⁴ HLXGS, 255.

²¹⁵ SHTL, 52.

relied on the Official Bank of the Three Eastern Provinces, Fengtian Saving Association, and the Fengtian General Chamber of Commerce (*Fengtian zong shanghai*).²¹⁶ The general chamber was the major agent in recruiting shares from the business community,²¹⁷ while the Official Bank handled the movement of money – including that from the counties – for the railway for free. The three institutions also became the largest merchant shareholders of Fenghai,²¹⁸ although the three organizations either was part of the government (the bank) or worked closely under the government's guidance (the other two). With 10,000 shares under its name, the Official Bank was by far the largest merchant shareholder. The largest sixty-three merchant shareholders – those who purchased more than one hundred shares – included forty-three banks and saving associations, seven individuals, five county financial bureaus, three chambers of commerce, and three companies. The Heilongjiang Official Bank was the only shareholder from outside the province. The private money amounted to almost half of the initial budget of Fenghai Railway.²¹⁹ The Fengtian government accomplished the first major step in the railway project.

3. Establishing the Company and Building the Railway

In February 1925, the Fengtian provincial government established the Fenghai Railway Preparatory Committee (Fenghai tielu choubanchu) in the capital city.²²⁰ On May 14, the Fenghai Railway Limited Company was established and Wang Jinghuan was appointed the general manager (*zongli*). Wang Jinghuan was not only an old friend of the

²¹⁶ Ji Ying, p. 48.

²¹⁷ SHTL, 3.

²¹⁸ SHTL, 52.

²¹⁹ Ma Shangbin, pp. 131-32.

²²⁰ Ma Shangbin, p. 127.

governor; he was his most capable associate as well.²²¹ Dubbed the “left and right hands of the governor”²²² by the contemporary historian Jin Yufu, he was the chief of the Bureau of Administrative Affairs, which supervised all civil officials in the province and distributed funds to county governments. The bureau played a central role in the administration of Fengtian bureaucracy. His appointment as the general manager of the railway company shows the great importance of the railway in Governor Wang’s mind as well as his determination to make it a success. In the next two and half years, Wang Jinghuan reported directly and frequently to the governor’s office on all company affairs. For the provincial government, the Fenghai Railway Company was a crucial *component* of the state.

Another crucial and successful appointment was that of Chen Shutang as the chief engineer. Chen was a graduate of the Beijing University with a degree in Civil Engineering; he also passed the Advanced Civil Official Exam held by the Beijing government.²²³ His appointment turned out to be the most enduring at Fenghai – no matter who was in charge (of the province and of the company), his expertise was simply indispensable for the company. As the most long-lasting top manager, he stayed with Fenghai from the beginning to 1931. The appointments of Wang Jinghuan and Chen Shutang were later lauded by the Jin Yufu as “the best choices of the time” (*yishi zhi xuan*).²²⁴ They quickly built the railway and got it into operation before the construction was complete; together they created a success story – a railway entirely built by the

²²¹ Jin Yufu, p. 32.

²²² Jin Yufu, p. 32.

²²³ SHTL, 3780.

²²⁴ Jin Yufu, p. 32.

Chinese at low cost and high speed, in unfavorable geographical conditions. For those Chinese who were hungry for native heroes, it was reminiscent of the achievement of the famous American-educated Zhan Tianyou, who had built the Jingzhang Railway twenty years earlier.²²⁵ Wang Yongjiang also moved many other engineers from the Sitao Railway to Fenghai, since Sitao's construction had recently been completed.²²⁶ Chen Shutang and many engineers at Fenghai can be viewed as part of the emergent elite group in China – the specialists, who rose with industrialization and wide employment of science and technology in the society.

Fenghai's corporate charter stated upfront that Fenghai was "a joint venture between the government and the merchant (*guanshang heban*).” Only Chinese nationals were allowed to become shareholders, and in the future, the charter continued, “Shareholders are never allowed to sell or collateralize Fenghai stocks to foreigners. Such transactions will be invalid.”²²⁷ It then laid out the structure of the company – general manager (*zongli*), deputy manager (*lishi zhang*, later renamed *xieli*), board of directors (*dongshihui*), board of monitors (*jianshihui*), and four departments (*ke*) – General Affairs (*zongwu*), Engineering (*gongcheng*), Vehicle Maintenance (*chewu*), and Transportation Management (*yingye*). Wang Yongjiang appointed Fu Weiji, also a graduate from Beijing University and a capable subordinate in Provincial Treasury, as the director of General

²²⁵ Dong bei wen hua she. *Dong bei nian jian* (Year book of the Northeast) (Shenyang: Dong bei wen hua she nian jian, 1931), 426.

²²⁶ Ma Shangbin, p. 137.

²²⁷ FTSZGS, 3793.

Affairs.²²⁸ The corporate structure included all the basic components of a joint-stock company; the structure of four departments was standard among railways.

Yet there were two major characteristics that clearly separated the Fenghai Railway Company from a regular business. First, as a joint venture, the company's leadership had a clearly dyadic structure – the dominant governmental and the subordinate merchant. The corporate charter stipulated that the general manager would be directly appointed by the governor but the deputy manager, although also appointed by the governor, was to be selected among the merchant directors (*shanggu dongshi*). Both the board of directors and board of monitors were half official, half merchant. Secondly, the direct authority of the Fengtian governor was explicitly stated – he would appoint the general manager, the deputy manager, the chairman of the board of directors (*dongshi zhang*), and all governmental directors and monitors. Merchant directors and monitors were to be elected among merchant shareholders.²²⁹

The charter also indicated that the railway company would establish and run markets and other related enterprises – which, although not specified in the charter, usually included coal mines, logging operations, and quarries – along the rail tracks. The provincial government also granted Fenghai monopoly in eastern Fengtian – no other company would be allowed to build parallel railway lines.²³⁰ This clause in the charter was later invoked by Wang Jinghuan, in his petition to Fengtian governor, to forestall the Kaituo Railway Company's plan to reach the coal-mining city Xi'an from another direction. All in all, with initial funding from the provincial coffer, competent managers,

²²⁸ SHTL, 162.

²²⁹ FTSZGS, 3793.

²³⁰ FTSZGS, 3793.

and most importantly, a determined and capable leader who was also the powerful governor, Fenghai was poised for success.

In 1925, Fenghai's corporate charter was submitted to the Ministry of Communications (*jiaotong bu*, "communication" mainly refers to transportation here) for review and approval, because at the time, the central government in Beijing was largely under Zhang Zuolin's control. The ministry then consulted the Ministry of Agriculture and Commerce and Ministry of Foreign Affairs. The foreign ministry was consulted because negotiating with the Japanese had been part of the Fenghai project. The Ministry of Agriculture and Commerce had to be reckoned with because, from the beginning, when the Qing first established the Ministry of Commerce in 1903, it was the agency that drafted and revised the commercial laws as well as administered commercial activities. Minister Mo Dehui told Governor Wang Yongjiang in a letter that "After the staff reviewed Fenghai's charter, several changes were suggested according to the Company Ordinance (*gongsi tiaoli*).” Wang Yongjiang replied with the rationales behind Fenghai's adjustments to the Company Ordinance regarding merchant monitors,

It was indeed appropriate to check Fenghai's charter against the Company Ordinance. But because Fenghai was not a purely commercial enterprise, there should be accommodations for minor deviations... The term for merchant monitors was intentionally set at two years instead of one, as stipulated by the Company Ordinance, to save the cost of convening shareholder meetings and to promote the role of merchant shareholders so they would become more proactive in Fenghai.²³¹

Wang Yongjiang was very concerned about the nature of Fenghai – being fully aware of the fatal flaws of the bureaucratic circle (*guanchang*), he tried to make Fenghai a

²³¹ FTSZGS, 3799.

business, not another yamen. Although Wang and Minister Mo appeared equal in rank, he was actually much more senior and powerful than Mo in the Northeastern regime. But he was patient in explaining the particularities of Fenghai and showed due respect for the Company Ordinance. The adherence to the Company Ordinance shows that Fenghai was a company both in name and in essence.

As part of the first initiatives of modern Chinese state building, the commercial law was crucial for the success of the two state-run enterprises established by Fengtian government. The commercial law was first drafted by the British-educated lawyer Wu Tingfang in 1903 as part of the New Policies.²³² In 1913-14, Zhang Jian, the famous industrialist and Minister of Agriculture and Commerce, supervised the revision of the Company Law and renamed it Company Ordinance (*gongsi tiaoli*). With rich experience in establishing and running industrial enterprises, Zhang Jian made sure that the new law would indeed facilitate the creation and management of modern companies in China.²³³ Now Wang Yongjiang and Mo Dehui, leaders of civil affairs, relied on the Company Ordinance for guidance in establishing the Fenghai Railway Company. The continued revision of and reliance on the commercial laws reveal the common emphasis on economic development among Chinese political elite as a necessary step of state building. The spirit was best expressed in 1895 by Hu Yufen, the reformist who later became the Director (*duban dachen*) of Guanneiwai Railway: “For China’s current situation, even if Confucius and Mencius were resurrected, the only way they could effectively rule the

²³² Wu Tingfang et al., pp. 2-26; William Shih-hao Hung, *Commercial law of China*. (Shanghai, 1932), pp. 143-47.

²³³ Xiong Qiuliang and Li Yu. “Zhang Jian he zhongguo jindai gongsi zhidu” (Zhang Jian and China’s commercial laws in Republican China), (*Shehui kexue zhanxian*, No. 3, 1995), pp. 122-23.

country would be to create wealth and become strong; and to create wealth and become strong, there is no other way than learning from the West.”²³⁴ The success of the 1903 Company Law also attests the unfulfilled potential of the New Policies – given time to run their course, they could bring fundamental changes to China’s economic and political realms.

The construction of Fenghai trunk line began on July 14, 1925 and was completed on September 5, 1927 – about 150 miles in two years, deemed an engineering feat at the time, probably because it was a completely Chinese endeavor. The railway began partial operation in March 1926, right after the construction reached Fushun – the first county seat on the way to Hailong. In his petition to the governor, Wang Jinghuan indicated that it was not common for railways to begin operation that soon, but Fenghai did it “to better to implement your [the governor’s] sincere intention of improving transportation and providing facility for the people.”²³⁵ The true reason probably was to bring revenue as early as possible. Fenghai relied as much as possible on Chinese resources for construction and made every effort to keep the cost low. Rail tracks were purchased through bidding for the lowest price – the British firm Arnhold Brothers & Co., Ltd won the contract and imported the tracks from an American manufacturer. The supply of crossties was easy since the Northeast produced the best and the largest quantity of timber in the country; Chinese quarry companies supplied stone rocks.²³⁶ To save money and to speed up the construction, temporary wooden bridges instead of metal ones were

²³⁴ Shen Tongsheng, ed. *Guangxu zheng yao* (Major political documents during the Guangxu Reign) (Taipei: Wen hai chu ban she, 1969), p. 1108.

²³⁵ FTSZGS, 3797.

²³⁶ Ma Shangbin, p. 137.

built and many station warehouses were simply skipped.²³⁷ With limited initial investment, the company planned to replace the bridges and build the warehouses after the railway could bring in profits.²³⁸

Fenghai also completed the Meixi Branch Line (meixi zhixian) by the end of December 1927, from Meihekou (on the Fenghai trunk line, about fifteen miles south of the county seat Hailong) to Xi'an,²³⁹ a coal-mining town and a county seat forty miles to the west. The Meixi branch line was a joint undertaking of Jilin and Fengtian provinces; the coal output was to be used by Fenghai and Jihai railways and any surplus was to be offered on the open market.²⁴⁰ Between April and August 1928, Fenghai extended its trunk line to Chaoyangzhen, the prosperous trade center on Fengtian-Jilin border.²⁴¹ After Jihai Railway, which ran between Jilin and Chaoyangzhen, was completed in the same year, the two provincial capitals were directly connected by Chinese railway. Besides economic benefits, now the Chinese state was in a much better position regarding the defense of eastern Fengtian and eastern Jilin, both from the Japanese threat and more imminently, from large groups of bandits.

Between 1916 and 1928, usually called the warlord era in Chinese history, there was little progress in developing new railways in China. The Northeast stood out in its development achievements. It was the only region in the country that built major railways in this period. Between 1921 and 1928, completely relying on Chinese funds, the

²³⁷ Jin and Xu, p. 331.

²³⁸ Ma Shangbin, p. 138.

²³⁹ Xi'an is present-day Liaoyuan, Jilin Province. It was in Fengtian Province before 1932.

²⁴⁰ Harry Kingman. *Effects of Chinese nationalism upon Manchurian railway developments: 1925-1931*. (Berkeley, California: University of California press, 1932), p. 11.

²⁴¹ Ma Shangbin, p. 138.

Northeast built ten railways, the total length of which was 900 miles. The 210-mile Fenghai Railway, including branch lines, was the longest among the ten.²⁴² These railways brought many hitherto remote areas into the regional and even the international economies and helped transform the Northeast from frontier into one of the most industrialized and best-integrated regions in the country. The successful construction of the Fenghai Railway was a testimony of the effectiveness of the Fengtian regime.

4. Fenghai Railway as a New Arm of the State – Part One

In May 1923, when he ordered county magistrates to sell stocks for Fenghai, Governor Wang Yongjiang admonished them to plan and prepare carefully: “Great enterprises cannot be completed in one day. At the beginning, it is especially important to review the situation carefully and to progress with circumspection, so that later there will not be the shame of failure.”²⁴³ A railway turned out to be a huge responsibility – Fenghai experienced a crisis in its early life, when more than one hundred percent inflation struck Fengtian yuan in 1925. Because its capital was all held in the provincial currency, the company suffered a great loss and was in the danger of derailing. The Fengtian provincial government regarded the Fenghai Railway as a crucial state apparatus; therefore it was determined to complete the construction and put it into great use. When Wang Jinghuan pleaded for help, the provincial government promptly provided more funds for the construction to continue and to complete.²⁴⁴ It would be extremely difficult for a private company to sell additional shares in such a financial situation. This episode was one of

²⁴² Wang Guizhong, “The administrative policies of Chinese railways in the Northeast in 1920s,” (Journal of Shenyang Normal College, Social Science Section, No. 1, Vol. 23, 1999), p. 35.

²⁴³ SYXGS, 17083.

²⁴⁴ Ma Shangbin, p. 133.

numerous instances that clearly demonstrate that in China in 1920s, large-scale industrial projects like Fenghai Railway and Fengtian Textile Mill were unlikely to succeed or even survive if not supported by an effective state.

On the other hand, the Chinese state certainly garnered great benefits from the fast and reliable modern transportation provided by Fenghai. Many governmental offices were granted free passenger passes on Fenghai so that they could conduct their business more smoothly. In Hailong County, starting from 1927, the magistrate's office and the police bureau each enjoyed at least two free passes, which were all renewed on a yearly basis.²⁴⁵ Officials also made ad-hoc requests to the provincial government or the company for free Fenghai tickets for business trips.²⁴⁶ The administration and defense of eastern Fengtian and the coordination between Jilin and Fengtian were both greatly facilitated by the opening of Fenghai and Jihai railways. Military transportation with Fenghai, just as with other railways, enjoyed a fifty percent rebate – in March 1928, the 15th Regiment of the 3rd Cavalry Brigade of the 13th Division of the Northeastern army informed Fenghai that it would rely on Fenghai for transportation and would like to receive the rebate. Fenghai obliged, while emphasizing the policy that “formal documents issued by the regiment or above are required for the discount.”²⁴⁷ In 1928, shortly after the opening of Fenghai, the Office of Eastern Garrison Commissioner (*dongbian zhenshou shi*), which commanded a military force of a division and was mainly in charge of local defense in eastern Fengtian, was moved from Andong to Shanchengzhen, a prosperous trade center on Fenghai. In addition, two of its four regiments were deployed

²⁴⁵ HLXGS, 35, 877, 886.

²⁴⁶ FTSZGS, 29993.

²⁴⁷ FTSZGS, 8137.

in Dongfeng and Chaoyangzhen, both on Fenghai Railway.²⁴⁸ Located in the middle of eastern Fengtian, these cities were much better locations for local garrison than Andong, which was on the border. Later, Fenghai transported troops from Shanchengzhen to other parts of the province to suppress bandits.²⁴⁹ With the extension of the rail tracks into eastern Fengtian, the state greatly enhanced its presence in the area.

Before we continue Fenghai's story, a brief review of the political context is in order. Since the Fengtian Clique withdrew from North China and declared autonomy in 1922, Zhang Zuolin had never stopped planning for a comeback. But Wang Yongjiang thought otherwise. In April 1923, Wang again wrote to Yang Yuting to emphasize that the regime's priority should be development, not warfare,

Wu Peifu does not have enough force to fight with the Feng Army (Fengjun, which referred to Fengtian Army). There is no need for us to strengthen the Feng Army and prepare for a battle with Wu. For Fengtian province, the greatest urgency is to change its orientation: civil development should be emphasized and military force curtailed. This way, Fengtian will lead China in the direction of "unification through reducing the army" and secure long-term stability for the Northeast. This way, Governor General Zhang, even if he does not win with military power, will become known as a great man with grand vision. It would be foolish for Governor General Zhang to build up military and find an opportunity to attack the Zhi Army.

In the end, Wang Yongjiang told Yang to pass on the words to Zhang Zuolin and stressed that for the benefit of Fengtian, there was no better policy. When the Fengtian Treasury informed Wang that the Arsenal of the Northeastern Three Provinces, with Zhang Zuolin's authorization, wanted to withdraw 2.6 million *yuan*, Wang became incensed. He wrote to Yang Yuting, who was likely involved in the decision making, to reproach the

²⁴⁸ Zhang Changgong, p. 313.

²⁴⁹ FTSZGS, 8197.

randomness in the handling of such a large amount of money. He told Yang that the Arsenal had to wait until he returned to Fengtian City²⁵⁰ – it was in moments like this that Wang tested the boundary of his authority and that of Zhang Zuolin.

In September 1924, after cementing alliances with Sun Yat-sen and Lu Yongxiang, Zhang Zuolin entered Shanhai Pass, starting yet another civil war. Wang Yongjiang tried to resign in July,²⁵¹ probably in an effort to stop the war making, but the resignation somehow did not materialize. Zhang Zuolin achieved great victory, even greater than that of 1920. Wang Yongjiang again played the contrarian. He warned Zhang Zuolin, with characteristic perception, that the Fengtian Army should withdraw once the war was over, because “Beijing was a bone with no meat; the control of Beijing is not a real gain. In contrast, the Northeast was a vast territory with abundant resources.”²⁵² He did not have Zhang Zuolin’s ear. Soon enough, the victory again proved fleeting. In December 1925, Guo Songling, a discontent general goaded by Zhang Zuolin’s rival Feng Yuxiang, rebelled against Zhang Zuolin and almost succeeded in toppling him, bringing war into the Northeastern territory for the first time and creating great chaos. Right after the rebellion was quenched, Wang Yongjiang again seized the moment to persuade Zhang, who was still badly shaken, to stay outside the national power struggles. Zhang Zuolin agreed this time.²⁵³ It was the time that Fenghai (still under construction), Sitao, Taoang and Fengyu²⁵⁴ railways received an order from Wang Yongjiang, to submit

²⁵⁰ Liaoning Provincial Archives, ed. *Secret letters of the Fengtian Clique*, p. 54.

²⁵¹ Liaoning Provincial Archives, ed. *Secret letters of the Fengtian Clique*, p. 126.

²⁵² Wang Xianwei, p. 23.

²⁵³ Huang Cengyuan, p. 108.

²⁵⁴ Fengyu Railway was the part of Jingfeng Railway that was located in Fengtian Province; it was the part that Fengtian controlled at the time.

their suggestions for a railway network of the whole province. Wang Yongjiang's order, dated January 8, 1926, gives the impression that he was ready to launch extensive developmental projects,

Transportation is critical to all other aspects of administration and development. Our province has a vast territory; there are many enterprises that can be set in motion only after we establish good transportation. In recent years, due to the impact of frequent wars, we have not been able to build up transportation. If this situation of isolation continues, how can we improve administration and development? Now the government is planning to reduce military expenditure and focus on education, industry, and transportation. Although the specific amount of military reduction is undecided and whether it will be enough for civil development is unknown, we should begin to make plans so they can be ready for use in the future. You should carefully draw a railway plan for Fengtian Province, taking priorities and urgencies into consideration.²⁵⁵

Railway bureau chiefs and company managers responded enthusiastically. Fenghai chief engineer Chen Shutang submitted a detailed plan for seven new railway lines across the Northeast, with a budget, a specific order of construction, and a time line. Lu Jinggui, chief of Sitao Railway Bureau, suggested three railway routes and provided a detailed plan for financing the construction. He especially emphasized the importance of sea port and recommended Huludao to be built into a port. However, the developmental initiative turned out to be a false start. When Zhang Zuolin later found out that Guo Songling's rebellion was instigated by Feng Yuxiang, he could not restrain himself anymore and entered North China again. Keenly aware that the rapacious demands of war making would wreak havoc to his developmental projects, Wang Yongjiang resigned, this time for good.²⁵⁶ The railway projects were tabled, once again.

When Zhang Zuolin tried to retain him, Wang Yongjiang tried to dissuade Zhang from engaging in the war. Both failed. Wang Yongjiang returned home in Jinzhou, where

²⁵⁵ FTSZGS, 3801.

²⁵⁶ Huang Cengyuan, p. 108.

he wrote poems and annotated the *Book of Changes*;²⁵⁷ Zhang Zuolin went on with his military adventure. The event bode ill for the fate of the Northeast and eventually that of China. In the next months, Zhang was able to accomplish quick military success and to dominate Beijing and North China; he even became the head of state on June 18, 1927, as the Great Marshall of Army and Navy of the Republic of China (*Zhonghua minguo lu hai jun da yuanshuai*).

Wang Yongjiang could not stop Zhang Zuolin from military adventure and died in great disappointment on November 1, 1927. Zhang Zuolin's day of reckoning followed quickly – six months later, he was forced by GMD's army to withdraw from Beijing and was murdered by the Japanese army on the outskirts of Fengtian City. One important reason behind the killing of Zhang Zuolin was that he refused to sign the railway contracts unilaterally prepared by the Japanese. These contracts would allow the Japanese to construct seven new railways and further fragment Chinese sovereignty.²⁵⁸ Chang Yinhuai, who was the Minister of Transportation, made such issues even more difficult for the Japanese to negotiate. Of course even Wang Yongjiang could not possibly predict the dramatic military success of the GMD's Northern Expedition Army (*Beifajun*), but he was certainly insightful in repeatedly pointing out that occupying Beijing was to be exposed to great danger, that engaging in a civil war was “a way of committing suicide,” and that it was not very different from “throwing yourself [Zhang Zuolin] into a bush of thorns and placing the people in water and fire.”²⁵⁹ Only a little more than three years after Zhang Zuolin's death, the Northeast was completely conquered by the Japanese,

²⁵⁷ Zhang Songshi, p. 11.

²⁵⁸ Che, Zhu and Wang, pp. 252-55.

²⁵⁹ Wang Yongjiang, “Letter to Zhang Zuolin, March 5, 1926,” p. 155.

because Zhang Xueliang was busy fighting another civil war! In subsequent years, with a solid base in the Northeast, the Japanese continued their aggression into North China and eventually launched a full-scale invasion of the whole country in 1937. Despite Wang Yongjiang's repeated efforts, Zhang Zuolin failed to understand his two most important messages: first, given the Northeast's vast territory, the best way to become strong was through development, not territory expansion; second, wars were destruction and distraction – they made the Northeastern regime vulnerable instead of secure. Wang Yongjiang's insight and clarity again remind me of Zhuge Liang. During his first conversation with Liu Bei, famously known as the Longzhong Reply (Longzhong dui, 208 AD), Zhuge Liang presented Liu Bei a clear analysis of China's messy situation, which was quite similar to that of Zhang Zuolin and Wang Yongjiang's time – there were numerous local regimes and wars broke out regularly. More importantly, Zhuge Liang also provided a feasible plan that later led to Liu Bei's great success. Wang Yongjiang's brilliance rivaled that of the Longzhong Reply; unfortunately, Zhang Zuolin was not as wise as Liu Bei in following great advices.²⁶⁰ The history of Fengtian, and even that of China and the world would have taken a different course had Zhang Zuolin heeded Wang Yongjiang's words.²⁶¹

²⁶⁰ Ironically, Zhang Zuolin's top military advisor Yang Yuting, whose ideas were the opposite of Wang Yongjiang's, claimed to be like Zhuge Liang – his style name Linge means “next to Zhuge Liang.” He goaded Zhang into military expansion and civil wars, which eventually led to Zhang's defeat and death in 1928. Wang Yongjiang was a friend of Yang's and tried many times to persuade Yang to join him, in advocating regional development instead of military expansion, but his earnest and insightful words fell on deaf ears. See Liaoning Provincial Archives, ed. *Secret letters of the Fengtian Clique*.

²⁶¹ This is admittedly speculative, here is the logic behind it: if Zhang Zuolin had stayed in the Northeast and focused on development, there would be little chance that Japanese militarists could conquer the Northeast; without the Northeast, it would not be possible for the Japanese to

At the time of Governor Wang's departure, Fenghai Railway was already under construction; the railway line did not seem to be affected by the political change at the top, but Fenghai the company would not expand as much as it had planned. Wang Yongjiang's old friend Wang Jinghuan stayed on for nearly two years, until the governor's death. After the governor left, Mo Dehui acted as deputy governor for one and a half years, while Zhang Zuolin tried numerous times, all in vain, to persuade Wang Yongjiang to return to the office. In October 1927, Liu Shangqing, former general manager of the Official Bank of Three Eastern Provinces and Heilongjiang Provincial Treasurer,²⁶² was formally appointed civil governor of Fengtian. Immediately, Wang Jinghuan tried to resign from both positions as chief of Bureau of Administrative Affairs²⁶³ and general manager of Fenghai.²⁶⁴ Judged from the timing, it was certainly a move to join Wang Yongjiang in his protest against Zhang Zuolin. Liu Shangqing retained Wang Jinghuan to manage Fenghai; in less than a month Wang Yongjiang died; forty days later, Wang Jinghuan resigns again and was allowed to leave on January 11, 1928. The new general manager took office on the same day.²⁶⁵

launch a full-scale invasion of China (at least not in 1937); without Japanese invasion, it would be almost impossible for the CCP to survive; WWII would be fought differently and China would remain an ally of the United States after the war; there would not be Korea War or Vietnam War; Soviet Union would be automatically contained and Cold War would unfold quite differently.

²⁶² Chen Zhixin, "Liu Shangqing de yisheng" (The life of Liu Shangqing). *Tieling wenshi ziliao*, Vol. 5. Tieling, China: Tieling zhengxie weiyuanhui, 1989.

²⁶³ Shenyang shi zhengxie wenshi ziliao weiyuanhui, ed. *Beiyang shiqi Dongbei si sheng qu junzheng shounao* (Political and military leaders in the four provinces and districts of the Northeast during the Beiyang Era). *Shenyang wenshi ziliao*, Vol. 21. (Shenyang, China, 1988), p. 150.

²⁶⁴ FTSZGS, 3799.

²⁶⁵ SHTL, 162.

Wang Jinghuan was indeed an excellent manager as well as an exceptional administrator, but his successor was no less brilliant and influential. The new general manager Zhang Zhiliang, one of the most successful Fengtian capitalists, had held a series of important posts in the commercial world before joining Fenghai – the general manager of Fengtian Saving Association (*chuxuhui*), a monitor (*jianshi*) of The Official Bank of Three Eastern Provinces, and the director (*huizhang*) of Fengtian Chamber of Commerce.²⁶⁶ The three institutions with which he was affiliated were not only powerful organizations – they were also the largest merchant shareholders of Fenghai. Zhang Zhiliang was a major figure in Chinese business community and a pioneer in modern industrialized production in Fengtian. He was the first Chinese in Fengtian to establish match factories, which competed successfully with foreign manufacturers.²⁶⁷ He also cofounded with Jin Enqi and Zhu Xiaozhai the famous Bawangsi Beer and Carbonated Beverage Company (Bawangsi pijiu qishui gongsi), which produced beer, carbonated beverages, and soy sauce,²⁶⁸ the market of which had been previously dominated by Japanese companies. Bawangsi was a great success at the time and the brand name is still dear to many in the city of Shenyang. Once the construction was over, Zhang Zhiliang the capitalist was a better choice than Wang Jinghuan the bureaucrat for leading Fenghai, which now needed to focus on bringing in profits. Governor Liu picked Zhang, not a

²⁶⁶ Zhang Qixian. “Huihua yinhao de xingshuai” (The success and failure of Huihua Bank). Shenyang shi zhengxie wenshi ziliao weiyuanhui, ed. *Shenyang wenshi ziliao*, Vol. 13. (Shenyang, China, 1987), p. 170.

²⁶⁷ Cao Haibo, *1912 – 1931 nian Dongbei gongye fazhan yanjiu* (A research on the development of national industrial and commerce in Northeast China in 1912-1931) (Master’s thesis, Jilin University, Changchun, 2004), p. 6.

²⁶⁸ Qiao Guoxiang and Lü Jifen. “Bawangsi qishui chang jinxi” (The present and the past of Bawangsi Plant of Carbonated Drinks). Shenyang shi zhengxie wenshi ziliao weiyuanhui, ed. *Shenyang wenshi ziliao*, Vol. 13, 196-200. (Shenyang, China, 1987), p. 198; Cao Haibo, p. 6.

bureaucrat, to head Fenghai probably because Liu had a long career in finance and was intent to run Fenghai as a sound business. This brilliant appointment not only enabled the provincial government to tap into Zhang Zhiliang's business savvy, it also connected the railway company with the business community, which would facilitate Fenghai's operation in many ways.

Zhang Zhiliang, not surprisingly, placed great emphasis on the participation of merchant shareholders. Right after he took office, Zhang organized Fenghai's first ever shareholder meeting, which was first scheduled for February 15, 1928, but later postponed to February 27. Such a meeting was rather difficult to organize because shareholders were dispersed all over the province. Zhang Zhiliang borrowed the meeting hall of the Fengtian General Chamber of Commerce, of which he was still the director, together with ten ticket collectors. He then asked the provincial government to send an observer who would sit through the whole meeting. To establish the governing body of Fenghai, the provincial government then appointed six directors and two monitors, just as stipulated by the charter.²⁶⁹ The major purpose of the shareholder meeting was to install merchant shareholders into the corporate structure – five directors, three monitors, and a vice general manager, who, as stipulated by the charter, should be one of the five private directors. The Hailong gentleman Wang Yintang, who first proposed Fenghai Railway to the provincial assembly back in 1910, presided over the meeting and was elected an alternate director.²⁷⁰ Chief Engineer Chen Shutang was a large merchant shareholder (with 210 shares) and was elected a director. The other four directors then elected him to

²⁶⁹ SHTL, 52.

²⁷⁰ SHTL, 52. An alternate director would step in if a director could not perform his duties.

be the vice general manager.²⁷¹ Jin Enqi, Zhang Zhiliang's business partner at Bawangsi Company,²⁷² was also elected a director because he was the general manager of Fengtian Saving Association, which held a whopping stake of 4620 shares. Another prominent director elect was Wei Zhian, a wealthy man from Xi'an County who became the largest personal owner with 500 shares.²⁷³ Such a full-fledged governing structure and a capable leadership were crucial for Fenghai's future.

However, only four days after the shareholder meeting, Zhang Zhiliang was forced to resign from Fenghai – his tenure was only less than two months. Chang Yinhuai, who was appointed the Vice Minister of Communications with the duties of the Minister (*daixing buwu*) in June 1927,²⁷⁴ was trying to nationalize Fenghai. Chang was an associate of Yang Yuting, the powerful General Counsel to Zhang Zuolin. By all accounts, both Yang and Chang were competent and energetic officials, but both were also impatient, arrogant, and headstrong.²⁷⁵ During his tenure as chief of Jingfeng Railway Bureau (1925-28), Chang effectively strengthened the administration and brought order to the railway by strictly enforcing the law. Jingfeng quickly became one of the model railways in the country.²⁷⁶ Chang also sped up the construction of Datong Railway – a Jingfeng branch line to the north parallel to the Japanese SMR, disregarding

²⁷¹ SHTL, 52.

²⁷² Li Yuntao, Zhang Yanfeng, Tan Jian, and Zhang Yang. "Jiefang qian de Shenyang shanghui" (Shenyang chambers of commerce before the Liberation). *Lantai shijie*, No. 11 of 2004. (Shenyang, China: Lantai shijie zazhi she, 2004), p. 42.

²⁷³ SHTL, 52.

²⁷⁴ Hu and Zhang, pp. 21, 215.

²⁷⁵ Hu and Zhang, pp. 104-33 and pp. 212-22.

²⁷⁶ Hu and Zhang, pp. 213-14.

repeated protests from the Japanese.²⁷⁷ At the helm of Ministry of Communications, Chang acted with characteristic gumption. He quickly achieved a major goal in the Northeast – to have a Chinese-controlled railway route to a seaport. In October 1927, he ordered Sitao Railway Bureau to link with Datong Railway. In the same month the two railways connected tracks in the city of Tongliao (see Map 3.1), providing vital seaport access for Heilongjiang Province.²⁷⁸ For the abundant agricultural products in the province, the Japanese SMR and the Sino-Soviet joint managed CER were no longer the only routes to the sea. The Japanese contemplated protesting but could not find a viable argument.²⁷⁹

However, unlike Wang Yongjiang, Chang often acted arrogantly and recklessly. When he grudgingly approved Chang's appointment as Jingfeng chief, Wang Yongjiang commented "Chang Yinhuai is often pompous and reckless. I am afraid he will not conduct his business within the limits of rules."²⁸⁰ On March 2, 1928, Chang Yinhuai ordered, through the provincial government, that Fenghai be renamed Fenghai Railway Engineering Bureau (*Fenghai tielu gongcheng ju*) and designated himself the General Supervisor (*duban*, a title often used for temporary governmental position).²⁸¹ In the same letter, he installed Pang Zuoping, one of his followers, to the position of general manager of Fenghai, replacing Zhang Zhiliang. During his tenure as Vice Minister of Communications, Chang appointed many followers as heads of railway bureaus in the

²⁷⁷ Hu and Zhang, pp. 214-15.

²⁷⁸ Hu and Zhang, pp. 215-16.

²⁷⁹ Hu and Zhang, p. 215.

²⁸⁰ Lu Jinggui. "Dongbei tielu shi nian" (My ten years experience with railways in the Northeast) pp 188-209 in Quanguo zhengxie wenshi ziliao weiyuanhui, *Weishi ziliao xuanji* (Selections of historical materials), No. 47. (Beijing: Zhongguo wenshi chubanshe, 2002), p. 199.

²⁸¹ SHTL, 162.

Northeast, forming the so-called “Northeastern Communications Clique” (*Dongbei jiaotong xi*).²⁸² Chang’s hunger for power, it seemed, knew no bounds. Although not a completely government-owned railway, Fenghai did not escape the fate of falling under his control – although he offered a hefty price to merchant shareholders for their stock, he acted as if the railway was completely under his control before paying any money. Chang’s indifference to the established rules – such as Company Ordinance and Fenghai’s corporate charter and his disregard of merchant shareholders showed that Wang Yongjiang’s comments about him was indeed insightful.

5. Fenghai Railway as a New Arm of the State – Part Two

In June 1928, Zhang Xueliang succeeded his father as the leader of the Northeast. The nationalist young marshall was less willing to get involved in civil wars and more enthusiastic about state building and nation building. Military spending was curtailed; military factories, among the best in the whole country, were converted to civilian production. Wang Jinghuan returned to the officialdom as the director (*shuzhang*) of the General Bureau of Foreign Affairs of the Northeastern Three Provinces (*Dongsansheng jiaoshe zongshu*) as well as the director of the bureau’s Liaoning office.²⁸³ Important reform was carried out at the Communications Committee, just as in many other institutions. The person who reformed the committee was none other than the dynamic and power-hungry Chang Yinhuai. As vice chairman (*fu weiyuanzhang*) of the Communications Committee and (again) the de facto chairman, Chang was in an even

²⁸² Lu Jinggui, p. 198.

²⁸³ *Shijie ribao*, November 14, 1926, p. 3.

better position to dominate railway matters in the Northeast. Chairman Zheng Qian was a southerner, who seemed never held real power.²⁸⁴

Chang Yinhuai again showed great energy and initiative in his reformation of the Communications Committee. The committee was remodeled after the Ministry of Communications in Beijing which Chang headed for about a year. Still in charge of the same issues, the committee was now mainly made up of experts instead of administrators. Railway companies and bureaus, telephone and telegraph bureaus, postal bureaus, and navigation bureaus were all represented in the committee, usually by their general directors (*duban*) or the general managers (*zongban* or *zongli*). As such, the committee's supervision became more detailed and technical – all railway bureaus and companies were to submit their financial, personnel, purchasing, and other plans for approval. Railway administrative meetings (*luzheng hui*) were to be held regularly and all railways would participate in the discussion. These bureaus and companies would bear all the expenses for the committee.²⁸⁵ At the same time, Chang also consolidated his power in the realm of railway transportation in the Northeast. As for Fenghai, its supervisory responsibility was now transferred from the provincial government to the Communications Committee, just as those railways completely owned by the government. All the issues in personnel, management, finance, budget, and modification of company charter, were now in the hands of General Director Chang Yinhuai. He handled these issues according to his whims – not only were the members on Board of Directors and

²⁸⁴ Lu Jinggui, pp. 196-97.

²⁸⁵ Dong Huiyun and Zhang Xiuchun. *Zhang Xueliang yu Dongbei xin jianshe ziliao xuan* (Selected materials on Zhang Xueliang and the New Development of the Northeast) (Hong Kong: Tongze chubanshe, 1998), pp. 401-408.

Board of Monitors never consulted, even vice general manager Chen Shutang, certainly an expert in railway matters, could not participate in any decision making.²⁸⁶ In July 1928, after Chang was appointed governor of Heilongjiang, he brought Pang Zuoping to Heilongjiang and appointed another follower Liu Rongguo to head Fenghai.²⁸⁷

The arrogance and hubris of Yang Yuting and Chang Yinhuai were ultimately their undoing – they were not only domineering to subordinates and peers, but also contemptuous to Zhang Xueliang, the highest official and the most powerful military man in the Northeast. Wang Yongjiang, who was a friend of Yang Yuting before the two broke due to their different positions regarding military spending and participation in civil wars, earnestly admonished Yang about his “impetuousness and arrogance,” “over confidence,” and “simple reliance on brilliance.”²⁸⁸ In all likelihood, the governor also warned Chang when he came for an audience before taking office as chief of Jingfeng Railway Bureau.²⁸⁹ But political wisdom does not easily take root. Zhang Xueliang received numerous rude treatments from the contemptuous Yang Yuting and Chang Yinhuai, partly because, as a drug addict who often had to skip important meetings, he was indeed not beyond reproach. Moreover, Zhang Xueliang grew suspicious of the two when they tried to arm a militia in Heilongjiang where Chang was already powerful.²⁹⁰ In January 1929, only six months after he succeeded his father as the leader of the Fengtian Clique, Zhang Xueliang secretly executed the duo in his mansion.²⁹¹ Without a fully

²⁸⁶ SHTL, 162.

²⁸⁷ Lu Jinggui, p. 198.

²⁸⁸ Liaoning Provincial Archives, ed. *Secret letters of the Fengtian Clique*, p. 140.

²⁸⁹ Lu Jinggui, pp. 199-200.

²⁹⁰ Hu and Zhang, p. 219.

²⁹¹ Hu and Zhang, pp. 116-33.

institutionalized political system, the state still had to undergo a bloody elimination of two highly competent core officials before it could stabilize.

The impact on Fenghai was great and immediate. In February, Liu Rongguo resigned and Zhang Zhiliang returned to head Fenghai. Fenghai's brief deviation from established rules – the Corporate Charter and the Company Ordinance – reveals the great difference between Wang Yongjiang and Chang Yinhuai in their understanding of state building. For Chang, state building was a relatively simple (but not necessarily easy) process – to establish a strong and effective state apparatus, then to discipline and administer; by and large, the society was relegated to the receiving end of the state's supervision. In the process of modernization, if this model had prevailed, the Northeast would make progress only through the state's initiatives; the society would be largely sidelined. But for Wang Yongjiang, state building was a much more profound process, involving the education and participation of the society. As a bureaucrat who jumpstarted his career by establishing a modern police force, Wang certainly knew the centrality of an effective modern state apparatus in state building and modernization. But he also placed great emphasis on the public. In the textbook he wrote for country magistrates, Wang Yongjiang stated: "The primary task in administration is to lead people into prosperity. To make people rich, the only way is to promote industry ... The magistrate should direct the capital of saving associations to agriculture and manufacturing [instead of banking]." ²⁹² One of Wang Yongjiang's goals in building the Fenghai Railway, as we will see in next chapter, was to encourage the participation of the public in industrial

²⁹² Wang Yongjiang, "Xian zhishi xue" (How to be a county magistrate) pp. 139-152 in Dalian Jinzhou wenshi ziliao weiyuanhui, Dalian wenwu guanli weiyuanhui, *Commemorative essays dedicated to Wang Yongjiang*, pp. 140-41.

enterprises. For Wang Yongjiang, a prosperous society was the bedrock of a strong state. In his second resignation letter to Zhang Zuolin, Wang tried to dissuade Zhang from engaging in another civil war. Wang made the point loudly, but to deaf ears: “Even though you enlarge your army ten times, if you consequently make Fengtian yuan into useless paper [by creating a chaos] and make the people poor, then even without any attack from outside, Fengtian would fall apart by itself.”²⁹³ For Wang Yongjiang, the state could not become strong by simply beefing up its military force or building up its bureaucratic institutions; it had to grow by gaining inner strength and laying a solid foundation, through directing and involving people in industrial development and leading people into prosperity.

6. Conclusion

Wang Yongjiang’s great emphasis on the two enterprises reflected the orientation of his administration – to build wealth through industrial development. The success of the two industrial enterprises in Fengtian not only demonstrates the power of an effective state, it also attests the benefit of provincial federalism. An autonomous province, functioning as a state, can provide direct, unhampered, and efficient leadership for administrative and developmental tasks. This way, the state deals with local issues at a faster pace. But in a highly centralized administration, governors are not ultimate decision makers, making them less responsible and slower in action. It is so because a state, somewhat similar to a human being, functions best if it has one coherent mind – that is the reason why all states have only one head of state. It is especially true in a large country like China. For Fenghai Railway and Fengtian Textile Mill, Wang placed his

²⁹³ Wang Yongjiang, “Letter to Zhang Zuolin, March 5, 1926,” p. 155.

direct subordinates in charge; they communicated with him on all important issues.

Therefore the governor was in direct control of the two enterprises, for which he was the ultimate decision maker. The enterprises benefited greatly from such direct and effective management by the state, which commanded a great variety of resources it could readily put into use. Previous Chinese joint ventures failed largely due to the lack of responsible and strong leadership.

With the Northeast's voluntary unification with the GMD regime in 1928, the GMD's influence gradually became visible over time – at Shenhai meetings, reading Sun Yat-sen's will (*zongli yizhu*) became a fixture. Sun Yat-sen's portrait and will appeared in every issue of Shenhai Monthly, the railway's journal that was under heavy GMD influence.²⁹⁴ Notwithstanding the glorification of Sun Yat-sen and the GMD propaganda, the Northeast remained largely autonomous. In January 1931, the Communications Committee asked Northeastern railways whether they would attend any of the two national conferences hosted by Ministry of Railways (*Tiedao bu*): the first was on freight price and the other was on railway management and regulations. Although the ministry indicated that all railways in the country were supposed to attend, Shenhai told the Communications Committee that it would not send any representative because "it seems unnecessary for Shenhai to send a representative to attend the meeting." Other Northeastern railways probably did the same. In the end, the Communications Committee sent a department head of its own as "representative of this committee and all

²⁹⁴ Shenhai Railway Company. *Shenhai tielu yue kan* (Shenhai Railway Monthly), Vol. 1-3, 1929-31.

Northeastern railways.”²⁹⁵ It was likely to be perceived as a snub because the Northeast boasted about 40 percent of the country’s total railway mileage, more than half of which was owned by the Chinese. In contrast, it would be unthinkable for Shenhai or any other railway to not attend the Communications Committee’s meetings, which were held regularly.

In 1930, the Northeast Administrative Committee (*dongbei zhengwu weiyuan hui*), the supreme governing body of the whole Northeast headed by Zhang Xueliang, ordered the Communications Committee to review and expand the railway plan. The new plan was much more ambitious than the previous one. At 5,230 miles, the railway network would reach most counties in the region. More importantly, as the construction of the Huludao harbor was about to begin,²⁹⁶ the Chinese were to create a self-sustained transportation network that would not only get rid of the dependence on the Japanese SMR, but pose serious competition to it. Such a portal was crucial for the Northeast’s transportation system, because without it, the Chinese railways still had to rely on the Japanese railways and the Japanese-controlled Dalian harbor for both import and export. Fenghai Railway was a crucial part of the railway network; in eastern Fengtian, it was also energetically expanding into remote areas by building new branch lines. Unfortunately, the Northeastern regime’s state building was abruptly brought to an end when the Japanese military took over the whole region and forced it into exile. Fenghai did not have a chance to finish its branch lines. Even today, some of the counties Fenghai

²⁹⁵ SHTL, 99.

²⁹⁶ Zhang Liyun, “Zhang Xueliang zhu Huludao gang jishi” (How Zhang Xueliang built the Huludao harbor) (*Bai nian chao*, Vol. 4, 2006), p. 57.

was planning to reach still do not have railway access. Because of the fast development of automobile transportation system, they probably will never have.

CHAPTER FOUR

Capitalism Embedded in State Bureaucracy: Ownership and Management of the Fenghai Railway Company

As other commercial companies, Fenghai Railway and Fengtian Textile Mill had to compete in the market; therefore, capitalist rationality was crucial for their success. My understanding of these two state-run enterprises and capitalism in general is heavily influenced by the Weberian notion of rationality. For Max Weber, the fundamental nature of capitalism is rationality, mainly embodied in profitability-oriented “rational capital accounting” and the calculability of all means of production – from land to labor, from machines to goods.²⁹⁷ Although my study is about state building and state-controlled capitalism, I avoid the term “state capitalism” because it has been used to refer to different historical phenomena such as the economic system in socialist countries²⁹⁸ (the Conclusion of this study includes a fuller discussion of my understanding of capitalism). I believe that this rationality, as the propelling force of the modern economic growth, can lead to capitalism and development, without the supposedly necessary sociopolitical and economic preconditions such as private ownership of means of production, as essentialized by Marx. The capitalist development in Northeast China during 1920s was brought about by the state in such a rational manner. In the following pages, I will continue Fenghai’s story and to a lesser degree that of the Fengtian Textile Mill, with

²⁹⁷ Max Weber (translated by Frank H Knight), *General economic history*. (New York: Collier Books, 1961), p. 208.

²⁹⁸ For a synthetic discussion of “state capitalism,” see Alex Dupuy and Barry Truchil. “Problems in the Theory of State Capitalism” in *Theory and Society*, Vol. 8, No. 1 (Jul., 1979), pp. 1-38.

emphasis on their capitalist nature. Similar to what I have done with the concept of state, I take an agile approach to the interpretation and application of the concept of capitalism. My goal is to better foreground the essential features of capitalism without diminishing its great historical significance as a transformative force of production.

1. The Political Economy in Northeast China

Chinese capitalism was clearly a by-product of Western and Japanese imperialism. In the Northeast, the British first forced the Qing through the 1858 Tianjin Treaty to open a treaty port at Niuzhuang, where the Liao River empties into the Bo Gulf. Three years later, the British established their consulate in nearby Yingkou instead of Niuzhuang because it was more favorable for the navigation of large ships.²⁹⁹ Trade flourished along the Liao River and foreign goods especially textile products began to come into the region.³⁰⁰ At the turn of the 20th century, Russia and Japan wrestled from China the right to build railways in the Northeast. Railways greatly boosted the trade volume; Russia and Japan flooded the region with large quantities of goods produced by large-scale industrial enterprises. Between the two, Japan had its sphere of influence – largely embodied in the South Manchuria Railway – in the more populous and prosperous southern part while Russia's reach was limited to the north. In addition, the Japanese enterprises were much more productive and aggressive than their Russian counterparts in conducting their business in China. By 1931, Japanese assets in China, the majority of which were in the

²⁹⁹ Zhang Dawei, "Yingkou kaibu yu wanqing liaohe liuyu chengzhen de fazhan" (The opening of Yingkou as a commercial port and the urban development along the Liao River in late Qing), pp. 80-84 in *Bei fang wen wu* (Northern Cultural Relics), (No. 4, 2004), p. 81.

³⁰⁰ Zhang Bo. "Yingkou kaibu yu wanqing dongbei shanglu – yi liaohe wei zhongxin de kaocha" (The opening of Yingkou as a commercial port and the commercial transportation in the Northeast in late Qing – An investigation centered on the Liao River), pp. 163-67 in *Shehui kexue jikan* (Social Science Journal), (No. 1, 2006), p. 163.

Northeast, had exceeded those of all other imperialist powers combined; there were as many as 4,633 Japanese firms in China but only 1,027 British ones – Britain had been the largest imperialist force in China for a long time.³⁰¹ In the Northeast, the South Manchuria Railway Company (SMRC) was the flagship agent for Japanese economic encroachment.

Therefore, the Northeast was pushed into an industrialized market economy by alien forces. The Chinese found that with military defeat they lost not only political sovereignty but also economic interests (*liquan*). Although political forces still heavily influenced major economic activities – rendering the Northeastern economy anything but a free market economy, the market force was also powerful. In this international market, which was forced upon the Northeast, the Chinese provided only low-value raw materials and brought the value-added industrial products from foreign manufacturers. Traditional Chinese workshops could not possibly compete with large-scale foreign companies; the Chinese had not established any large-scale modern enterprise for themselves, because local businessmen lacked the large capital and the technological know-how. Overall, the mechanism of a capitalist economy was not in place for private entrepreneurs to summon enough funds and talents to establish large-scale enterprises. How could the Chinese possibly compete with foreign enterprises and stop the loss of economic interests? The answer had to be found in the state, who commanded the required resources, financial as well as human, to engage in modern large-scale industrial production.

³⁰¹ Peter Duus; Myers, Ramon; Peattie, Mark. ed. *The Japanese Informal Empire in China, 1895-1937*. (Princeton: Princeton University Press, 1989), pp. 3-4.

The Northeastern regime, based in a largely agrarian economy and facing the constant threat of Japanese and Soviet imperialist encroachment, was anxious to become stronger through modernization. It was eager to reduce the dependency on foreign industrial products and to break the unfavorable international division of labor, so industrialization and economic growth were its top priority. Due to the lack of a full-fledged bourgeoisie, the state had to be very hands-on in economic development, especially in large-scale industrial production.³⁰² In the process, the provincial government became the largest business organization and the forerunner in capitalist enterprises; it behaved like a holding company – owning and operating a variety of enterprises. This phenomenon – *the state as a capitalist* – requires scholars to re-think the existing paradigms and generalizations of capitalism. In this study, I tentatively propose several concepts to better describe the Chinese state and its two industrial enterprises – the Fengtian Textile Mill and the Fenghai Railway Company. For instance, because the Fengtian government established and ran modern companies as an integral part of its state building, I characterize the two companies as *capitalism embedded in state bureaucracy*. Also, because the wide-ranging involvement of the whole province in the two enterprises, I consider them *collaborative capitalism*. The emphasis is neither on the free-market nature nor the bourgeois class – to fully historicize capitalism, we must recognize its local characteristics.

³⁰² The Fengtian provincial government was certainly not the first to establish industrial enterprises. In Japan, it was the Satsuma *han* (a feudal local government) that introduced modern textile industry to the country in 1868. The private capital remained weak for many decades since Meiji Restoration; the government established many industrial enterprises, while trying to induce private investment in industry. See Thomas Smith, *Political change and industrial development in Japan: government enterprise, 1868-1880*. Stanford: Stanford University Press, 1974, pp. 11, 36-37, 53-54.

2. Corporate Governance and Rational Management at Fenghai

In China, the cooperation between the state and the society in modern enterprise dated back to the 1870s. The earliest joint venture (*guan shang he ban*) was the famous China Merchants Steam Navigation Bureau (Zhaoshang lunchuan ju), established by Li Hongzhang in 1872.³⁰³ The enterprise was the first that was formulated along the lines of “official supervision, merchant management” (*guan du shang ban*). Li initially entrusted the company to Zhu Qi’ang, a wealthy shipping merchant experienced in the traditional sailboat business. When Zhu failed to attract merchant interests and capital, Li turned to Tang Tingshu, the comprador for the British trade company Jardine, Matheson, & Co. (*Yihe yanghang*).³⁰⁴ Under the management of Tang Tingshu and Xu Run, another comprador, the company quickly took off and achieved early success. It eventually bought out a major competitor – Shanghai Steam Navigation Company (*Qichang lunchuan gongsi*). The support from Li Hongzhang was important – he provided the initial capital and gave the company yearly orders of the transportation of official grains (*caoliang*). But when officials were later placed in charge, the company became infested with corruption, nepotism, low efficiency, and extortion by higher officials.³⁰⁵ Overall, the formula of “government supervision, merchant management” joint venture was a failure, but it was the only model for large industrial projects for about thirty years

³⁰³ In the latest round of China’s capitalist development, the company went public in December 2006 in Shanghai stock market, coded 601872 – 60 is a common prefix of stock codes and 1872 is the year the company was originally created.

³⁰⁴ Today, the Jardine Matheson Group is a Fortune 500 company based in Hong Kong.

³⁰⁵ Liu Kwang-Ching, “Cong Zhaoshangju de zaoqi lishi kan guandu shangban de liang ge xingtai” (The two models of “government supervision-merchant management” in the early history of the China Merchants Steam Navigation Bureau) pp. 226-58 in Yi Huili, Hu Zheng ed. *Zhao shang ju yu jin dai Zhongguo yan jiu* (Studies of the China Merchants Steam Navigation Bureau and Modern China). Beijing: Zhongguo she hui ke xue chu ban she, 2005.

because the Chinese state did not allow merchants to organize enterprises freely. The Company Law, issued as part of the New Policies, radically changed the situation.

Commercial law played an important role in the capitalist development in Fengtian. In 1914, the Ministry of Commerce drafted and enacted the Company Ordinance, which was based on the 1904 Company Law, but was more detailed and comprehensive. William Kirby considers the law and the ordinance a failure, because the number of companies that registered with the Ministry of Commerce remained small.³⁰⁶ But in the two companies run by the Fengtian government, neither registered with the central government when created,³⁰⁷ we can see the great influence of the Company Ordinance. The Fenghai Corporate Charter, later referred to frequently and followed rigorously by managers and the provincial government, contained many clauses copied directly from the Ordinance. The textile mill also had a charter and, judging from all available documents, we can tell it was quite similar to Fenghai's. The two joint ventures, although not owned by private capitalists, were able to maintain sound corporate governance, partly because they were established and managed according to the Company Ordinance. Capitalist logics and practices, distilled from numerous experiments of capitalist enterprises and evolved over centuries in the West, gradually became packaged in commercial laws. Once thus formulated, capitalism became *doable* and commercial laws and accounting rules were the manual. The Chinese adaptation of these laws in 1904, according to David Faure, was actually "the

³⁰⁶ William Kirby, "China Unincorporated: Company Law and Business Enterprise in Twentieth-Century China," *The Journal of Asian Studies* (Vol. 54, No. 1, Feb. 1995), pp. 49-51.

³⁰⁷ Fengtian Textile Mill registered with the Ministry of Industry in March 1928, when Zhang Zuolin was in control of Beijing government; it registered with the GMD Ministry of Industry and Commerce in April 1929, after the Northeast unified with the Nanjing government.

last of a long series of events that brought the modern company into existence in China,” since foreign countries and Chinese reformers had both been pushing for such laws for decades.³⁰⁸ The failure of many an “official supervision, merchant management” enterprises had clearly shown the necessity of commercial laws.

Fenghai’s intention to adhere to the Company Ordinance was explicitly announced in its corporate charter – “Fenghai Railway Company will be managed according to the ordinance for joint-stock limited-liability companies,”³⁰⁹ a promise well kept in later years. We have seen the capitalist features of the Fengtian Textile Mill; they were all shared by Fenghai because the two companies were formulated in the same way, which was a result of being organized by the same provincial government under the same leader (Governor Wang Yongjiang). Both were established as joint-stock company for the purpose of generating profits for shareholders; their management structure was set up strictly according to the Company Ordinance; they regularly convened shareholder meetings so all shareholders could participate in corporate governance;³¹⁰ and they competed in the open market. That market, although physically local for the Chinese, was international in nature, because Japanese textile companies sold their products freely in the region and Japanese trains had been running for two decades in the Northeast.

The particular form of capitalism in these state-run joint ventures is obviously different from the conventional, bourgeoisie-centered Marxist portrayals of Chinese

³⁰⁸ David Faure, *China and capitalism: A history of business enterprise in modern China* (Hong Kong: Hong Kong University Press, 2006), p. 64.

³⁰⁹ FTSZGS, 3793.

³¹⁰ FTSZGS, 3296, 3299.

capitalism.³¹¹ The natural question is: was it capitalism? It was, but in a distinctive way – the state, instead of a bourgeois class, functioned as the capitalist. This capitalism was similar to that of Europe – in terms of how capital was pooled and production organized, just with a different historical actor. This peculiarity was largely the result of late development and international capitalism – the Japanese and the Russians had brought the Northeast into the international capitalist market; the only way for the Chinese to meet the challenge was to establish successful capitalist enterprises. As we have seen in the Fengtian Textile Mill and the Fenghai Railway, the state, spurred by necessity and compelled by the market force, could function as the organizer of large-scale industrial production and directly lead the capitalist development.

While Fenghai was mainly established and run by the state, the private investors did participate actively in the management of the railway. As shareholders of a joint-stock liability-limited company, their rights were warranted by the Company Ordinance as well as clearly stated in Fenghai's corporate charter. Since the death of the high-handed Chang Yinhuai and the removal of his followers from Fenghai, the participation of merchant shareholders had been restored and strengthened. In February 1929, Vice General Manager Chen Shutang and board director Jin Enqi submitted a petition to the provincial government in the interests of merchant shareholders,

We entreat that the name Fenghai Railway Company be restored [“engineering bureau” removed], that the Fenghai be placed under the administration of the provincial government [instead of the Communications Committee], and that the Board of Directors and the Board of Monitors be restored, so the corporate charter will be followed, the rights of merchant shareholders upheld, and the great credibility of government demonstrated to the public.³¹²

³¹¹ For instance, see Marie-Claire Bergère (1989).

³¹² SHTL, 162.

The petitioners then artfully contrasted the merchant shareholders' "immense joy and great hope" when Fenghai first began full operation and their recent fear of "losing their stakes in Fenghai to the government's takeover."³¹³ By restoring Fenghai Railway Company and respecting the interests of merchant shareholders, Chen and Jin concluded, the government would be able "to clarify the truth, calm the public, and encourage people's participation in future railway development." The provincial assembly also sent a letter to the provincial government, suggesting that "Fenghai Railway Company be restored so the name and the reality will match and the government will not lose credibility to the public."³¹⁴ All requests were granted and Fenghai returned to its state of one year earlier. On February 28, 1929, Zhang Zhiliang returned as Fenghai's general manager.

The transition at Fenghai in 1929 was a small part of a much larger transition – that of the whole Northeast. After Zhang Xueliang's voluntary unification with Nanjing, the GMD's flags of "Blue Sky, White Sun, Red Land" were flown all over the Northeast. The Communications Committee of the Three Eastern Provinces was renamed the Northeastern Communications Committee; Fengtian Province was renamed Liaoning Province, probably to get rid of the imperial connotation – "Fengtian" means "to obey the Heaven;" the provincial capital was renamed back to Shenyang. In April 1929, Zhang sent a petition to the provincial government, now headed by Zhai Wenxuan, for permission to change the company's name from Fenghai to Shenhai, because Fengtian was no longer the name of the provincial capital; *Shen* was picked because Shenyang was

³¹³ SHTL, 162.

³¹⁴ SHTL, 162.

the name of both the provincial city. The request was granted. In October, the Fengtian Station was also renamed the Shenyang Station.³¹⁵ The most important railway controlled by the Northeast regime – the Jingfeng Railway, which ran between Beijing and Fengtian – was renamed to Beining Railway since both cities had changed name. Fengtian Textile Mill became Liaoning Textile Mill at about the same time.³¹⁶

After his return to Shenhai, Zhang Zhiliang set about streamlining the corporate structure. The Department of Accounting (*kuaiji chu*) was recently established, taking up most of the responsibilities of the old Department of Transportation Management (*yingye ke*); other responsibilities were transferred to the Department of Vehicle Management (*chewu chu*). Zhang's emphasis on Shenhai's accounting was a sign of managerial rationality. In March 1929, Zhang transferred Accounting Director Wu Yingyuan to be the Engineering Director, a position that had been concurrently held by Deputy Manager Chen Shutang. Zhang Guodong, who studied at the Canadian Pacific Railway, was appointed Director of Accounting. In April, Guan Chenglie, a graduate from the University of Illinois with a master's degree in Civil Engineering, was promoted to the Deputy Director of the Engineering Department.³¹⁷ By now, only the Department of General Affairs was (appropriately) headed by a former bureaucrat; all other top managers were railway experts.

Zhang Zhiliang also continued his previous efforts in establishing a sound corporate structure that would integrate merchant shareholders into the decision-making and monitoring process. The Shenhai charter stipulated that among the eleven directors,

³¹⁵ SHTL, 163.

³¹⁶ FTSZGS, 3306.

³¹⁷ SHTL, 163.

five must be private and the other six should be appointed by the provincial government; the vice general manager must be elected among private directors; and out of the five monitors, three must be private.³¹⁸ As a joint-stock company where directors and shareholders voted to make important decisions and the management was watched by the board of monitors, Shenhai was probably among the most democratic institutions in the Northeast. In May 1929, Shenhai held its second shareholder meeting to elect new private monitors, but not directors, because the term was changed to one year for monitors but two for directors. An observer from the provincial government was again present. The provincial government also appointed new governmental monitors.³¹⁹

During the shareholder meeting, besides the election, merchant shareholders also put forward several important motions, which later were sent to the provincial government for approval. A shareholder from Hailong County proposed that a certain number of directors and monitors should be stationed in the company to watch the operation closely so shareholders would not become out of touch with the company's affairs. The purpose obviously was to keep the merchant shareholders better informed and to enhance their position in the company. The provincial government had no need to station public directors because it was already running the company. A shareholder from Dongfeng County unrealistically tendered a bold proposition that for all personnel decisions the general manager should consult the vice general manager, who by definition was a merchant shareholder. Furthermore, he suggested that personnel decisions at and above the department level should be approved by the board of

³¹⁸ SHTL, 52, "Shenhai Railway Company Charter."

³¹⁹ SHTL, 52.

directors.³²⁰ Such institutionalized interference with management decision-making may not be good practice – and there is no evidence that the proposal was ever approved, but the participation of merchant shareholders in corporate affairs was certainly a positive development at Shenhai. The presence of private owners helped Shenhai stay attentive to shareholder interests.

Although it is possible for companies to achieve commercial success without complete or even dominant private ownership, the failure of earlier government-merchant joint adventures in China meant there was a great risk in such a developmental formula. The Hubei Textile Bureau, established by the famous reformer Zhang Zhidong, was managed by bureaucrats who entered the factory buildings in their official sedan chairs! Not surprisingly, the bureau failed to bring in profits and its plant had to be leased to merchants.³²¹ Although the performance of past state-run enterprises was not encouraging, the Fengtian government still decided to establish the two enterprises, because it was a crucial step toward economic modernization. By following the Company Ordinance from the beginning, especially by basing corporate charters on the ordinance, Wang Yongjiang laid a capitalist foundation for Liaoning Textile Mill and Shenhai Railway Company, which enabled them to remain stable, profitable, and self-sustained. The capitalist corporate governance helped ensure that the two companies would not, even when under the control of bureaucrats, deviate from sound business practices. The Fengtian provincial government was a reluctant capitalist, because it was fully aware of the risk

³²⁰ SHTL, 52.

³²¹ Huang Shirang, “Zhang Zhidong chuangban de Hubei sha bu si ma si ju” (The four Hubei bureaus of yarn, cloth, silk, flax founded by Zhang Zhidong), *Wuhan wenshi ziliao* (Historical materials of Wuhan), Vol. 11 of 2006, (Hubei: Zhengxie Wuhan weiyuanhui, 2006), p. 20.

associated with such joint adventures. Governor Wang Yongjiang, although determined to square the circle, made it clear in the corporate charter of both companies that the future of the companies would be in the hands of private capitalists: “In the future, whenever the merchant shares increase, the government will withdraw the same number of shares, until the company is completely owned by merchant shareholders.”³²²

Ultimately, the state wanted a prosperous society that can grow wealth on its own.

3. Collaborative Capitalism in Fengtian

The Fengtian provincial government orchestrated large-scale industrial production by involving many social groups of the population. For the Chinese, given their limited capital and technology, this *collaborative capitalism* was the only viable way to compete with Japanese companies and to counter their economic encroachment. The wide range of Fenghai’s shareholders was unprecedented. The provincial government – the largest shareholder – enlisted merchants, bureaucratic institutions, county associations, and landowners all over the province. From early on, encouraging participation in Fenghai had been important for the state. Governor Wang probably knew that many people would not voluntarily purchase Fenghai’s shares, so he floated the stock through administrative means. But he did try to persuade and attract people with the prospect of safe future profits. In his letter to county magistrates ordering them to sell Fenghai stock, Wang Yongjiang presented the railway as an exciting opportunity for the people:

There are economic, political, and colonial railways; among them, the economic railway is the most profitable. The [planned] Fenghai Railway has been renowned as an economic railway. Hailong and Dongfeng are a fertile land of copious products, but due to lack of transportation, the great abundance is untapped ... We will establish Fenghai as a joint venture to share the profits with the people and to

³²² Dong and Zhang, p. 181; FTSZGS, 3793.

kindle the enterprising spirit among the people ... You should explain to the people that investment in railway is secure and our purpose is to let people gain profits.³²³

The governor's economic calculation was threefold – the state would develop the economy of eastern Fengtian, the people would become enthusiastic about industrial development, and Fenghai itself would make profits for shareholders. The most important message was that Fenghai stock was not tax; instead, it was an investment and offered the purchasers a great opportunity to gain profits. Ultimately, Wang Yongjiang wanted people to participate in capitalist enterprises and become rich – it was where his Confucian ideology and development rationality could actually mesh. If the society became prosperous, the state would naturally have a rich source of revenue and become strong.

To persuade as well as educate potential stock buyers, the provincial government widely distributed Fenghai's Corporate Charter (*gongsi zhuanzhang*) and the Regulation for Issuing Stock (*Zhao gu jianzhang*).³²⁴ Besides the order to sell stock, all county magistrates received many copies of both documents, which they dutifully distributed to potential stock buyers. However, joint-stock company was still a novelty. Many rural shareholders, forced to buy shares in the first place, failed to grasp the concept of ownership through stock; they considered the railway money (*lukuan*) just another form of tax. For instance, in Shenyang County, the word *jiaona* (pay taxes) appeared frequently in the discussion of the buying of Fenghai stock. In disputes about purchasing Fenghai stock, all between village heads and landowners, everybody treated the payment

³²³ SYSZGS, 3763.

³²⁴ SYSZGS, 3763.

for stock shares as another tax burden to bear and nobody ever mentioned potential gain.³²⁵ Of course, these shareholders eventually got the picture, when they received dividends (*hongli*) from Fengtian Textile Mill or Fenghai Railway.

Joint-stock companies in China followed the custom of paying shareholders both a fixed dividend (called *guanli* or *guanxi* or *guxi*) specified at the time of stock floatation and a contingent dividend (called *hongli*) based on annual profits of the company. Shareholders received the annual fixed dividends, normally set between 7 percent and 10 percent, even when the company was losing money for the year. Although not in the Company Ordinance, it was a common practice of the time.³²⁶ Chinese investors probably had not fully grasped the distinction between lending and investing, therefore had to be attracted by a fixed interest on their money. The government seemed rigorous in distributing dividends for the joint-stock companies. For instance, in 1930, when the Shenyang Magistrate Wang Jiarui received a petition indicating that the police chief of the third ward had not distributed dividends from Fengtian Textile Mill to certain shareholders, he dispatched the chief of the county's Finance Bureau Yuan Zhaoqing to investigate. Yuan went to the village with a clerk, met the complainants and village heads, and found out that a small number of shareholders had not received their dividends. Upon receiving the report, Magistrate Wang reprimanded the ward police chief for his "negligence" and ordered him to "finish the job promptly."³²⁷

³²⁵ SYXGS, 279, 4004, 6088, 6690.

³²⁶ Xiong Qiuliang and Li Yu. "Zhang Jian he zhongguo jindai gongsi zhidu" (Zhang Jian and the commercial laws in modern China), (*Shehui kexue zhanxian*, No. 3 of 1995), p. 123.

³²⁷ SYXGS, 28702.

For Fenghai Railway Company, dividend distribution was a complex matter for two reasons. First, Fenghai's stocks were floated through four installment payments, as allowed by the Company Ordinance. Shareholders should pay a quarter of the par value four times over a period of two years, from June 1925 to June 1927, all in Fengtian yuan.³²⁸ While the provincial treasury and the banks paid for their shares as scheduled, most counties lagged behind, creating different starting points in the calculation of dividends for different shareholders. At the same time, the quick inflation of Fengtian yuan further complicated the calculation of each shareholder's stock value. In 1929, Shenhai decided to switch from *fengdayang* to the national currency (silver yuan, called *xiandayang*) and re-allocate stock shares.³²⁹ Because it received funds from the state and the merchant shareholders over a period of more than two years during which the exchange rate changed a lot, the conversion was an extremely convoluted process.

The customary practice of distributing fixed dividends compounded, literally, the complexity of Shenhai's dividends for shareholders. During Shenhai's third annual shareholder's meeting in 1929, the directors and monitors decided to designate the time before January 1, 1929 as the "construction period," for which only the fixed dividends of 6 percent would be distributed; the time afterwards was the "operating period," for which both kinds of dividends would be allocated to shareholders. Since Shenhai had always lacked capital and never paid the fixed dividends to large shareholders, now it had to compound dividends for shareholders. Since the company was still strapped for cash, it

³²⁸ HLXGS, 255, "Fenghai's Regulation for Issuing Stocks."

³²⁹ Shenhai Railway Company. *Shenhai tielu gongsi shiba nian gongzuo baogao, fu shijiu nian jinxing jihua* (Shenhai Railway Company's annual report for 1929 and plan for 1930), (Shenyang, 1930), pp. 6-7 in the section of "Company's work reports for 1929."

converted dividends into more stock shares. The Official Bank and its county branches facilitated the distribution of dividends to shareholders.³³⁰ Overall, as the majority shareholder, the state always made Shenhai's dividend decisions favorable to merchant shareholders, following the policy of encouraging participation in industrial enterprises. For instance, the denomination of all government shares were uniformly converted from *fengdayang* to *xiandayang* at the exchange rate of 0.4, but for merchant shares, the rate was either 0.4 or the market rate of the payment date, whichever was higher.³³¹

In early 1931, Shenhai began to revise its corporate charter, after receiving an order from the provincial government – “[you should] review your company's charter and make modifications according to the established rules of other railways and the current situations of your company.”³³² After several drafts, the provincial government approved the new charter but instructed the company to “have it confirmed subsequently at the next shareholder meeting,”³³³ as stipulated by the charter. The new charter registered the change of the denomination of the company's capital from *fengdayang* to *xiandayang*. It also declared the new corporate structure. There were still four departments, but they were all renamed from *ke* to *chu* – probably to be the same as other Northeastern railways. The charter also registered a new organization in the company – the General Warehouse (Cailiao zongchang), which was set up in 1930 to facilitate the supply of materials to all departments.³³⁴ We get a sense of the meticulous management

³³⁰ Shenhai Railway Company, *Shenhai Railway Company's annual report for 1929 and plan for 1930*, p. 7 in the section of “Company's work reports for 1929.”

³³¹ SHTL, 130.

³³² SHTL, 53.

³³³ FTSZGS, 3827.

³³⁴ SHTL, 53.

style of Shenhai from the warehouse's charter – as many as fifty-seven clauses were drafted to regulate the movement of materials.³³⁵

We clearly see the great collaboration among many parties in the operation of the two industrial enterprises – the county bureaucracy, village heads, the cotton farmers, and the Official Bank, all commanded or mobilized by the provincial government. The whole bureaucracy in Liaoning Province provided crucial services for the two companies – from floating the stock in the beginning to distributing bonuses later on, completely free. If carried out by the companies' own staff, these operations would cost a fortune because shareholders spread over the whole province. Therefore, being part of the state structure and relying on state resources made great economic sense for the two enterprises. As we have seen, the cotton farmers in Liaoning were brought into the collaborative capitalism by the state to provide cotton for the Liaoning Textile Mill. They were better off because cash crops brought in more income than grains; at the same time, now located in the exchange economy, they had a greater dependence on the market. To wit, their traditional subsistence-oriented self-sufficiency was breaking down. For the Liaoning Textile Mill, this local, reliable supply of cotton was crucial, especially in the 1920s, when many Chinese textile mills struggled with the cotton shortage. The Official Bank also made crucial contribution – it managed the movement of money for Shenhai without charge through its numerous branches distributed across the province. Collaboration achieved synergy between the state and the society and between the regular bureaucratic apparatus and the new enterprises.

³³⁵ Shenhai Railway Company, *Shenhai Railway Monthly*, (Vol. 2, No. 11, March 1930), pp. 1-8 in the "Regulations" section.

4. The Stock Division Affair

Many merchant shareholders indeed participated in Shenhai's management with great enthusiasm – through the two boards or shareholder meetings. Shenhai's company affairs were mostly conducted according to the corporate charter; but some unforeseeable situations inevitably arose. The most dramatic episode in Shenhai's history was the confrontation between the Official Bank and small merchant shareholders over the issue of stock division and voting rights. The source of the conflict was an ill-designed clause in the Company Ordinance regarding ownership and voting rights, which originated from the very first company law drafted during the New Policies era. The clause allowed a company to differentiate between stock shares and voting rights of large shareholders – for instance, corporate charters could stipulate that, when a shareholder owned more than a certain number of shares, only one vote was assigned to each ten extra shares.³³⁶ Shenhai's charter stated that, one share meant one vote for shareholders with less than fifty shares; for those with more than fifty shares, only one vote was granted for each extra ten shares; for those with more than one hundred shares, one vote was granted for each extra twenty shares.³³⁷ The Official Bank, by far the largest merchant shareholder, owned about 54,000 shares but only about 3,200 votes.³³⁸ A serious conflict broke out when the bank wanted to break up its one large ownership into numerous smaller ownerships, largely because there was no clause in either Company Ordinance or Shenhai Charter that dealt with the issue of stock division. On January 29th, 1931, the bank sent a letter to Shenhai:

³³⁶ Wu Tingfang et al., p. 19.

³³⁷ “Shenhai Railway Company Charter” in SHTL, 53.

³³⁸ SHTL, 101.

Our bank holds more than two million *xiandayang* of Shenhai stock ... Because our bank has the responsibility of keeping the financial market efficient in Liaoning Province, we need to have large amount of liquid capitals. Recently, the capital market has been tight and we have a shortage of funds. Merchants are suffering from a crunch. We cannot afford to have so much immobile asset in Shenhai stock ... Therefore, we request 3,946 anonymous stock coupons of one share and 5,000 coupons of ten shares so we can sell them and have quicker turnovers of capital...³³⁹

After the proposal was frustrated at the board meeting by other shareholders, the bank sent in a roster of more than one thousand small would-be owners on March 13th, 1931, asking Shenhai to issue each of them forty of the bank's shares.³⁴⁰ Other merchant shareholders, headed by none other than the first proposer of Fenghai Railway – the Hailong gentleman Wang Yintang, mounted a vehement opposition against the bank's move because, if implemented, the bank's votes would jump from 3,200 to 54,000, about two thirds of all merchant shares, rendering everybody else's votes much less important. Directly at stake was who would be elected as directors and vice general manager in future shareholder meetings.

The Official Bank was obviously intent on taking more control of Shenhai – for one thing, having more than one thousand new owners overnight was a shady act; for another, it could sell Shenhai stocks without dividing all stock shares into small coupons at once. Also, given its status as a large holding company owning many enterprises across the Northeast, the bank was probably not content with playing a minor role in Shenhai's corporate affairs. However, the bottom line was, as a large shareholder, the bank was not asking more than what it deserved. Wang Yintang, together with other shareholders, sent

³³⁹ SHTL, 101.

³⁴⁰ SHTL, 101.

in a highly polemical letter to Shenhai on March 15, 1931, two days after the Official Bank's second request:

Although the Official Bank is listed as a merchant shareholder, it is actually a government-owned financial institution. Its stocks should not be allowed to sell freely as the real merchant shares. The bank should not wield its power, derived from government funds, and ride roughshod over small owners, who can only rely on their blood-and-sweat money ...³⁴¹

In this letter, merchant shareholders played victim and appealed more to morality, but after some research, they sent a second letter on the 20th, whose arguments were based on the law, the charter, and the decision-making procedure:

... The very purpose of the Company Ordinance's restriction on large shareholders' votes is to prevent them from monopolizing voting power; therefore, there is no clause allowing the division of large ownership. If division is allowed, which large shareholders would not always divide? Then what is the point of having such restrictions? ... We were astonished to learn that a new corporate charter has been drafted and approved, which allows the division of stocks. As stated in the charter, any revision must be approved at the shareholder meeting; however, although we never missed a meeting, we have never seen a new charter ...³⁴²

The arguments were undoubtedly poignant, but the problem was: Neither the Company Ordinance nor Shenhai's charter explicitly *prohibited* the division of stock. The "new" charter in dispute, it turned out, was passed at a board meeting and submitted to the provincial government for approval. The provincial government approved the changes including stock division and instructed the company to submit the new charter to the shareholder meeting for confirmation. But the bank could not wait until the meeting, which was only two months away, likely because, as accused by small owners, it wanted

³⁴¹ SHTL, 101.

³⁴² SHTL, 101.

to wield voting power at the meeting and install its people as Shenhai's directors and even vice general manager.³⁴³

The small owners then sent four petitions – signed by different people – to the provincial government, all pointing to the illegitimacy of the new charter that was never voted on by shareholders. The petition led by Zhang Mingshan, an activist shareholder from Tonghua County, was particularly polemical, alarmist, and exaggerated,

... Early this year, the Official Bank mobilized many county magistrates to buy Shenhai stocks for it. The magistrates sent out many henchmen, brandishing their talons and teeth and harassing the people to buy more Shenhai stock. Now the bank requests to divide its shares and tries to monopolize the voting power ... Facing this great repression, we small owners will fight to death ... We trust and rely on you, our government, to have sympathy for our hardship and forbid the division of stock ... If this conflict gets overheated and a political storm like the Sichuan Railway Unrest develops here in the Northeast ... The people's sentiments will be agitated and difficult to stop ... Small sparks can ignite a prairie fire ...³⁴⁴

The Sichuan Railway Unrest (Sichuan baolu fengchao) in 1911 mentioned by the petitioners was a struggle for railway rights between the state and the merchant shareholders, which took place in an already unstable political context in late Qing. It indirectly led to the success of the Wuchang Uprising and downfall of the Qing dynasty. But twenty years later, the situation in the Northeast was anything but the same. The petitioners probably would be better off had they resorted to different tactics. The current provincial regime, although highly mindful of development, was comprised mostly of former military officers, who were unlikely to be scared by the doomsday rhetoric. Wang

³⁴³ FTSZGS, 3827.

³⁴⁴ FTSZGS, 3827.

Yintang also sent petition to Zhang Xueliang, the ultimate power holder of the Northeast.³⁴⁵

After not getting what they wanted from the Shenhai Railway Company and the Liaoning provincial government, the activist shareholders acted frenetically. They published several open telegraphs (*tongdian*), addressed to the Vice Commander in Chief of National Army, Navy, and Air Force (Zhang Xueliang's long-winded title bestowed by the Nanjing government), the GMD party provincial branch in Liaoning, the Governor of Liaoning Province (Zang Shiyi), and Shenhai Railway Company. All telegraph writers claimed that they "would rather die than accept the division of stock."³⁴⁶ But ultimately, the shareholders did not get what they wanted. Governor Zang Shiyi gave the go-ahead, although not without hesitation, and Shenhai divided stock for the Official Bank. The shareholder meeting was held on May 15, 1931, just as planned; the Official Bank showed up equipped with more than 50,000 votes.³⁴⁷ But for the small shareholders, all was not lost. The governor still wanted to pacify them – by putting a restriction on the Official Bank. Assuming that the election of vice general manager was at the center of the conflict, he ordered that the nominee supported by the Official Bank could not be a candidate for vice general manager. He also decreed that Chen Shutang, the current vice general manager and the spokesman for small shareholders, could not be elected either. The governor tried to mediate by appearing fair to both sides.³⁴⁸ In the end, Shen Zhenrong, head of the Materials Department (*Cailiao chu*) at the Northeastern Arsenal

³⁴⁵ FTSZGS, 3827.

³⁴⁶ SHTL, 101.

³⁴⁷ FTSZGS, 3827.

³⁴⁸ FTSZGS, 3827.

(Dongsansheng binggongchang),³⁴⁹ was elected vice general manager.³⁵⁰ The Japanese SMRC watched the unfolding of the conflict with interest – at the beginning, the Fenghai project could materialize only after difficult negotiation with the Japanese, who had protested that it was parallel to the SMR. The Information Department of the SMRC completed a well-written internal report on the whole controversy on June 2, only two weeks after the shareholder meeting. Their opinion, not surprisingly, was against the Chinese government and the Official Bank. In their version of the story, even more exaggerated than that of the small shareholders, Shen Zhenrong, the new vice general manager became the Official Bank's person and the Official Bank resorted to violence in subduing small shareholders at the meeting.³⁵¹ Neither could possibly be true because the small shareholders would have made big noises about it.

However, even a good compromiser as Governor Zang Shiyi failed to placate the small shareholders. After the division of stocks and the shareholder meeting, they still refused to accept defeat and turned to the national government in Nanjing for justice. Their petitions reached the Industry Ministry, the Railway Ministry, and even the Central Executive Committee of Guomindang (Zhongyang dangbu)! It was a remarkable move because the Nanjing government could not and had not tried to exert jurisdiction over the Northeast. Although acting out of desperation, the petitioners did not implicate the provincial government, placing all the blames on the Official Bank and Shenhai General

³⁴⁹ Mantetsu, Department of Information. "The Provincial Bank's plan to take over the Shenhai Railway". *Riben ziliao, Jiaotong*, 2582, Liaoning Provincial Archives.

³⁵⁰ FTSZGS, 3827.

³⁵¹ Mantetsu, Department of Information. "The Provincial Bank's plan to take over the Shenhai Railway".

Manager Zhang Zhiliang. These petitions were aptly embellished with reference to the GMD ideology:

In this new era, living under the Flag of Blue Sky and White Sun [GMD's party flag] and guided by the Three People's Principles, how can we still tolerate this kind of violation of rules and repression of the people? We have not other choice, but to beseech you, our honorable authority, to have sympathy for People's Rights and People's Livelihood. You are the hope of the tens of thousands of small shareholders across Liaoning Province.³⁵²

The Central Executive Committee asked the Industry Ministry to look into the issue. The Industry Ministry then asked the Liaoning Provincial Government to investigate – the two were considered equal in ranks in the bureaucratic system; but for the provincial government, there was nothing to investigate. In its reply to the Industry Ministry, it insisted that “the division of stock is not against even the rules of the old charter” and claimed that “the vice general manager elect was not related to the Official Bank ... so most merchant shareholders have already been disabused from misunderstandings;” at the end of the letter, it dismissed the petitioners for “making sensationalist statements over an already settled case.”³⁵³

The conflict between the Official Bank and small shareholders revealed a serious flaw in the Company Ordinance and in Fenghai's charter. The purpose of the clause that limited the voting power of large shareholders was to encourage the participation of small shareholders, but it did not explicitly forbid the division of stock shares. In the case of Shenhai Railway Company, that objective was well achieved – although the stock division would not cause any financial loss to small shareholders, they still did everything they could to prevent the division from materializing. The loss of participation in decision

³⁵² FTSZGS, 3827.

³⁵³ FTSZGS, 3827.

making and oversight was enough to unnerve the small shareholders, probably because of the uncertainty associated with that loss, especially at the moment Shenhai began to make large profits. But the provincial government was still the largest shareholder, the manager, and the ultimate authority over the railway and there was simply no evidence of potential abuse. On the other side, Governor Zang Shiyi, Treasurer Zhang Zhenlu (a Shenhai director and the representative of all government shares), and the director of the Official Bank Lu Muting had all been Zhang Xueliang's associates in the military for a long time. Now occupying highest civilian positions in the province, they were the real power holders of the whole province. The small shareholders had no chance against them, but they all showed reasonable restraint and dealt with the issue through established procedures. Overall, the episode was a good lesson for all parties in economic rights and capitalist ownership.

5. Running a Good Business at Shenhai

The Fengtian provincial government established the Fengtian Textile Mill and the Fenghai Railway Company to bring in profits. The railway, however, was a complicated endeavor – it was strategically vital and it would promote commerce and industry in the eastern part of the province. But these goals, in the long run, relied on the success of the railway itself. If the railway could bring in profits and expand into remote areas, as Shenhai did in 1930-31, the state would also better achieve the other two goals without additional cost. Throughout Shenhai's short history, the provincial government and the Shenhai management remained focused on running a successful business. Without profits and self-sustainability, the railway would become a huge drain on the provincial coffer.

For Chinese railways in Liaoning Province, the biggest challenge came from the Japanese. The Japanese transportation system, which included the SMR and the largest seaport Dalian, was well managed and highly competitive; it was the greatest barrier to the development of the Chinese modern transportation system. Without the Japanese presence, the Chinese system, all owned or controlled by the state, would form a monopoly of railway and seaport transportation. The Japanese competition undoubtedly stymied the growth of Chinese railways. However, there was a benefit of the Japanese presence – the introduction of market competition and the pressure for the Chinese to improve their transportation system and provide better services.

Seaports were crucial for the competition of transportation business – Chinese railways had to make Yingkou more attractive to compete against Dalian. Yingkou (including both Niuzhuang and Yingkou ports) had been the only seaport outlet for the Northeast for centuries. Its commerce got a great boost when the British and the French forced the Qing to open it for trade in the 1850s. The British set up a consulate in Yingkou in 1861.³⁵⁴ As early as the 1870s, the China Merchant Steam Navigation Bureau had opened a route between Yingkou and Shantou, the southern commercial city.³⁵⁵ In 1900, Guanneiwai Railway (later named Jingfeng Railway) completed a branch line from Goubangzi to Yingkou, under the supervision of Zhan Tianyou. But Yingkou was soon overtaken by Dalian as the largest port in the Northeast, after the Japanese rebuilt the SMR in 1905-06. With Dalian under the Japanese occupation, Yingkou was especially crucial for Chinese railways because it was their only seaport outlet in the Northeast. But

³⁵⁴ Zhang Dawei, p. 81.

³⁵⁵ Liu Kwang-Ching. “The two models of ‘government supervision-merchant management’ in the early history of the China Merchants Steam Navigation Bureau,” p. 247.

even in Yingkou, the Chinese had to compete with the Japanese SMR, whose branch line to Yingkou had the lion's share of the transportation business.

In October 1929, General Manager Zhang Zhiliang sent Guo Xurun, head of the Department of Vehicle Management, and Han Xingxiu, manager of Business Section (*yewu ke*, section was one level below department), on a research trip to Yingkou. Their task was to investigate the reasons behind Yingkou's diminishing transportation business and to systematically compare services provided by Beining and the SMRC.³⁵⁶ At the time, Shenhai was arranging cooperation with Beining and Jihai railways to form a complete transportation system. Therefore, Zhang Zhiliang took the initiative to draw a clear picture of the transportation business. The Shenhai managers found out, not surprisingly, that the reason behind the blight of Yingkou's transportation business was the attraction of Dalian. Specifically, the turn-off for merchants about Yingkou was the multiple hefty taxes. In Yingkou, besides the custom tax, the Liao River Engineering Bureau also charged an "affixed tax" (*fujian*). Moreover, when goods were loaded onto a train in Yingkou and transported inland, another custom tax was charged at Goubangzi, the intersection of Beining trunk line and the Gouying Branch Line (*Gouying xian*). Even goods carried by passengers had to pay this passing tax. Then another affixed tax, twenty percent of the original passing tax, was collected in addition. Furthermore, most goods were also subject to "production tax" and "sale tax" even before they left Yingkou. Because of these "heavy, repetitive, and tricky taxes," the managers reported, "more and

³⁵⁶ FTSZGS, 3820.

more customers, both Chinese and foreign, abandoned Yingkou and embraced Dalian.”³⁵⁷

The Japanese, on the other hand, did not collect similar taxes. The Dalian custom allowed the one-time payment of the famous “transit tax” (*zikou shui*), which would allow goods travel tax-free inland, no matter where they would finally reach.³⁵⁸

Even the meager transportation business that did go through Yingkou was mostly taken up by the SMRC, which provided cheaper and safer services for customers than Beining. The two Shenhai managers compared the transportation of ten tons of the same goods from Yingkou to Shenyang – the customer not only would pay less with the SMRC, he would also automatically get insurance for all commodities at no additional cost. Beining, on the other hand, “does not cover the railway cars with cloth and does not take responsibilities if the goods get drenched in the rain or burned by fire ... customers have to pay extra money to get their goods covered and purchase insurance in addition.”³⁵⁹ The two managers then made a similar comparison for goods transported from Yingkou to Tongliao (see Map 3.1), a city further inland. The conclusion was the same – the SMRC was a safer and cheaper choice. Beining was certainly aware that it had to compete with the Japanese for transportation business and actually implemented some competitive measures. For instance, its trains traveled 164 miles between Yingkou and Shenyang, but on the Japanese railway, the distance between the two cities was only 112 miles.

³⁵⁷ Shenhai Railway Company, *Shenhai Railway Monthly*, (Vol. 1, No. 6 and No. 7, October 1929), pp. 1-5 in the “Research” section.

³⁵⁸ Wang Zhijun. “Lun jindai zhongguo de zikou shui zhidu” (On the Transit Dues System of Modern China). Master’s thesis, Zhengzhou University, 2006.

³⁵⁹ Shenhai Railway Company, *Shenhai Railway Monthly*, Vol. 1, No. 6 and No. 7, October 1929.

Therefore, Beining charged customers for the distance of 112 miles instead of 164.³⁶⁰ Yet that was obviously not good enough.

The two Shenhai managers recommended that the government reduce taxes and Beining (completely owned by the government) charge less money and take full responsibilities for goods. Otherwise, the report concluded, “it is really difficult for Chinese railways to compete against the SMRC.” Although Shenhai did not reach Yingkou directly, Beining’s performance had great impact on Shenhai (and Jihai) because it was the major channel for goods from southern provinces to reach Shenhai. Shenhai sent the report to the Communications Committee and the Liaoning provincial government, which relayed the report to the Political Affairs Committee of the Northeast, the highest governing body headed by Zhang Xueliang. The Political Affairs Committee wrote back a long letter explaining the differences of various taxes and their necessity; but near the end, the committee ordered the Director of the Shanhaiguan Custom (*Shanhaiguan jiandu*, who was in charge of all Northeastern customs) to investigate whether the Japanese allowed tax exemption for imported goods. Although not explicitly promised, the committee seemed to imply that, if the Japanese did offer the simple and cheap option of transit dues, the committee would follow suit so Chinese railways and seaport could compete in the open market.³⁶¹ As we will see in Chapter 6, the whole country eventually abolished all passing taxes, giving the Northeastern railways a big break.

³⁶⁰ Jin Shixuan, ed. *Zhongguo dong bei tie lu wen ti hui lun* (A compilation of comments on the problems of Chinese railways in the Northeast) (Tianjin: Da gong bao, 1932), pp. 40-41.

³⁶¹ FTSZGS, 3820.

Seaports were crucial enough for business that, in 1930, Shenhai and Jihai jointly appointed a business researcher (*shangwu diaocha yuan*) by the name Jiao Guorui, who would keep the two railway companies informed about the transportation business in Yingkou, Dalian, and Andong.³⁶² Jiao would also function as a promoter and the liaison with the local business community in these cities. Among the three port cities, Yingkou was important for Beining, but not so much for Shenhai and Jihai – not matter which port their customers chose, as long as the start or destination was eastern Liaoning, they would rely on Shenhai and Jihai. Although Dalian and Andong were connected only through the SMR, they became accessible to Shenhai and Jihai customers, after Shenhai and the SMRC recently arranged cooperative transportation (*lianyun*).³⁶³ While Beining needed to compete against the SMR between Yingkou and Shenyang, Shenhai and Jihai were competing against the SMR beyond Shenyang. Shenhai seemed more aggressive than Beining in courting customers. Upon the appointment of researcher and liaison, Shenhai sent a letter to the Yingkou Chamber of Commerce, “we install Jiao Guorui in Yingkou so you can conveniently contact us for any business issues.” In June, Shenhai sent Xu Huaifang, manager of General Vehicle Dispatch (*chewu zongduan*), to join Jiao Guorui in Yingkou; the two “held banquets for luminaries in the business community and Beining managers to build up friendship and boost transportation business.”³⁶⁴ Since Jiao Guorui also conducted advertising and socializing activities in Dalian and Andong, he sometimes had to leave business affairs in Yingkou unattended. Shenhai appointed a clerk as Jiao’s assistant in Yingkou, so Yingkou customers could conduct business without interruption.

³⁶² SHTL, 168.

³⁶³ SHTL, 58.

³⁶⁴ SHTL, 168.

Shenhai and Jihai split all costs and salaries of the two liaison staff.³⁶⁵ Although Beining already had its station and office in Yingkou, Shenhai was more proactive in promoting business and in trying to get passing taxes abolished. Chapter 6 includes a more detailed account of the Sino-Japanese railway rivalry and its consequences.

Shenhai Railway had been profitable since it first began partial operation in 1927. In 1928, the first year after the construction of the major line was completed, Shenhai's revenue was 3,728, 085 *xiandayang* – the number was calculated in 1929 and converted from *fengdayang*, which was the currency of denomination in Shenhai in 1928. Shenhai's balance sheet showed a healthy growth of 30 percent in revenue in 1929, reaching 5,343,086 *xiandayang*. The net income for 1929 was 1,943,246, a 9.7 percent return on investment (20 million), quite impressive for a railway company established only four years earlier.³⁶⁶ In 1930, Shenhai brought in a staggering revenue of 7,492,927 *xiandayang* (including a pending payment of 293,000 from the military) with an operating cost of 4,592,000,³⁶⁷ producing a profit of 2,900,927.³⁶⁸ Although the business was booming, the large shareholders could not enjoy the dividends yet.

Shenhai was always in need of large capital for two reasons. The railway was built with minimum budget – the company built temporary bridges, makeshift

³⁶⁵ SHTL, 168.

³⁶⁶ Shenhai Railway Company, *Shenhai Railway Company's annual report for 1929 and plan for 1930*, pp. 11-12 in the section of "Accounting Department."

³⁶⁷ SHTL, 3824.

³⁶⁸ Shenhai Railway Company. *Shenhai tielu gongsi shiba nian gongzuo baogao, fu shijiu nian jinxing jihua* (Shenhai Railway Company's annual report for 1930 and plan for 1931), (Shenyang, 1931), "Accounting" section.

warehouses, and purchased old locomotives,³⁶⁹ so the railway could begin operation as early as possible and with a cost as low as possible. Once it began to generate income, Shenhai needed to gradually replace makeshift constructions with permanent ones and purchase new locomotives and more cars. In addition, Shenhai's ambitious plan for continuous expansion would also demand large investment. But every year, the fixed and contingent bonuses, both promised in the corporate charter, would consume the precious capital Shenhai urgently needed. In reality, for 1929 and 1930, before the yearend, Fenghai already spent most of the profits in construction and purchase of locomotives, so there was not much left to distribute as dividends. It would of course be a violation of the charter if nothing had been given to shareholders. Shenhai decided to give stock instead of cash to large shareholders – those who owned more than one hundred shares; small holders, if not willing to reinvest and get more stock shares, still received cash dividends.³⁷⁰ Judging from Shenhai's profitability, reinvesting in stocks seemed a much better choice, but that kind of patience and ownership mentality were probably not yet common. Overall, policies were again favorable to small owners. The corporate charter also stipulated that in a profitable year, employees including directors and monitors should receive bonus, just as stockholders should get dividends.³⁷¹ That was also suspended – the company gave employees certificates indicating the amount they were entitled. Everybody had to be prepared for several more years of no cash dividends. In a report written after the 1930 annual meeting, Shenhai told the provincial government that

³⁶⁹ Shenhai Railway Company. *Shenhai Railway Monthly*, (Vol. 2, No. 10, February 1930), pp. 11-13 in the "Important documents" section.

³⁷⁰ SHTL, 130.

³⁷¹ SHTL, 52, in "Shenhai Railway Company Charter."

“In the future, when our company has enough fund, shareholders will received all suspended dividends since 1929, so we do not deviate from the corporate charter ... these propositions have all been approved at the shareholder meeting.”³⁷² The management and the large shareholders, both entitled to dividends, reached the rational decision to not receive quick money.

6. Conclusion

During his stint at Shenhai, Zhang Zhiliang turned the railway into the most profitable railway in the Northeast. It was crucial that Governor Wang established Shenhai according to the Company Ordinance – its ownership structure allowed Governor Liu to appoint a business leader like Zhang Zhiliang to head the company, which would not have been possible for Beining, an established railway completely owned by the government. Zhang Zhiliang was later promoted to be the Northeastern Commissioner of Salt Administration (*Dongsansheng yanyun shi*). It is noticeable that Liaoning businessmen enjoyed the trust of the state and were able to participate in the management of crucial institutions such as Shenhai Railway and the Official Bank. That was not typical in the violent context of 1920s. For instance, in the tumultuous environment of Sichuan, during the same time, the Chengdu Chamber of Commerce was buffeted by various political forces – from militarists to radical students. According to Stapleton, the chamber “increasingly disappeared from public view.”³⁷³ In another provincial city Guangzhou, which was dominated in 1920s by the anti-merchant Guomindang, the business community fared no better. The GMD regime subjugated the

³⁷² SHTL, 130.

³⁷³ Kristin Stapleton. *Civilizing Chengdu: Chinese urban reform, 1895-1937*. Cambridge, Mass.: Harvard University Asia Center; distributed by Harvard University Press, 2000.

merchant class after it defeated the Merchant Corps in October 1924. The newly established Merchant Association, sponsored by the government, was simply a mechanism for the GMD to control merchants.³⁷⁴ Overall, the fate of business communities in Chengdu and Guangzhou was probably more representative than that in Liaoning. The treatment of the capitalist class, especially a fledgling one, is one important index of how much emphasize the state and the society place on economic development.

It was important that from the beginning, the Wang Yongjiang had conceived the Shenhai Railway as an “economic railway.”³⁷⁵ On the one hand, by providing fast and reliable transportation with great capacity, Shenhai would undoubtedly help the economic development of eastern Fengtian; on the other hand, as a company, Shenhai would also make profits for its shareholders. The rational management of Shenhai was the direct reason behind its success – Shenhai was the most profitable railway in the Northeast. In contrast, most other Chinese railways in the Northeast were ill-conceived from the beginning and poorly managed afterwards. In his report to the central government in Nanjing in December 1930, Zhang Xueliang presented a gloomy picture of Sitao, Taoang, Jichang, and Jidun railways – all bogged down by interest on foreign debt.³⁷⁶ The Jihai Railway was completely owned by the Jilin provincial government, probably because of the absence of businessmen, Jihai did not show as much attentiveness to cost – it constructed better bridges and purchased better locomotives. Although debt free, Jihai

³⁷⁴ Michael Tsin. *Nation, Governance, and Modernity in China: Canton, 1900-1927* (Stanford, CA: Stanford University Press, 1999), pp. 112-13.

³⁷⁵ SYSZGS, 3763.

³⁷⁶ Dong and Zhang, pp. 95-96.

had a difficult time in making profits and soon became a financial burden for Jilin Province.³⁷⁷ The lack of consideration for profitability naturally led to the failure of railways because, without self-sustainability – the ability to bring in profits, railways would become financial burdens for the state.

My understanding of capitalism is largely based on the Weberian concept of rationality, not the relation of production. If an enterprise is managed in a rational manner – the accounting is rigorous, the management is monitored by owners, and the products and services compete in the open market – then I see capitalism in it, no matter who the managers are or whether the ownership is private. On the other hand, the state-lead capitalism likely would help the emergence of an established bourgeois class, which actually was Governor Wang Yongjiang's long-term goal. Ultimately, the governor knew, only economic development could bring about prosperity and strengthen the state.

To better understand capitalism, I believe, we have to make a clear distinction between its origins in Western Europe and its replication in other parts of the world – the trajectories are bound to be radically different. Needless to say, the replication of capitalism also varies from case to case and therefore requires extensive empirical research before we can reach any generalization. If the gestation of the world's first capitalism as an economic force was a prolonged process, necessarily concomitant with profound social or cultural transitions, as elaborated by Marx and Weber, its replication around the world often takes place more quickly and easily, with only small changes in the sociopolitical context. That is why capitalism has been taking roots around the world in a variety of sociopolitical environments. If social, political, and cultural contexts are all

³⁷⁷ Ma Shangbin, pp. 145-46.

but impossible to transplant from Western Europe to other geographical locations in a short period of time, capitalism and rationality are clearly not.

CHAPTER FIVE

Shenhai Railway and the Outside World: The Railway Era in Eastern Liaoning

In eastern Liaoning, Shenhai Railway Company was unrivalled in its power and influence. It stood out as a sprawling enterprise with enormous resources, modern technological expertise, and a hierarchical organizational structure. In all cities along the railway line, the company operated markets that occupied large stretches of land. These markets were conveniently located near the railway stations and would soon become the commercial centers in their host cities. Shenhai also owned two large coal mines and several logging and sawing mills. It opened its own schools, mainly for employees' children, but also enrolled children from outside. In all these respects, Shenhai was typical among Chinese railways in 1920s. However, Shenhai was also a unique railway – it was largely run by the state yet it was a company whose private shareholders spread all over the province. In contrast, most Northeastern railways were owned by the state and managed by railway bureaus.

As an institution with enormous resources and modern technology, Shenhai was a powerful force that other government institutions had to reckon with. For local government and society, interacting with Shenhai was a new experience. For the local people, Shenhai embodied the industrial power, cutting-edge technology, and modern organization. Some villages, using traditional language in petition, appealed to Shenhai as a paternalistic authority. They requested the company to change its route for irrigation purposes, to construct a bridge near villages, or to dig a tunnel to better manage water supply. But Shenhai was not a traditional authority and it did not envisage itself in such a

way – making profits and maintaining a sound balance sheet were the most pressing task for the company. In this chapter, I examine Shenhai’s relationship with the outside world. As a company situated in a society not yet dominated by market economy and its ethos, Shenhai often handled various issues through non-economic means, willingly or reluctantly. In such dealings, more often than not, Shenhai had the upper hand over the local community, because of its power and inherent connection to high officials.

1. Shenhai’s Local Markets

The obvious *raison d’être* of railway markets was to provide exchange channels for commodities transported by trains. But for the Fengtian³⁷⁸ provincial government, railway markets were also a means to jumpstart urban development across the province, which was crucial for industrialization and modernization in general. Fenghai Railway Company’s markets were planned early on and were considered an integral part of the railway project. The first clause of the Corporate Charter made it clear: “This company builds and administers the railway between Fengtian and Hailong and its branch lines; this company also manages markets along the railway and other attached enterprises.”³⁷⁹ For Fenghai, markets were the key to attracting customers, facilitating business, therefore bringing in profits. But as an agent of state’s urban development, Fenghai also took on the responsibilities of a municipality on market lands.

The Fengtian Market was by far Fenghai’s largest and most important market; it was also where Fenghai made its greatest contribution in urban development. In

³⁷⁸ As indicated earlier, Fengtian and Liaoning refer to the same province (before and after February 1929). Similarly, Shenhai was Fenghai’s new name since April 1929. I try to use the names appropriate for the time.

³⁷⁹ FTSZGS, 3793.

September 1925, only two months after the construction began, the company submitted the “Regulations for leasing land in Fengtian Market” (Fengtian shichang zuling dimu zhangcheng) to the provincial government for approval. In this letter, we see Fenghai’s plan of urban development and the role that Fenghai envisioned for itself:

Although the scope of the provincial city has recently expanded, the population has also been growing continuously. Consequently, the supply of real estate still cannot meet the demand. Fengtian station is the starting point of Fenghai Railway; in the future, when the construction is completed and the railway is fully in operation, there will be a large number of people who would stay nearby, running business or making a living. It will become a prosperous quarter ... therefore, we planned from early on that besides promoting transportation, we would also attract businesses and people (*shang min*) to settle on our market. We have purchased 3200 *mu* land near the Fengtian station according to the rules in Fenghai Corporate Charter ... which we will lease to businesses and people.³⁸⁰

In October, Fenghai posted notices, inviting companies to open business in Fengtian Market; the occupants would construct their own buildings in the market.³⁸¹ In the beginning, the top priority was to attract businesses and to lease real estate to them.

In May 1926, Fenghai posted another advertisement for Fengtian Market because several hundred real estate lots remained unsold; In June, it sent letters to those had leased land on the market, urging them to construct buildings: “Fenghai has opened business between Fengtian City and Fushun for two months; we will reach Yingpan very soon ... travelers’ demand for housing will certainly increase substantially ... It is a favorable time to build houses.”³⁸² In the next two years, Fenghai had to issue similar notices numerous times; every time, Fenghai threatened to forfeit the property of those who leased the land but did not construct a building in two years – such penalty was

³⁸⁰ SHTL, 151.

³⁸¹ SHTL, 151.

³⁸² SHTL, 151.

clearly stated in the market's charter. But in reality, the company never terminated anybody's lease, which was supposed to be effective for thirty years.³⁸³ In an already prosperous metropolis, turning a peripheral railway market into flourishing urban space proved all but impossible. Looming large were the two well-established business districts – the Japanese-administered Mantetsu Attached Land (MAL) and the Chinese-operated Fengtian Business District. Both had more than twenty years of history and were open to people from any country – in contrast, Fenghai Market leased land only to Chinese nationals. Railway access was readily available to both districts – the MAL was established along the SMR; the much larger Business District was located to the south of the Jingfeng Railway.

In August 1926, Fenghai established a grain exchange (*liangshi jiaoyisuo*) in Fengtian Market. In its letter to the provincial government, Fenghai proclaimed that “the export of Northeastern products has been dominated by foreigners for a long time; it was our biggest and most egregious mistake.” Establishing a grain market, Fenghai continued, would help “stop the *leakage* in the Northeast (*du dongsheng zhi louzhi*) and break the foreigners' monopoly of our *liquan*.” The draft regulation of the exchange, which was sent together with the petition, indicated that the exchange would support both spot and future transactions. After obtaining permission from the provincial government, Fenghai began to announce the forthcoming opening of the grain exchange in October to all relevant parties: the Provincial Treasury, Fengtian Chamber of Commerce, about one hundred grain merchants in Fengtian City, and magistrates and chambers of commerce in fourteen nearby counties. The regulation for the new exchange was sent along with

³⁸³ SHTL, 49, 151.

notification letters. Fenghai also ran an advertisement in the newspaper, offering to send the exchange's regulation to whoever was interested. In October, Fenghai "prepared tea and refreshment" and invited grain merchants in Fengtian City to the company for a discussion. In January 1929, Fenghai tapped a member from its Board of Monitors, a Niuzhuang merchant named Gao Bukong, to be the director of the grain exchange.³⁸⁴ Gao represented the merchant shareholder Niuzhuang Saving Association of Businesses and People (Niuzhuang shangmin chuxuhui).³⁸⁵ Appointing a monitor as a manager had the potential of blurring the boundary between different branches of the corporate structure; but the appointment of Gao might not have been a big issue because the grain exchange was quite independent from other parts of the company.

After setting up the grain exchange, Fenghai proposed to the provincial government to move the capital city's grain market (*liangji*) from the city center to its market. Such a move would amount to a reorganization of the urban space of Fengtian. It was a tall order – Fenghai would gradually find out that social engineering was more difficult than mechanical engineering. The provincial government approved Fenghai's plan of relocating the grain market and ordered Shenyang county magistrate to notify all villages about the move. The governor's office also ordered the police bureau to relocate the grain market to Fenghai's Fengtian Market.³⁸⁶ Somehow the grain market did not change location – grain merchants likely resisted such a move because Fenghai's market was too far from their shops, which were mostly in the city center. Two years later, in October 1928, with a different governor in office, Fenghai gave it a second try. It

³⁸⁴ SHTL, 149.

³⁸⁵ SHTL, 54.

³⁸⁶ FTSZGS, 3802.

resubmitted the same request and the governor's office granted it again. The grain merchants opposed through a petition by Fengtian Chamber of Commerce: "Fenghai should open a grain exchange for future transactions, but not request a relocation of the grain market ... Fenghai's location is too far for many people ... The current market is in the middle ... We request that the grain market remain at the same place." The governor's office was convinced and told Fenghai to cancel the plan. The grain exchange itself was also suspended in January 1928 due to lack of business activities. It reopened in September of the same year, when the company thought the conditions were ripe – the construction of the Meixi branch line was now completed and Fengtian Province was set for an abundant harvest for the year.³⁸⁷

We know Fenghai was serious about opening up a new urban space because it tried to attract all kinds of business, which would by definition form a functioning city. It is likely that Fenghai's vision of an urban space was influenced by the layout and makeup of the MAL on the other side of the city. An area of 2.33 square miles completely situated outside the old capital city, the Fengtian MAL had been run by the Japanese SMRC for twenty years. It was a modern city by itself;³⁸⁸ the entertainment industry was especially prosperous on the MAL, where a variety of brothels operated, alongside restaurants, hotels, and casinos.³⁸⁹ Similarly, in its Fengtian Market, Fenghai reserved an area for brothels and named it Happy Entertainment District (*changyi fang*). The company posted a notice specifically targeted at brothel owners, courting them to open

³⁸⁷ SHTL, 149.

³⁸⁸ Cheng Weirong, *Jindai dongbei tielu fushu di* (Railway Attached Land in the Northeast) (Shanghai: Shanghai shehui kexueyuan chubanshe, 2008), pp. 98-102.

³⁸⁹ Cheng Weirong, p. 240.

business on the Happy Entertainment District.³⁹⁰ It is interesting to note that Governor Wang Yongjiang lived an austere lifestyle; he once dismissed his brother-in-law from an official post because he visited a brothel.³⁹¹ The opening of the Happy Entertainment District reveals his pragmatism and willingness to conform to the logic of the market force.

On the market lands, Fenghai took on many municipal responsibilities and authorities, largely because modern urban administration in Fengtian Province was still in its infancy. The Fengtian Municipality (*Fengtian shizheng gongsuo*) was established only two years earlier in 1923; Fengtian City did not have definite limits or a centralized administration. The Business District, where the Fengtian Textile Mill was located, was administered separately by the Bureau of Business District (*Shangbu ju*), which reported directly to the governor. Fenghai managed its Fengtian Market in a similar way – it purchased land from villagers,³⁹² employed its own police force,³⁹³ constructed the infrastructure for the market (roads, sewage, and lighting), issued building codes to occupants, and performed other administrative duties.³⁹⁴ Therefore Fenghai looked like the municipal authority on its Fengtian Market. Many noncommercial institutions – including schools, charity factories, and the army – also came to Fenghai for land on its markets. The presence of these institutions turned Fenghai's markets into real urban space, not just a simple district for transportation-related business. All railway markets

³⁹⁰ SHTL, 49.

³⁹¹ Dalian Jinzhou wenshi ziliao weiyuanhui, Dalian wenwu guanli weiyuanhui. *Wang Yongjiang jinian wenji* (Commemorative essays dedicated to Wang Yongjiang) (Dalian: Dalian chubanshe, 1993), p. 73.

³⁹² SHTL, 151.

³⁹³ SHTL, 49.

³⁹⁴ SHTL, 151.

were under the supervision of the Northeastern Communications Committee, but the committee seemed never interfered with the management of these markets.

The public face of Fenghai as the municipal authority on the Fengtian Market was Fenghai's police department (*lujingdui*). For Fenghai police, the first step in maintaining good order in the market was to draft regulations and design forms. In April 1928, police chief Chen Xijiu submitted a draft of "Regulation of Businesses in Fengtian Market" to the management:

In our Fengtian Market, the number of residents and businesses has been increasing recently. Because we did not register businesses, sometimes we do not know where to begin with [in administering these businesses]. We should immediately set the regulation and issue licenses, so when a matter comes up, we can find relevant information ... Fenghai did not tax businesses in the market before because they were few in number. We ask your order on whether from now on, we should collect business taxes when we issue licenses.

A draft of the market regulation and a sample of the registration form were sent along with the petition. The management approved the documents and registration process, but told the police department that "to promote businesses in the market, no business tax should be collected."³⁹⁵ When a clerk from Fengtian City's tax bureau collected tax on several small vendors, Fenghai petitioned the provincial government for tax exemption for small vendors on the grounds that such measures would help develop the Fengtian Market. The company indicated that it certainly planned to collect taxes, but only when the market became prosperous. The provincial government allowed the exemption, except for cigarettes and liquor. The police department also made a separate regulation for hotels in Fengtian Market, which included a registration form for hotel guests. The

³⁹⁵ SHTL, 49.

regulation was quite comprehensive – besides instructions on traveler registration, it also included detailed rules, such as hotel rooms must be numbered and the outhouse must be cleaned regularly. Regarding guest registration, no less than 16 types of travelers, such as those traveling with arms or foreigners without a translator, must be reported to the police.³⁹⁶

In an effort to attract businesses and customers, Fenghai opened an opera park (*xiyuan*) in 1926. In an advertisement clumsily written in vernacular language (almost all Fenghai's documents were written in formal literary style), Fenghai pitched the real estate next to the theater and the Happy Entertainment District as “ideal for opening a restaurant, selling fresh foods, and operating stores of imported goods.” In 1930, Shenhai made further investment to make the Shenyang Market a local attraction – it opened the Hustle-and-Bustle District (*Renao qu*), essentially an amusement park. It probably encompassed the opera park and the brothels. A reporter from People's Times of the Three Northeastern Provinces (*Dongsansheng minbao*) gave a vivid account:

Rumor has it that both opium and gambling are openly allowed in the Shenhai Market ... I therefore went there to investigate for myself ... The purpose of arranging opera performance is to develop the market. The plan is have performance on the open stage (*yetaixi*) for three months. The ticket is three *yuan*³⁹⁷ apiece; it is very crowded. Most vendors are selling soda and ice cream; other foods are not even covered. There is lots of dust and garbage is littered everywhere, yet the visitors are still eating heartily. It is a ridiculous scene!³⁹⁸

Shenhai certainly succeeded in creating hustle and bustle, although the reporter was not favorably impressed. One month later, he returned for another look:

³⁹⁶ SHTL, 49.

³⁹⁷ The *yuan* here likely refers to *fengxiaoyang*, five sixth of the value of *fengdayang*.

³⁹⁸ *Dongsansheng minbao* (People's Times of the Northeastern Three Provinces), May 26, 1930.

At the Prosperous Shenhai Opera House (Shenhai xing chashe), the ticket was one silver dime (*dayang yi jiao*). The performance was mostly lecherous. But it was popular with the audience; cheering and applauding were nonstop ... There were several brothels to the north. The prostitutes looked like ghosts and demons ... Gambling was all over the place, but in disguised forms ... There were about one hundred of them. Surprisingly, gambling operations all had permits, which read 'Allow customers to wager for cigarettes. Valid for the day. Gambling forbidden. Issued by Department of Entertainment, Shenhai Market.' The essence of this form is taxation through pretended prohibition."³⁹⁹

The reporter's judgment seems apt – Shenhai had to pay lip service to the law prohibiting gambling, but in reality, its permit was self-contradicting and open gambling in its market was rampant. It is difficult to estimate the indirect impact of the market on Shenhai's overall business, because the history of Shenhai and the market was too short – within one year, the Japanese would take over Shenhai and the whole Northeast. In 1930, the direct revenue seems negligible – Shenhai's revenue not related to railway was only 0.32 percent.⁴⁰⁰

As of June 1930, Shenhai had opened eight markets, in Shenyang, Fushun, Zhangdang, Yingpan, Ying'emen, Shanchengzhen, Chaoyangzhen, and Xi'an. The size of Shenhai's markets was closely related to the size of its railway stations. From Shenhai's 1930 statistics, we learn that the four largest stations, where the company earned the most revenue, were Shenyang, Shanchengzhen, Chaoyangzhen, and Xi'an.⁴⁰¹ Besides the eight markets in operation, Shenhai also planned five smaller ones in Jiuzhan, Cangshi, Nanzamu, Qingyuan, and Meihekou, which would enable its business to reach small cities and rural areas directly. But due to lack of interest, these markets were

³⁹⁹ *Dongsansheng minbao* (People's Times of the Northeastern Three Provinces), June 30, 1930.

⁴⁰⁰ Shenhai Railway Company. *Shenhai Railway Company's annual report for 1930 and plan for 1931*, "Accounting" section.

⁴⁰¹ Shenhai Railway Company. *Shenhai Railway Company's annual report for 1929 and plan for 1930*, section of "Accounting," pp. 6-7.

suspended until “the business of freight transportation shows a major improvement.”⁴⁰²

Shenhai’s markets were a huge real estate resource, which although were not completely controlled by the company, gave it tremendous power and responsibilities in both the provincial city and in smaller cities in eastern Liaoning.

2. Shenhai’s Takeover of Local Resources

With its extensive presence in eastern Fengtian, Fenghai inevitably got into disputes with local communities for various reasons; its acquisition of local resources was a constant source of contention. Facing Fenghai’s enormous power, county magistrates were either unwilling or unable to protect the local interests. For instance, in December 1925, Shenyang county magistrate received a petition from a villager named Zhong Ku, whose land was purchased by Fenghai. Zhong Ku entreated the magistrate to investigate and adjudicate the land dispute between him and Fenghai, but the magistrate refused to get involved: “This is an issue of Fenghai’s land use. You should go to Fenghai to request for a re-investigation.” We can only imagine Zhong Ku’s response to such an advice. There was a sentence in the original draft – “It is not appropriate for this office to take on the case (*benshu weibian shouli*),” which was crossed out. The sentence and its deletion reflect the magistrate’s mentality – he was trying to avoid potential confrontation with Fenghai, but did not want the villager to know.⁴⁰³ Some villagers sent their petitions to the provincial government, which mostly ordered Fenghai to report on the case. Such orders carried certain pressure, but except in rare occasions, did not make a difference.

⁴⁰² SHTL, 49.

⁴⁰³ SYXGS, 30453.

Shenhai's compensation for its land use was a long drawn-out process – probably due to communication problems. As late as November 1930, the company was still distributing stocks and money to villagers for their land. To take into consideration the inflation of *fengdayang* – the provincial currency, the company compensated villagers with *xiandayang*, the national currency. Shenhai gave small shareholders the option to receive cash or stock, but set a deadline of May 31, 1930, after which only stock would be distributed. Many villagers asked for cash compensation after the deadline; Shenhai declined all these requests.⁴⁰⁴

The biggest loss suffered by villagers was probably *fuduo* – the land not registered with the government. Although Wang Yongjiang had conducted a thorough land survey ten years ago, Shenhai still encountered cases of *fuduo*. The company only paid according to the size registered in land licenses, which was often smaller than the actual size. In September 1930, Monitor Gao Bukong sent a letter to the management, suggesting that Shenhai should not “wrangle with people for profits” (*yumin zhengli*) and should pay landowners according to the actual size. Such a measure would certainly cost Shenhai some money; as the representative of a large shareholder, Gao was probably making the suggestion out of justice, not his own interests. No matter what Gao's motive was, Shenhai management did not want to give out money. In its polite reply to Monitor Gao, the management emphasized the importance of respecting government documents and pointed out it was actually illegal to buy unregistered land (*heidi*).⁴⁰⁵ Shenhai was probably a little disingenuous, because *fuduo* was pretty much an open secret. For

⁴⁰⁴ SHTL, 2.

⁴⁰⁵ SHTL, 2.

generations, these *fuduo* lands had evaded taxation; now they were all exposed by Shenhai.

Besides land use, mines were a major cause for strife between Fenghai and local owners. Mine-related issues were trickier than land disputes because mines were difficult to evaluate. Probably taking a page from the SMRC, Fenghai moved to monopolize mines along its railway route. On June 15, 1926, Fenghai sent the governor a petition regarding mining activities within five *li* (each *li* was 0.31 mile) of the railroad: “It is critical that the railway subgrade remain solid and sturdy. All underground projects within five *li* of each side of the railroad must be carefully conducted to keep the railroad safe ... On the one hand, we should be able to inspect existing mines; on the other hand, for future mines within five *li*, we should investigate the location and verify that mining operation will not hurt the solidity of the railroad before permission is issued. We petition that you send an order to Bureau of Industry regarding our requests.” Acting Governor Mo Dehui readily approved Fenghai’s requests. Such a grant further expanded Fenghai’s power along the rail line and before long, the company began to capitalize on it.⁴⁰⁶

Fenghai first set its eyes on a lime quarry in Qingyuan, a new county in the process of being established. In August 1926, after a direct negotiation with the owner failed, General Manager Wang Jinghuan sent a personal note to Qingyuan magistrate Shen Guomian:

All mines within five *li* of our railroad should be preserved for Fenghai. This has been approved by the provincial government. The lime quarry in the Zhongzhaizi Village is in the area of preservation; we could have purchased it at ten yuan per *mu*. Because it is a mine, we offered a more favorable price. But the villagers wanted to retain property rights and only lease the mine to our company. This is

⁴⁰⁶ SHTL, 51.

profiteering ... I hope you can explain the matter to the villagers in detail and manage the issue for us. We should not let the villagers go their stubborn ways.⁴⁰⁷

It is noticeable that Fenghai twisted the governor's permission for it to participate in future approval of mining licenses into a right to own mines. As the chief of the Bureau of Administrative Affairs, Wang was still Magistrate Shen's superior, so Shen probably tried hard to help, but Zhongzhaizi villagers seemed immovable. Since he was in the process of establishing a new county, Shen could not afford to incur the ill will of the local community. Between a rock and a hard place, he wrote back in great frustration: "I summoned Shi Yancai [the village head] to my office and told him that Fenghai's term was indeed extraordinarily favorable. However, even after my tongue was worn out and my lips dried up, he still refused to sell ... My virtue is not good enough to influence the villagers. I apologize for not being able to help."⁴⁰⁸

Fenghai would not yield without putting up a fight either. In early September, it sent a petition to the governor: "Zhongzhaizi villagers do not recognize the great importance of the railway and try to profiteer. If we do not expropriate their land, there will be many imitators of their wrongdoing; the future of our railway will be in great jeopardy! Please order the Bureau of Industry to cancel their mining license and order the Qingyuan magistrate to requisition the land for railway use." The governor approved Fenghai's request. In the end, Fenghai decided to pay a miniscule 500 *yuan* for 250 *mu* of land, far cheaper than the price it offered the villagers in the beginning – more than 10 *yuan* per *mu*.⁴⁰⁹ It looked like a vengeful decision.

⁴⁰⁷ SHTL, 51.

⁴⁰⁸ SHTL, 51.

⁴⁰⁹ SHTL, 51.

Zhongzhaizi villagers, it turned out, were tenacious. In the next three and half years, they continued to fight the case in county and provincial governments, but to no avail. The judiciary system was not independent enough to be their savior. In May 1930, the village's representative Sun Mingwu sent a lengthy petition to Shenhai, exaggerating its financial loss over the years and beseeching sympathy and compensation: "In our village, the coffer is depleted and the people exhausted. We have learned our lesson – the small cannot oppose the big and the weak is no match for the strong. We no longer cherish the extravagant prospect of retaining the property right [of the quarry], but still hope to get a fair compensation." While Shenhai took only 250 *mu* land from the village, the petition inflated it to "seven to eight hundred *mu*." Luckily for the villagers, Shenhai agreed to reopen the case, perhaps because it had been a while since Shenhai last dealt with the villagers, or maybe because the new general manager Zhang Zhiliang was more conciliatory.⁴¹⁰

Two Shenhai managers came to the village and, after surveying the mining area, confronted the villagers about their inflated number of *mu* in their petition. The villagers emphasized the importance of the lime quarry to the village and entreated for sympathy, but did not show any sign of embarrassment. Shenhai managers reproached the villagers for their deception, but actually recommended favorable compensations to their superiors. Employing the language of moral economy, they reasoned: "Our monthly income from the lime quarry is high. Education is an important matter for Zhongzhaizi, so we hope you will be generous to the villagers and provide fund for their school. Our cost will be limited, but the benefits to local children will be boundless. The animosity between us

⁴¹⁰ SHTL, 51.

and the local community will also disappear.” But the two sides were not able to settle on a number – the Zhongzhaizi villagers seem to be tough and tenacious negotiators. In February 1931, seeing no hope of ending the dispute bilaterally with the villagers, Shenhai sent a petition to the governor, requesting intervention from Bureau of Agriculture and Mining (*Nongkuang ting*) as the independent, uninterested party. In May, a joint survey team was formed between the Bureau and Shenhai.⁴¹¹ We do not know whether the dispute was ever settled – there were no more documents on the issue and it was only four months before the Japanese invasion on September 18.

Although the Zhongzhaizi villagers were indeed demanding and tenacious, they were at least possible to deal with. But when a Japanese mine owner was involved, acquiring the mine became impossible for Shenhai or the provincial government. In July 1926, Fenghai sent a petition to the governor for exclusive access to a coal mine near its railway: “There is a coal mine near Tukouzi Village in Fushun County. It is within five *li* of Fenghai Railway and we plan to reserve for ourselves. We petition that you send an order to notify Bureau of Industry, so any application for mining in this area should be declined. If this mine is worth of exploiting and it does not interfere with the railway, we will develop it after railway construction is completed.” The governor approved Fenghai’s request right away.⁴¹²

But this turned out to be a complicated case – the mine was already in operation for years, and more troublesome, one of its co-owners was a Japanese by the name of Mine Yasoichiro. In August, Fenghai sent a letter to Bureau of Industry, asking the

⁴¹¹ SHTL, 51.

⁴¹² SHTL, 51.

bureau to verify whether there was Japanese ownership and to withdraw the current license and forbid future mining. The bureau wrote back with the coal mine's basic information – the Chinese and Japanese co-ownership, the license issuance ten years ago, etc., but completely dodged the question of a Fenghai takeover. The paper trail on this issue was interrupted for three long years. The provincial government reopened the case in 1929, by instructing the Bureau of Agriculture and Mining to investigate the two Tukouzi coal mines on behalf of Shenhai. Again, the bureau (partial successor of the Bureau of Industry) was not sure how to deal with the Japanese presence – the other mine was also a joint-venture by the same Japanese with a Chinese co-owner. The wording of the bureau's letter to Shenhai was as evasive as before: "For the long-term security of your railway, it seems you should purchase the two mines." Shenhai probably hoped the bureau could revoke the licenses of the two mines, but the bureau clearly wanted Shenhai to negotiate the deal for itself. In January 1929, after the governor approved the bureau's proposal that Shenhai should manage to purchase the mines, the bureau sent another letter to Shenhai: "The Mining Ordinance (*kuangye tiaoli*) stipulates that foreigners are allowed to form partnership with Chinese and own mining rights ... Both mines are joint venture between a Chinese owner and Japanese merchant Mine Yasoichiro and both were approved by the government. For ten years, they never violated the law. Therefore we cannot abruptly revoke their licenses and cause trouble in foreign affairs. For long-term security, the best solution is for your company to purchase the two mines, to avoid future dispute."⁴¹³ Shenhai was never able to own the Tukouzi mines. But such setback in Fenghai's acquisition of local resources was the exception rather than the rule.

⁴¹³ SHTL, 51.

3. Shenhai's Intrusion into Local Community

Fenghai's construction caused great disruption in local communities along the railroad, which cut through eastern Fengtian and fragmented villagers' land, creating great troubles for irrigation, water control, and local transportation. The waterworks that had been functioning for generations now were destroyed by railway construction. Fenghai obviously did not communicate enough with the villagers about its railway construction. Numerous petitions from villagers asked Fenghai to add more outlets and culverts in the railroad foundation so that water could flow away from their houses and their crops. Some petitions were submitted after dire flooding had already happened, at least according to the villagers. If Fenghai had communicated better with villagers and been more attentive to their needs, such flooding could have been avoided.

In a village just outside the capital city named Maojuntun, because the railway stopped the outflow of water, the 1929 flood caused great damage to the village's properties. The village head presented a petition that was informed by the latest political theory: "The government, no matter in China or in the West, is responsible for protecting the people from natural disasters such as flood, fire, and earthquake. It is not allowed to neglect the suffering. We hereby plead that you build more bridges and open more ditches." An illustration and a detailed list of flooded houses were attached to the petition, but there was not request for compensation – it is unclear why the villagers did not give it a try. Fenghai agreed to build a bridge to let the water flow out. Fenghai's railroad also cause problems for local transportation, because it did not always build crossroads, which

villagers often had to petition for. The company mostly responded favorably to such requests.⁴¹⁴

It was only natural for a railway to permanently alter the landscape and destroy village infrastructure. But Fenghai brought more disruption and destruction to the local communities than the altering of landscape. So far we have only seen Fenghai's upper echelon – the bureaucrats and the technocrats. The workers almost never appeared in Fenghai's documents. We see them in the archives of local governments, for whom they were often a big headache, especially during the construction period. Fenghai workers often appeared in large numbers in villages and became a constant threat to the local society. For the magistrate, it was a knotty problem. Because of the workers' affiliation with Fenghai, the county magistrate might feel that they were not under his jurisdiction. Moreover, because Fenghai was a powerful force and often operated above local government's authority, it needed to be gingerly dealt with. Consequently, disputes and brawls between Fenghai workers and the local people often had to be adjudicated by the provincial government. It is noticeable that Fenghai workers' behavior was much worse in the remote Hailong County than in Shenyang County, whose territory included the provincial capital. In outlying areas, the Fenghai staff's sense of superiority and power was probably quite strong.

On January 12, 1927, Hailong magistrate Wang Zuocai received a peculiar petition from police chief Qi Shouchun. Qi, together with two village heads, reported an offense by Fenghai workers. According to Qi, Fenghai workers came to villages in large groups and “commandeered horse carts violently, extorted money and property, assaulted

⁴¹⁴ SHTL, 134.

the villagers, and plundered foods ... Such pillaging at will is indeed not different from the behaviors of the bandits.”⁴¹⁵ The petition included a list by household of grain and property that was forcefully taken by Fenghai workers. The magistrate forwarded the list to Fenghai’s section chief (*duanzhang*) in Shanchengzhen, but made no attempt to help the villagers to recoup their losses. In April, Qi sent another report on the criminal behavior of a Fenghai worker, who led a crowd of thirty workers and beat up several villagers including an eighty-year old. Officer Qi arrested the worker and sent him to the court. But that was simply not enough to stop the Fenghai workers.⁴¹⁶

In May, the Hailong magistrate again received an alarming report from the head of the eighth ward on the dangerous tension between Fenghai workers and villagers:

This is an urgent report. My ward is close to an office of Fenghai Railway. Fenghai workers often come to villages in my ward to loot foods, firewood, clothes, quilts, and beddings. The villagers harbor great animosity toward the workers; they figured that since the government was not taking any actions, they should organize and protect themselves. They made a compact – if one family is attacked by the workers, all families will come to defend the attacked family ... If the workers come to plunder again, violence will likely break out ... The tyranny of these workers is actually worse than that of the bandits ... the bandits at least have to flee far away with loot and the government can arrest and punish them. But these workers are cocky because of their status as railway workers; they openly pillage the local community. The people are too weak to resist and the local government cannot aptly intervene. Therefore railway workers are a problem worse than banditry.

The magistrate appeared outraged: “These workers are indeed abominable to the extreme!” and gave an order: “If the workers make trouble again, the police should arrest them and punish them severely.” Railway workers kept coming back and according to another report by the head of the eighth ward, “there is not a day that they do not come.” It should be obvious to him now that the magistrate was not able to protect the local

⁴¹⁵ HLXGS, 255.

⁴¹⁶ HLXGS, 255.

community. The magistrate was again furious, but offered no solution. He did order the ward head to register the details of the looting – which worker robbed which household of what kind of property and promised to take the case to Fenghai management. But the railway workers seemed relentless – in July, a cook (*huofu*) from the same unit as the arrested worker raped a woman in nearby village. According to the report by village head, she tried to commit suicide by swallowing opium, and at the time of reporting, was still in critical condition. The magistrate wrote to Fenghai, asking the company to send over the cook for investigation.⁴¹⁷ It is unclear how the case was further persecuted, or whether it actually went through the court.

The attitude of Fenghai management certainly did not help the situation. There is evidence that the company provided food for workers,⁴¹⁸ but judging from the severity of the workers' harassment of villagers, the provision was probably not sufficient. At least, the management failed to discipline the workers. In November and December of 1927, Hailong magistrate again received reports from the village head of Tianqingtun, the head of the First Ward, and the police chief Qi Shouchun about a brawling between Tianqingtun villagers and Fenghai workers. It is instantly obvious that the petition from the village head was grotesquely skewed – in his account, the villagers never raised a finger; in reality, they fought back in self-defense. The reason of the fracas was again the forceful extortion (*qiangsuo*, the villager's term) or borrowing (*she*, Fenghai's term) of grains. Tianqingtun was the only village that was able to hold out when all other villages were forced to "lend" grain to Fenghai workers. Borrowing happened often, but there was

⁴¹⁷ HLXGS, 255.

⁴¹⁸ Fengtian caizheng ting (Fengtian Treasury), Yuekan chu (Monthly Department). *Fengtian Financial Monthly*, 1926 (1), pp. 18-19.

hardly any repaying – “new loans had accumulated on top of old ones” (*jiqianshenduo*), a fact even acknowledged later by Fenghai’s own police report, which was quite partial to the workers. The Fenghai workers, numbered six according to Fenghai’s account but fourteen in the village head’s petition, came to the village to “borrow” five *dan* (one *dan* was about 173 bushels) of grain. Since Fenghai workers did not have a good track record in paying back their debts to the local community, the villagers were reluctant to lend. A brawl ensued.⁴¹⁹

The local police came to the scene and arrested six workers – it is likely that this was also the number of workers that actually came to the village. When they were about to leave, Fenghai railway police also arrived and basically hijacked their law enforcement. The Fenghai police was somehow able to dominate the local police and arrested four villagers, together with six workers. The local police tried to dissuade the Fenghai police from taking the villagers away, but to no avail. Police chief Qi fumed in his report to the magistrate: “The railway workers dared to abduct the villagers and beat them up! Their behavior is even worse than before! They are indeed contemptuous to the law! Yet Fenghai police officer Guo Guangfu not only did not discipline the workers, they apprehended the injured villagers! This is disdain for the law and disregard of our police right! (*mie wo jingquan*) If we do not severely protest to Fenghai management, we cannot possibly prevent future offenses and pacify the people.”⁴²⁰ The wording would be appropriate for accusing the Japanese of intrusion on the Chinese sovereignty. However, the magistrate was probably not as outraged as the police chief – there is no evidence that

⁴¹⁹ HLXGS, 255.

⁴²⁰ HLXGS, 242.

he took any measure to seek justice for the villagers or defend his administrative exclusivity on Hailong territory.

It was the tough villagers who took the issue to the provincial government – they telegraphed a petition to the governor’s office, accusing Fenghai workers and police “behaving like bandits” and asking for an investigation from the above. The situation, however, was not in the villagers’ favor – Fenghai’s general manager Wang Jinghuan sat atop the provincial bureaucracy. The governor’s office ordered Fenghai to investigate the matter – not a surprising decision considering Wang Jinghuan’s lofty position. Wang followed the order by sending Fenghai police chief (*lujing duizhang*) Jin Yulun to Hailong. It turned out that Jin had been a student in Wang Yongjiang’s police school in Liaoyang.⁴²¹ Jin’s report was predictably partial to Fenghai workers. He emphasized two things – the villagers were greater in number and the workers’ wounds were more severe, both later underscored by Wang Jinghuan in his report to the governor’s office. Jin also pointed out that Hailong police were quite hostile to Fenghai workers, which was likely true – how could they not be given the Fenghai workers’ behavior? Partial as Officer Jin was, the picture is pretty clear – the villagers would be perfectly happy if the workers had left them alone. It was the workers who repeatedly extorted foods and property from the villagers; when the villagers said no, disputes and brawls took place. At the end of his report, Officer Jin told Wang Jinghuan that offenders from both sides had been sent to the local court, so both sides should simply wait for the verdict. Wang relayed Jin’s report to the governor’s office and seconded his idea that the matter should be left to the court.

⁴²¹ Jin Yufu, p. 37. The careful reader should have noticed the similarity between the names of the historian Jin Yufu and the police chief Jin Yulun. They were indeed brothers – Yulun was younger.

Wang then defended Fenghai officers, but promised to discipline workers.⁴²² In the end, Tianqingtun villagers' persistence paid off – they at least got partial justice and Fenghai workers were less likely to harass their village again.

But Fenghai workers had not finished with harassing the villagers. In July 1928, Hailong magistrate received yet another petition, this time from hotel owner Yang Zhankui, about Fenghai workers' criminal behavior. A group of thirty Fenghai workers stayed at his hotel for four days, but refused to pay the rent. When Yang insisted, Fenghai workers began to smash the hotel and assault the people – Yang, his son, and a cook were hurt badly. When local police came to read the riot act, Fenghai workers “verbally abused the police and threatened them away.” Workers from Fenghai's contract companies also contributed their share in harassing and robbing the villagers. In the summer of 1928, workers from Donghe Company (*Donghe gongsi*), which supplied stones for Fenghai, forcefully occupied the villagers' houses, seized their food and clothes, beat up those who dared to challenge, and defied the police who were hopelessly outnumbered. The ward head sent the list of lost property to the magistrate, who relayed it to Fenghai. The villagers were compensated and were willing to close the case.⁴²³

For county magistrates, it was not always clear whether railway staff actually fell under their jurisdiction – it probably was not specified anywhere. In January 1928, Hailong magistrate received a letter from Fenghai, clarifying the matter: “From now on, please enforce the law without hesitation on those Fenghai workers who make trouble. This is an effective way to maintain order and peace in local community.” The magistrate

⁴²² HLXGS, 242.

⁴²³ HLXGS, 37.

agreed and notified all subordinates throughout the county.⁴²⁴ Fenghai's approach to dealing with misbehaving workers was different in Shenyang County. In a letter to Shenyang magistrate in June 1928, Fenghai did not encourage the magistrate to discipline its workers: "We employ many workers at our company. Some of them might harass the local community ... We request that your county government, when seeing the misconduct of Fenghai workers, promptly inform us, so we can penalize the wrongdoers right away."⁴²⁵ The contrast was probably due to the different location of the two counties. While Shenyang County was the home of the company's headquarters, Hailong was too far away – it would be difficult and costly, such as in the case investigated by Jin Yulun, for the management to interrogate and discipline the workers. The lawlessness of Fenghai workers and the inadequate punishment of their riotous behavior demonstrate that state building in the Northeast was far from complete. The judiciary and police had to be further strengthened – as Wang Yongjiang repeatedly pointed out, even if the regime had devoted itself to regional development, it would take decades to achieve success.

4. Shenhai's Cooperation with the Local Society

Fenghai's contact with local society was full of contention, but it had to rely on local governments on various issues. For Fenghai, it was not difficult to get magistrates to cooperate – the company always secured the cooperation of magistrates through the provincial governor's office. It was also important that during the construction period – from May 1925 to December 1927, Fenghai's General Manager Wang Jinghuan was the

⁴²⁴ HLXGS, 29.

⁴²⁵ SYXGS, 4626.

superior of all magistrates. It probably set the tone for the relationship between Fenghai and county governments – the railway company always had the upper hand in dealing with magistrates. Fenghai's monopolistic position in transportation probably also added to its power of leverage vis-à-vis the local community. On the one hand, county governments provided crucial support for Fenghai; on the other hand, the local society had to rely on Fenghai for not only transportation, but also real estate and construction materials. Overall, because of Fenghai's power, the relationship was far from symmetrical – the railway company was more in control than the local society, including the county magistrates.

In May 1928, Hailong county government received a request from Fenghai, regarding defense against local bandits. Fenghai asked the magistrate to order farmers not to plant tall crops near the railway stations in Shanchengzhen, Heishantou, Meihekou, and Hailong, because in the fall, tall crops would become great hiding places for bandits, who might launch surprise attacks on railway stations. Hailong magistrate readily obliged.⁴²⁶ The provincial government also ordered county magistrates to assist Fenghai in recovering its loans to local merchants.⁴²⁷ Although county magistrates had the responsibility to help any creditor to take back his money, the governor's order certainly set the priority higher for Fenghai's loans. In March 1930, Hailong magistrate received a letter from Shenhai, asking for help in retrieving its money lent to a local merchant named Jiang Yaozhou. Although the debt in dispute was only 3,000 *fengxiaoyang* (about 50 silver *yuan*), the magistrate ordered the police to summon Jiang and interrogated him

⁴²⁶ HLXGS, 28.

⁴²⁷ SYXGS, 2731.

personally. When the local court of law began to investigate the case, the magistrate handed it over and notified Shenhai.⁴²⁸

But when the local society needed Fenghai's help, the company did not appear indebted. In 1928, a Hailong County clerk lost a free pass issued by Fenghai and the magistrate earnestly requested Fenghai to replace it. Hailong was certainly important for Fenghai – two of the four most profitable stations were located in Hailong, and, as the magistrate emphasized repeatedly in his letters, the county government had helped the company on many occasions. Also, as we have seen, Fenghai workers had caused so many problems in Hailong. No matter – Fenghai refused to provide a replacement. Soon after, Fenghai modified its policy on issuing free passes to county governments – from 1929 on, in each county, only the magistrate would still enjoy a registered free pass – as a result, Hailong county government lost three free passes.⁴²⁹ There were only six counties on Fenghai's route; the saving produced by the new policy was quite limited – but in Fenghai's calculation, it weighed more than a good relationship with county governments.

Fenghai's shortage of rolling stock was a persistent problem – at times, it probably put strain on the relationship between the railway company and the business community. Because of the seasonality of railway freight transportation, it was difficult to determine how much rolling stock to own: a large number of vehicles were needed for the busy season but if purchased, most of them would idle during the rest of the year. Seasonality was especially prominent in Fenghai's case because its revenues were largely

⁴²⁸ HLXGS, 293.

⁴²⁹ HLXGS, 35.

from transportation of agricultural produces, mostly soybean and soybean products. During the peak season – from January to April, Fenghai simply did not have enough cars; therefore merchants often had to implore the company for more freight cars so their soybean would not pile up in the warehouse. In January 1928, amidst Fenghai's first busy season, Hailong Chamber of Commerce, together with Fenghai's Hailong Stationmaster, sent the company an urgent letter asking for more cars. General Manager Zhang Zhiliang agreed to send more cars, but could not make good on his promise. In March, the chamber was still sending letters, asking for more cars to transport the goods which had piled up in the Hailong Station and in grain stations in the county seat. Fenghai replied again with promise and apology – it had finished repairing the locomotives and had borrowed cars from other railways; the goods in Hailong would soon be transported. But the situation probably did not improve much. In late March, when the Acting Minister of Transportation and Fenghai General Supervisor Chang Yinhuai stopped over at the Hailong Station, the chamber seized the opportunity to report the transportation problem in person. The director of the chamber secured two generous promises from the acting minister: more cars would be allocated to Hailong and price would be reduced to compensate for the loss due to the delay of railway transportation. In his letter to Fenghai, describing his meeting with Acting Minister Chang, the chamber director also suggested that Hailong's goods be transported to sea port Yingkou via Fenghai and Jingfeng railways to "resist Nanman and protect the *liquan*." Chang's promises probably helped relieve Hailong's problem, but the issue persisted. In May, the chamber sent yet another letter to Fenghai asking for more cars. This time, the company was able to transport out

most of the goods piled up at the Hailong Station; by the end of May, the company turned around and began to solicit business from Hailong business community.⁴³⁰

In the following year, Fenghai was able to improve its transportation capacity substantially, but the problem was not completely solved. On February 3, 1929, Hailong Chamber of Commerce sent a letter to Fenghai. The chamber reported that goods were piling up and merchants were afraid that their soybeans would be damaged by water when the spring thaw came; the frustrated merchants were even contemplating the old route – that was to send their goods by *dache* – the horse-drawn cart – to the Japanese railway station in Kaiyuan, about 100 miles away by road. It was the chamber, according to the letter, who dissuaded the merchants from taking such a drastic action. Although the word *liquan* was not explicitly used, it was palpably implied. Fenghai thanked the chamber “without bounds” for retaining the merchants and their business and promised prompt action.⁴³¹ It was likely that the chamber was bluffing. For one thing, the cost was high to haul grains by *dache* over a long distance; for another, winter was long in Hailong and in early February spring was still far away. Hailong merchants probably just wanted to get their goods out as early as possible.

The Hailong Chamber of Commerce was not alone in pressing for more railway transportation. In 1930, chambers of commerce in Yingpan (a city in Fushun County) and Nanshanchengzhen (a city in Qingyuan County) also asked for more freight cars, probably exaggerating their problems in letters. Both chambers also aligned their own interests with Chinese *liquan*; Nanshanchengzhen even used the phrase “national spirit”

⁴³⁰ HLXGS, 794.

⁴³¹ HLXGS, 794.

(*minzu jingshen*) to emphasize their support for Chinese railway.⁴³² Overall, the situation seemed reasonable after the first winter, after Fenghai boosted its transportation capacity. As we will see in next chapter, Fenghai perennially rented rolling stock from Jingfeng Railway, Sitao Railway, and most frequently, the SMRC.

In contrast to its conducts in counties, Fenghai was much more amicable in the provincial capital. Many schools in Fengtian City came to Fenghai for their real estate needs, partly because there were many empty lots in the sprawling Fengtian Market. In February 1929, at the request of the famous educator Li Xianggeng, who was acting as the principal of the Chengcheng Middle School (*Chengcheng zhongxue*), Fenghai allocated 100 *mu* of the Fengtian Market to the school. In May, via the request of two former high officials Zhu Qinglan and Zhang Huanxiang, the company gave another 50 *mu* to the School for Poor Children for its attached factory (*piner xuexiao gongchang*). Both cases were approved by the provincial government.⁴³³ The Association of Morality Studies (*daode yanjiu hui*) also plan to open a middle school in Shenhai's market. In the provincial city, which was full of important people, the company appeared to be more generous than it was in the counties. Fenghai's own Fulun School⁴³⁴ (*Fulun xuexiao*), which also accommodated children from outside, was also located on the Fengtian Market. Fenghai appointed a section chief from as the principal of Fulun and provided funding for the school.⁴³⁵

5. Conclusion

⁴³² FTSZGS, 8153, 8154.

⁴³³ SHTL, 30.

⁴³⁴ Fulun was a general name for schools created by railway companies and bureaus in China.

⁴³⁵ SHTL, 156.

In early twentieth century, railway companies and bureaus were a new kind of institution emerging in China, which was undergoing a transition from an agrarian economy into an industrial one. In eastern Liaoning, Shenhai Railway Company was special in many ways. In a still hierarchical society in which every individual and each organization usually had a clearly-defined status vis-à-vis each other, Shenhai cut through the hierarchy of the society, being equal to institutions on many levels. A merchant would write to a magistrate in highly deferential languages, but Shenhai addressed both as its equal. Except for the governor and the Communications Committee, Shenhai addressed all government institutions and all citizens on equal terms. However, with its command of new technology and enormous engineering power, Shenhai clearly stood out as an elite institution in a still largely agrarian society. General Manager Wang Jinghuan was Governor Wang Yongjiang's most trusted associate; nearly all of Fenghai's top brass had university education, some from abroad; middle managers – *kezhang* – were all well-educated and some also studied abroad. The company was certainly among the most elitist and powerful institutions.

Shenhai published its own journal – Fenghai Weekly (Fenghai zhoukan) and later Shenhai Railway Monthly (*Shenhai tielu yuekan*), which not only covered railway issues in the whole nation, but also commented on other major subjects of the time, such as the threat of Japanese and Soviet imperialism. The journal was often graced with poems and essays composed by Shenhai employees. Shenhai's power was even unwittingly bestowed upon the workers, who were at the bottom of the corporate ladder and who had mostly been peasants – they often behaved mischievously in local communities with

impunity. For decades to come, under different regimes, the railway was to be a powerful presence in eastern Liaoning, until the local economy experiences significant further development and the railway loses its dominance.

CHAPTER SIX

Fenghai's Cooperation with Other Railways: State Coordination, Economic Nationalism, and International Railway Rivalry

Situated in a vast region of three large provinces, Shenhai was a small railway – its trunk line was only 150 miles long and its Meixi branch line was only 40 miles long. It was imperative for Fenghai to have cooperative transportation with other railways to absorb more business and increase the tonnage going through its tracks. Moreover, since the staple commodities in eastern Liaoning were soybean and soybean products, which were mostly destined for export to international markets, cooperation with other railways to reach a sea port was crucial for Shenhai. In contrast, the 525-mile long Beining, which connected Beijing, Tianjin, and Fengtian, had been profitable by itself without much difficulty. But even for Beining, cooperation could further expand customer base and boost revenue.

However, in the complex political and economic context of Northeast China, railway cooperation was much more than a simple matter of mutual benefits between railways. Shenhai was a railway jointly owned by Liaoning provincial government and merchant shareholders. It had three different types of partners – railway owned by the government of another province (Jihai), railways owned by the Northeastern regime (Beining and Jidun), and a Japanese railway (SMR). Shenhai had to navigate through great complexity in establishing partnerships. Shenhai's cooperation with other Chinese railways provides us a perfect opportunity to revisit the subject of localism at the provincial level in Republican China. Even within the Northeast, cross-province cooperation could not be taken for granted, as we will see in Shenhai and Jihai's

arrangement of through traffic. The strong provincialism reminds us once again the necessity of careful studies of provincial governments; even within the Northeastern regime, the three provincial governments should be studied individually.

For the Northeastern regime, the major goal of Chinese railway projects was to vie with foreign railways – the Chinese Eastern Railway Company⁴³⁶ and the SMRC – and win back railway power and economic interests. Prior to mid 1920s, the foreign railways controlled the lion's share of transportation business in the Northeast. Before the Chinese railways were built, in the north, the CERC and the SMRC competed with each other in Jilin and Heilongjiang provinces; in the south, the SMRC dominated transportation in Fengtian. As the Chinese railway network took shape, it competed against both the CERC and the SMRC. Therefore Shenhai was inevitably caught up in the game of international railway rivalry; at times the issue was simply beyond Shenhai's control – General Manager Zhang Zhiliang even lost his job in the process. Since Chinese railways were all much smaller and less established, they had to cooperate closely – the state's coordination was the key to the success of their cooperation. Shenhai, together with Beining, Jihai, and Jidun, constituted the Four Eastern Railways (Dong si lu), which competed against the Japanese mainly in eastern Fengtian and Yingkou.

7. Fenghai's Domestic Partners

Fenghai's first domestic partner of cooperative transportation was Jingfeng – one of the largest and earliest railways in China. In contrast to Fenghai's urgent need for partners, Jingfeng was profitable by itself, because of its length and its strategic position

⁴³⁶ The CER was jointly managed by the Russians and the Chinese since the Russian Revolution in 1917 – the two sides split the company's profits, but Russian/Soviet managers dominated the railway's affairs. See Jin and Xu, pp. 304-305, pp. 342-43.

as the only artery between North China and the Northeast. For instance, in 1921, it was able to fund two major branch lines – Jinchao and Datong – 70 and 153 miles long respectively.⁴³⁷ Fenghai and Jingfeng negotiated cooperative transportation in 1928 under the close supervision of Chang Yinhuai, who was still Jingfeng's general director. The issue of cooperative transportation was important enough for the state that a bureau – the Bureau of Cooperative Transportation (Lianyun chu) – in Ministry of Transportation was established to deal with it. Most railways at the time including Jingfeng belonged to the state. Railways partially or completely owned by merchants, such as Fenghai and Huhai, were also included in the state's coordination.

The negotiation between Fenghai and Jingfeng began in November 1927.⁴³⁸ After the exchange of draft documents between Jingfeng and Fenghai, the Ministry of Transportation scheduled a meeting for the two sides in Tianjin, where Jingfeng's headquarters were located. Later, Chang changed the meeting to Beijing, probably to keep a close eye on the matter. The two railways were ready to start the cooperative transportation before winter – the busy season of freight service. Fenghai advertised the through transportation with Jingfeng in newspapers as well as at its stations. The Bureau of Cooperative Transportation prepared travel guides and sent them to Fenghai so it could promote passenger service.⁴³⁹ However, in June 1928, the GMD's Northern Expedition Army drove Zhang Zuolin out of Beijing and war broke out along Jingfeng Railway. Jingfeng was cut into halves at the Shanhai Pass – GMD controlled the half in North China while the Northeastern regime kept the half in Fengtian. As a result of this delay,

⁴³⁷ Jin and Xu, p. 276.

⁴³⁸ Jin Shixuan, p. 87.

⁴³⁹ SHTL, 171.

the SMRC, not Jingfeng, became Fenghai's first partner of cooperative transportation. In November 1928, one month after Fenghai began cooperation with the SMRC, Fenghai and Jingfeng resumed negotiation. The two sides decided to lay rail tracks between their stations, but somehow did not implement through transportation. The agreement was obvious in favor of Fenghai – for freight transportation, Fenghai's station would perform transshipment; for passenger transportation, Jingfeng would run a train between the two stations for travelers.⁴⁴⁰ Overall, the cooperation was not successful in bringing in business at the beginning; passenger transportation seemed to be more active than freight service,⁴⁴¹ which was the bulk of Fenghai's business.

The reason, according to Shenhai's research, was Beining's incompetence – its freight service in Yingkou, uninsured and unsafe, was still more expensive than that of the SMRC, which was both safe and insured without extra cost. The consequence was that Chinese railways did not have much business in Yingkou, import or export. But Beining people probably did not share that view. At least Jin Shixuan, a Beining manager with a Ph.D. in Economics from University of Pennsylvania, thought Shenhai was more responsible: "Although Beining and Shenhai had begun cooperative transportation, because the two sides lacked sincerity, their relationship had the name but not the substance of cooperation. However, Shenhai's cooperative transportation with Mantie (the SMRC) was exceptionally active. Shenhai's outgoing goods almost all went to Dalian for export. Many Chinese decried such behaviors of Shenhai (*guoren po you*

⁴⁴⁰ Jin Shixuan, p. 88.

⁴⁴¹ SHTL, 172, 173.

feiyi).’⁴⁴² Jin was probably not fair to Shenhai – it was unlikely that the two railways did not cooperate more simply because they lacked sincerity. The Communications Committee would not have allowed that. It is more likely that customers, including those in eastern Liaoning, chose the SMRC instead of Beining. As we will see, when Beining later improved the service and cut the price, Chinese railways were able to win customers from the SMRC.

Shenhai and Jihai railways were natural partners – both were part of the Eastern Trunk Line in the Communications Committee’s grand plan of railway network. Just like Shenhai, Jihai was planned and constructed against constant protests from the Japanese embassy in Beijing and consulate in Jilin. The Japanese diplomats were probably trying to be as troublesome as possible; it is likely that they did not sincerely think they could stop the construction of Jihai. Their basis of complaint was the 1918 treaty that Japan signed with the Duan Qirui administration,⁴⁴³ which gave Japan priority if China were to borrow money to fund certain four railways in the Northeast. The railway between Jilin and Hailong was included in the treaty, but as the Chinese argued, since Jilin province did not borrow any foreign money, the treaty should not apply.⁴⁴⁴ Just as every protest against Chinese construction of a new railway, the Japanese also protested on the ground that Jihai would become a parallel line to the SMR;⁴⁴⁵ in response, the Chinese presented Jihai as an extension of Shenhai – so it was as legitimate as Shenhai.⁴⁴⁶

⁴⁴² Jin Shixuan, p. 88.

⁴⁴³ *Shijie ribao*, November 14, 1926, p. 3.

⁴⁴⁴ *Shijie ribao*, November 21, 1926, p. 3.

⁴⁴⁵ Harry Kingman. *Effects of Chinese nationalism upon Manchurian railway developments: 1925-1931*. (Berkeley: University of California press, 1932), pp. 12-14.

⁴⁴⁶ Che, Zhu, and Wang, pp. 161-62.

Jihai Railway's cooperation with Shenhai began very early on. Before Jihai's construction began, it sent an engineer to Shenhai for a joint survey in Chaoyangzhen, the city where the two railways would connect tracks.⁴⁴⁷ The two railways planned and built a joint station in Chaoyangzhen,⁴⁴⁸ where Jihai started laying tracks and proceeded northward to Jilin. The original plan of building the railway from two ends – Jilin and Chaoyangzhen – to the middle was frustrated by the Japanese, who refused to transport construction materials for Jihai on Jichang Railway – a Chinese railway under Japanese control.⁴⁴⁹ Jihai completed construction in May 1929 and became fully operational on November 1.⁴⁵⁰ Such success in railway did not happen frequently, so even national media watched Jihai's progress. For instance, on November 1, World Daily (*Shijie ribao*), a Chinese newspaper based in Beijing, reported Jihai's completion. We also learn from the daily that as the locomotives, passenger cars, and freight cars that Jihai ordered from the United States had all arrived, Jihai and Shenhai decided that their cooperative transportation would begin on the 10th of the same month.⁴⁵¹

The cooperation between Shenhai and Jihai was natural and well-known from the beginning, but that did not prevent a nationalistic and sensationalist staff writer at Shenhai Monthly named Chen Zhengliang to write an agitating article to celebrate the debut of through traffic between the two railways:

The Northeast was originally inhabited by the barbarians from eastern islands, people wearing animal skins, and the Tartar tribes. After thousands of years of

⁴⁴⁷ Li Mingshu, ed. *Jihai tielu jiyao* (Major Documents in the Establishment of Jihai Railway) (Jilin: 1928), Section 2, pp. 16-17.

⁴⁴⁸ SHTL, 133.

⁴⁴⁹ *Zhongguo tielu shi bianji yanjiu zhongxin*, p. 99.

⁴⁵⁰ Ma Shangbin, p. 139.

⁴⁵¹ *Shijie ribao*, November 1, 1929.

development, hundreds of years of wars and conquests, the Northeast has surged high together with the world's latest tides and become a golden area on earth. Yet it is currently in the midst of a great storm ... Shenhai Railway Company and Jihai Railway Engineering Bureau, charged with the mission of regional development, are like two bright stars, sending out dazzling lights on the western coast of the Pacific Ocean. On November 19, 1929, the two railways formally start cooperative transportation, just like two brothers at the age of eight and nine, hand in hand, singing the praise of youthful beauty. It is the first time that, in the semi-colonial Northeast, under the iron hooves of imperialist powers, we feel the joy of glory and enchantment.

Railway can annihilate a country – it is already quite obvious ... Look! The Nanman Railway,⁴⁵² running from the south to the north, occupying our central areas, the Northeast is like a patient whose throat is being controlled by somebody else ... Shenhai and Jihai were born under such circumstances. They not only bear the great responsibility of domestic development, but also will countervail the foreign power.

The author tried hard to be poetic but the language was quite incoherent; yet the message was clear enough: the two Chinese railways would compete head-on with the SMRC. Such articles abounded in the journal – many subjects could lead to a dire description of the imperialist threat faced by the Chinese. Although mostly written by Chen and another contributor by the pen name of Zhuo An, the patriotic sentiment was probably representative among Shenhai staff. The journal was managed by the Division of Editing and Translation (*bianyike*) in the Department of General Affairs. It was open to the public and was not narrowly focused on railway issues – it published articles on a range of subjects, from laws to Soviet politics, from poems to short stories.⁴⁵³ Nationalism was the most prominent theme in most issues.⁴⁵⁴ Such sentiment probably made Shenhai staff try harder in their competition against the Japanese railway.

⁴⁵² It was common for the Chinese to refer to the SMRC by the short name Nanman or Mantie.

⁴⁵³ Shenhai Railway Company, *Shenhai Railway Monthly*, Vol. 1, No. 1, June 1929.

⁴⁵⁴ Shenhai Railway Company, *Shenhai Railway Monthly*, Vol. 1-3, 1929-31.

Competing against the Japanese railway turned out to be quite a challenge for the two new railways – pricing was at the center of the issue. At least in one occasion, it caused tension between the two partners. In late 1929, Shenhai and Jihai decided to make a special arrangement regarding transportation of grains from the Kouqian (see Map 2.2), a distributing center of grains on Jihai Railway, to better compete against the SMRC.⁴⁵⁵ Starting from December 1, among freight destined to Shenyang, those from Kouqian was set at a lower price than those from stations closer to Shenhai. Such an abnormal pricing scheme was aimed at attracting Kouqian merchants who otherwise would send their grains via *dache* – large carts pulled by several horses or mules – to Changchun, where the grains were transferred onto the SMR freight cars.⁴⁵⁶ On Shenhai Railway, grains originating from Kouqian increased day by day, but there was almost no business coming out of Shuanghezhen and Yantongshan, two Jihai stations closer to Shenhai than Kouqian. Shenhai sent a staff member to Jihai stations to investigate and found out that merchants in Shuanghezhen and Yantongshan had been sending grains north to Kouqian first, where the grains would take a U turn and come down south, passing Shuanghezhen and Yantongshan again, then headed for Shenyang. Because of the favorable price of sending grains from Kouqian, the longer and redundant route actually cost less, which also meant that Shenhai had less revenue. In contrast, Jihai gained from the longer route because goods traveled all the extra distance on Jihai. Shenhai managers were less than thrilled to learn the news – they believed that Jihai colluded with local merchants to boost its own revenue at Shenhai's cost. Shenhai sent a harsh letter to Jihai:

⁴⁵⁵ SHTL, 174.

⁴⁵⁶ SHTL, 168.

Through such underhanded and selfish dealings, you add to your own gain but make our company suffer great losses. Your behavior not only contradicts the spirit of mutual help and mutual benefit of our cooperation, it also violates principles of general morality.

Shenhai went on to calculate its loss and Jihai's extra gain because of the detour, then at the end of the letter, it demanded compensation from Jihai.⁴⁵⁷

At least in its letter, Jihai did not agree that it caused any loss for Shenhai; to the contrary, Jihai argued, it actually helped Shenhai to gain revenue. To understand the issue, Jihai emphasized, competition from the Japanese railway had to be taken into consideration:

Before Jihai was constructed, merchants in Shuanghezhen and Yantongshan sent their grains to Nanman station in Changchun by *dache*; but even after Jihai began operation, they continued to do the same. Therefore, to attract the business of transporting these goods, we suggested to you that the freight price for goods from Shuanghezhen and beyond be reduced by 15 percent. We also pointed out that if goods from Shuanghezhen were sent to Kouqian first and then sent to Shenyang, it was cheaper than sending the goods directly to Shenyang. So it was not a surprise that businessmen actually took the detour ... you only indicated that you would contemplate the issue of pricing [without taking any action].

When customers came with their goods, Jihai reasoned, even if they wanted to use the freight service via the circuitous route, they should not be turned down; otherwise, they would simply go to the SMRC! Shenhai was probably surprised to learn that it caused the problem for itself, by refusing to slash the freight price. At the end of the letter, Jihai emphasized that as long as the goods did not go to the SMRC, the Chinese were reclaiming *liquan* and Shenhai were gaining some revenue. Although Jihai insisted on its innocence in letter, it actually sent Vice General Director (*bangban*) Zhang to Shenhai to explain and apologize. Zhang also promised that the same transaction would never

⁴⁵⁷ SHTL, 168.

happen again. Regarding Shenhai's demand for compensation, Zhang emphasized the great importance of the two railways' cooperation and suggested that Shenhai let the matter rest. Zhang obviously did a good job in appeasing Shenhai. Although in its letter to Jihai, Shenhai still indicated that Jihai was on the wrong side, it mostly stressed the close relationship and mutual reliance between the two railways. It also agreed to drop the demand for repayment: "We hope that from now on, you will keep the spirit of mutual benefit in mind and promote the interests of both sides. Then we will cooperate with our utmost *bona fides* (*jiecheng gongfu*)."⁴⁵⁸ The two railways were wise enough to solve the matter without any interference from above. We see that the two railways were clearly separate – they belonged to different provinces and were managed separately. Such separate ownership and management of Shenhai and Jihai were clearly a result of provincialism. In this episode, we see the flip side of provincialism – the loss of efficiency in inter-provincial negotiation and competition.

This dispute might be the biggest between Shenhai and Jihai – the two railways largely had a close and smooth working relationship. The instances of close cooperation between the two railways abounded. As we have discussed in Chapter 4, Shenhai proposed to Jihai that the two railways jointly install a business liaison and an assistant in seaport cities, to make connections in local business communities and to promote business. Jihai agreed to bear half of the expense.⁴⁵⁹ Regarding cooperation with the SMRC, both railways took a practical approach – they agreed to deliver goods from the

⁴⁵⁸ SHTL, 168.

⁴⁵⁹ SHTL, 168.

SMR to Jihai stations before securing the nod from the Communications Committee.⁴⁶⁰

The committee rejected the two railways' petition twice; but Shenhai and Jihai persisted and finally got the committee's approval. Overall the two railways had a smooth cooperation, partly because they relied on each other too much for business, partly because the presence of a common enemy – the SMRC – provided a sense of camaraderie.

8. Fenghai's Reluctant Cooperation with the SMRC – Diplomacy and Sovereignty in Railway Transportation

The Japanese SMR cut through Liaoning Province in the middle, with access to all strategically important cities; moreover, the SMRC exclusively controlled ports in Dalian and Andong, the largest seaports in the Northeast. This harsh reality placed the fledgling Fenghai in a big dilemma – whether to arrange through traffic with the SMRC? Cooperation would give Fenghai seaport access and boost its volume of freight traffic, but it would also benefit the Japanese. For the Chinese, it was difficult to strike a balance between running a profitable business and upholding economic nationalism.

In 1926, when Fenghai was still laying tracks toward Hailong but had begun providing transportation services on the finished part of the route, it began to negotiate cooperative transportation with the SMRC. While the Fengtian provincial government, the actual decision maker, was cautious in such a partnership, the SMRC was eager to connect tracks with Fenghai. Wang Jinghuan, as the direct manager of Fenghai, knew cooperation with the SMRC was crucial for Fenghai's survival. He wrote to the provincial government for permission: "Since Fenghai started railway services in April 1926, the SMRC has frequently contacted us for cooperative transportation. In the

⁴⁶⁰ SHTL, 174.

Northeast, for seaport access, Dalian is the only choice since the Huludao port has not been built yet. Therefore, to facilitate freight transportation, we have to cooperate with the SMRC.” The Fengtian government approved the request, but remained mindful of Japanese economic encroachment and wanted to approach the matter gradually. Between the two options for cooperative transportation – transshipment (*daoelai*) and through shipment (*zhitong*), the Japanese preferred the latter, which would directly integrate the two railways’ service into one; in contrast, the transshipment mode would require goods to be turned over to the other company, which was unnecessary because the two railways had the same gauge. But the Fengtian government insisted on the transshipment mode. Under the established principle of railway cooperative transportation, no matter which direction the freight was being transported, it should always be turned over at the railway that was built earlier. This would be unfavorable to Fenghai because the more established SMRC would get all transshipment fees and warehousing business. Quoting the principle, the SMRC indicated that it wanted to handle the transfer for goods travelling in both directions, but Fenghai disagreed on the ground that the two companies did not belong to the same country, therefore the principle should not apply. The negotiation stalemated over the issue for several months before the SMRC gave in. The two companies agreed that each would make the transfer in their own stations before the freight went on to the other company’s railroad. Two rail lines connecting the two railways were to be jointly constructed.⁴⁶¹

Yet each still wanted more out of the other company. Fenghai wanted a short rail line to cross the SMR and reach the repair shop at the Factory of the Northeastern

⁴⁶¹ SHTL, 57.

University (Dongbei daxue gongchang) – Fenghai arranged a clause in the contract that allowed it to construct the line once the cooperative transportation began. With their sovereignty seriously fragmented, the Chinese had to get permission from the Japanese before building a railway line on their own territory. As an exchange, the SMRC was able to add a clause for through traffic: if in the future, Fenghai began to arrange through traffic with Jingfeng Railway, it should do the same with the SMRC. The negotiation continued into 1927; Fengtian government frequently got briefed in the process.⁴⁶² The existence of the sprawling SMR in Fengtian posed an enormous difficulty for the provincial government – it made a comprehensive, long-term transportation plan extremely difficult to implement.

The provincial government, now headed by Governor Liu Shangqing, was more wary than Fenghai management of further losing *liquan* to the Japanese. When Fenghai sent the contract to the provincial government for approval, the governor ordered Fenghai to cancel the clause on future possibility of through traffic, saying that it “would cause endless problems in the future” (*liubi shen ju*), without any further explanation. When Fenghai told the SMRC that it wanted to remove the future possibility of through traffic, the SMRC protested strongly and threatened to call off the whole cooperation. On January 9, 1928, Wang Jinghuan forwarded the Japanese letter to the provincial government, asking what direction Fenghai should take.⁴⁶³ In two days, he would leave Fenghai, following Wang Yongjiang’s death about two months ago.

⁴⁶² SHTL, 57.

⁴⁶³ SHTL, 57.

The issue became even more complex when the Ministry of Communications, which was under the leadership of the nationalistic Chang Yinhuai, decided to centralize the negotiation between all Chinese railways and foreign railways. In a telegraph dated January 28, 1928, he administered a reprimand to Fenghai,

International railway cooperative transportation is especially pertinent to the matter of national sovereignty ... Recently, Sitao and Fenghai railways, when approached by Nanman, were imprudent enough to discuss cooperative transportation with it. This is highly inappropriate. Recently, in the Northeast, railway related foreign affairs are increasingly tense ... From now on, all cases of cooperative transportation, domestic or international, must be submitted to this ministry for approval.

Now, sovereignty concerns seemed going to derail Fenghai's cooperative transportation with the SMRC. On February 11, new general manager Zhang Zhiliang pleaded to the governor with a great sense of urgency for his approval of cooperative transportation with the SMRC,

Fenghai is currently in dire straits. The only gleam of hope is to arrange cooperative transportation with Nanman. The good months of a year are only February, March, and April; if we miss the opportunity again this time [alluding to the failure to establish cooperation last year], I cannot bear to contemplate the future of Fenghai ... After many rounds of negotiation, Nanman is now willing to cooperate, even without through transportation. Moreover, it has agreed to rent rolling stocks to Fenghai on favorable terms ... If you approve this contract, Fenghai will benefit enormously.⁴⁶⁴

The rental of rolling stocks was also crucial for Fenghai, which jumped into full operation with minimal investment and was seriously underequipped in nearly everything. According to the Japanese, Fenghai was more eager to cooperate with the SMRC after

⁴⁶⁴ SHTL, 57.

Zhang Zhiliang took over.⁴⁶⁵ Chang did not mean to stop Fenghai from entering into cooperative transportation with the SMRC; like the provincial government, he wanted to pare it down a little – in his go-ahead telegraph dated February 28, he told Zhang to sign an one-year, instead of two-year, contract with the SMRC, so “we will preserve more flexibility for next year.” The provincial government also gave the nod.⁴⁶⁶

Fenghai promptly signed the contract with the SMRC on February 24 and notified Minister Chang and Governor Liu, both in Beijing at the time. However, in only two days, Chang and Liu somehow reneged on their decision and told Zhang Zhiliang to hold off (*zan huan*) the signing of the contract. The phrase “hold off” was clearly a euphemism for “retract” because the two knew that the horse had already left the barn. In his reply dated February 28, Zhang Zhiliang told his bosses that he had signed the contract, which set the beginning date of the cooperative transportation on March 5, only one week away. Zhang was probably using the delaying tactic and hoping that Chang and Liu would change their minds: “We are currently examining rental vehicles [from Nanman] ... Your most recent decision seems to contradict your earlier order. Besides this brief I am sending to you now, I will also report all the details in person when I come to Beijing to celebrate the Marshall’s [Zhang Zuolin] birthday.” Since Zhang Zuolin’s birthday was on March 3,⁴⁶⁷ it is likely that Zhang Zhiliang wanted the cooperative transportation with the SMRC to become a *fait accompli* before further decision making. Instead of going to the Japanese

⁴⁶⁵ Zhongguo shekeyuan Jilin fenyuan jingji yanjiusuo, Jilin daxue jingji xi, ed. *Mantie shi zhiliao* (Materials of the history of the South Manchuria Railway) (1960), Book 3, Vol. 2, p. 50 (originally from Japanese National Diet).

⁴⁶⁶ SHTL, 57.

⁴⁶⁷ It turned out that Zhang Zuolin did not celebrate this birthday at all, the first after he took office as head of state, despite repeated efforts from subordinates and relatives to make it an event and to show their reverences. *Shijie ribao*, March 4, 1928, p. 3.

and trying to revoke the contract, Zhang was hinting that the matter could not be undone. This amounted to disobedience in the officialdom.

This unhappy episode probably cost Zhang Zhiliang his position as the general manager of Fenghai; and he might not even know the specific reason of Chang and Liu's sudden reversal. The pros and cons were indeed difficult to measure, but there is no doubt that it was Chang and Liu, not Zhang, who messed up the decision making.⁴⁶⁸ On March 4, the provincial government also sent an order to Fenghai, ordering Fenghai to promptly revoke the contract. Zhang Zhiliang was now mentioned as the former general manager. On March 6, Vice General Manager Chen Shutang sent a letter to inform the SMRC that Fenghai wanted to terminate the contract.⁴⁶⁹

The Chinese's decision to withdraw from Fenghai's contract with the SMRC caused what seemed to be an upheaval among the Japanese. The Japanese outrage started from Yamamoto Jotaro, president of the SMRC. His letter to Fenghai's new chief Pang Zuoping could be the most emotional one in Fenghai's massive archive. Yamamoto's feigned anger was probably intended to put more pressure on the Chinese,

It was fortunate that after two years of many turns, we finally signed the contract for cooperative transportation. The signing of this contract was not only a happy event for Mantetsu and Fenghai; it was also celebrated by Chinese and Japanese business communities, who had been eagerly expecting it. We could not possibly anticipate that your government would order you to revoke the contract – we feel it is a complete disregard for morality and principles. Therefore, we cannot agree to annul the contract ... This is like trampling on our company's dignity and interests; it is also a major blow to international railway contract making. It is a great embarrassment to our company.

⁴⁶⁸ SHTL, 57.

⁴⁶⁹ SHTL, 57.

In the end, Yamamoto suggested that Fenghai explain the issue in great detail to the Chinese government, who he “trusted” would withdraw the “unreasonable” order to cancel the contract. The Chinese certainly did not behave perfectly, but Yamamoto was clearly overreacting. It is unclear how Fenghai responded to Yamamoto’s angry accusations. Even Usami Hiroji, chief of the SMRC’s Department of Railways, thought Yamamoto should not have written such a letter. He asked Chen Shutang whether he could take the letter back.⁴⁷⁰

On March 25, World Daily reported that Fenghai began to borrow rolling stock from Jingfeng, which made the Fenghai-SMRC cooperation more hopeless because renting SMRC’s rolling stocks was a big part of their contract. Thereafter, a director from the SMRC’s board named Koyama who came to Fengtian to negotiate the issue returned to Dalian empty-handed.⁴⁷¹ On March 26, Fenghai borrowed more rolling stock from Taoang Railway – a railway built with Japanese loan, against Koyama’s warning that the collaterals of Japanese loan should not be tampered with. According to Japanese news agency Tohosha, Japanese Deputy General Consul Hachiya “sent in a strong protest” against the Taoang rental, but “the Chinese did not change their reckless behavior (*bakyo*) ... the Japanese had been patiently tolerating [the Chinese] for a long time, now most think locomotives from Jingfeng and Fenghai should not be allowed to cross Mantetsu’s railroad [which would make it impossible for Taoang’s rolling stocks to reach Fenghai].” The Chinese predictably responded that it was an internal affair therefore the

⁴⁷⁰ SHTL, 57.

⁴⁷¹ *Shijie ribao*. March 25, 1928, p. 3.

Japanese should not interfere.⁴⁷² On April 3, Tohosha published more incendiary comments:

The central figure [in Chinese railway arrangements] Chang Yinhuai has gone on an inspection trip to Taoang Railway ... Although the Japanese had provided friendly warning, the Chinese still twice violated agreements ... Jingfeng and Fenghai have begun to build a new joint station; the intention is to connect the two railways and to compete against Mantetsu; it is so obvious ... Mantetsu has indicated that ... the Chinese have arbitrarily used the rolling stock that are collaterals for Mantetsu's loan to Taoang. If we remain silent on the matter, then the contracts would simply become pieces of paper! This is like being spit on face and being trampled on! Chang Yinhuai disregarded our protests and defiantly transferred thirty vehicles from Taoang to Fenghai. Isn't this close to provocation?!

Two days later, Tohosha reported that the Chinese were willing to discuss the matter, but insisted that they should talk to the SMRC, not the Japanese General Consul. But the SMRC refused to talk on the grounds that the issue had become a "major diplomatic matter."⁴⁷³ It seemed the Chinese were softening their position.

On April 12, reports from Japanese media were bad enough that World Daily added its own remarks when it published these reports. According to Japanese news agency Dentsusha (Telegram Communications, Inc.), because of the recent Sino-Japanese contentions, Japanese Governor of Kwantung Leased Territory (*Kantoshu*) Kinoshita returned to Japan to meet with Prime Minister Tanaka. Dentsusha continued to report that,

Kinoshita proposed tough response because besides the recent railway issues, Beijing and the Northeast often adopted violent suppression [toward the Japanese]. Japan's special position in the Northeast and Mongolia and its special relationship with China have been completely ignored by the Northeastern government ... If we still try to solve issues through normal negotiation, it is predictable that we

⁴⁷² *Shijie ribao*. April 1, 1928, p. 3. World Daily often published Tohosha's reports and commentaries, with or without its own remarks.

⁴⁷³ *Shijie ribao*. April 7, 1928, p. 3.

will not achieve any results. We have to take this opportunity to solve the problems in a thorough manner and use military force for self-defense.⁴⁷⁴

It is difficult to assess how accurate Dentsuha's report was, but the Japanese attitude was attested in a Tohosha report, which seemed more likely to be truthful. The chief of Sitao Railway Bureau (Taoang was part of Sitao), Tohosha reported, came to the Japanese consulate in Fengtian to seek a solution to the intentionally escalated dispute – it was a sign that Japanese tactics in placing pressure on the Chinese was working. However, the Japanese consul, whom the Chinese refused to talk to only five days ago, refused to talk to Sitao bureau chief because “the Chinese lacked sincerity and have greatly aggravated the issue, therefore leaving the Japanese no choice but to seek a thorough solution.” The words were indeed menacing.

More menacing were the actions the Japanese began to take. On April 12, Dentsusha reported that the SMRC had refused to transport Jilin Army from Changchun, on the grounds that it was too busy with freight services and that it would upset the people in the Northeast if it helped send army into North China to participate in a war. This withdrawal of service could not affect the Chinese much because their army could still travel on Jihai and Fenghai to reach Fengtian. The SMRC also indicated that it would declare an economic war on the Chinese, mainly by restricting the supply of coal, which was produced in Fushun but controlled by the Japanese. The two Japanese news agencies presented different stories – while Dentsusha said the SMRC would stop providing credit to the Chinese and sell coal only on cash payment, Tohosha reported that the SMRC

⁴⁷⁴ *Shijie ribao*. April 12, 1928, p. 2.

would stop supplying coal to the Chinese completely, which would render the Northeastern Arsenal, the Electricity Plant, and Jingfeng Railway all paralyzed.

Just when a new level of confrontation seemed on the verge of breaking out, the affair came to an abrupt end. It was a Chinese news agency, Fudanshe, who broke the good news. On April 13, it reported that Ambassador Yoshizawa and Foreign Minister Luo Wengan reached mutual understanding during their meeting and Chang Yinhuai also softened his position, therefore, the whole issue “should not be difficult to solve in a pleasant manner.”⁴⁷⁵ Fudanshe then commented on the SMRC’s refusal to transport Jilin Army: “Japanese policy is to take a strange action on an irrelevant issue; it certainly caused ill feelings among the people in the Northeast, even the four hundred million people in the whole country probably also regret to see such an action. It is indeed a misstep.” In the 1920s, that large number – “four hundred million people” – somehow took on a nationalistic connotation, as if there really was safety in numbers. As the two sides negotiated on the two issues – Fenghai’s rental of Taoang’s rolling stock and the Fenghai-SMRC contract, Fudanshe and World Daily followed the process while the two Japanese news agencies remained mum on the subject. All the drama is lost in Fenghai’s archives, from which we know that on April 22, Fenghai, now renamed as a bureau, sent another petition to the governor, asking for permission to arrange cooperative transportation with the SMRC.⁴⁷⁶ The provincial government relayed the petition to the

⁴⁷⁵ *Shijie ribao*. April 14, 1928, p. 2.

⁴⁷⁶ SHTL, 57.

Ministry of Communications for approval. On April 25, Chang Yinhuai approved Fenghai's cooperative transportation with the SMRC, once again.⁴⁷⁷

In May 1928, after a lengthy negotiation full of twists and turns, Fenghai and the SMRC finally began to arrange cooperative transportation, which was to start on October 1 of the same year, before the busy season began for freight services. For the Chinese state, the railway cooperation with the Japanese was a bitter pill to swallow – it took place within the context of Chinese railways' competition against the SMRC. But for Fenghai, which often needed to rent a large amount of rolling stock from the SMRC, the cooperation turned out highly beneficial. In August, Fenghai posted notices in cities along its railway, announcing the coming cooperative transportation with the SMRC. In September, Fenghai rented from the SMRC ten passenger cars, two freight cars, and ten cabooses; it asked the SMRC to erase the Japanese letters (*kana*) from the cars before delivering them. In 1929, Fenghai continued to rent cars from the SMRC, for instance, two dining cars in March and fifteen freight cars in June. The SMRC asked Fenghai to send its regulations on passenger and freight transportation, time tables, pricing documents, and fee rules, for reference purposes. The two companies both set up an office in each other's station, connected via telephone to home company, to facilitate the cooperative transportation.⁴⁷⁸ The two companies also agreed to use the metric system in their communications.⁴⁷⁹ In the following years, Shenhai continued to rent cars from the SMRC. Overall, the cooperation was mutually beneficial, with Shenhai relying much more on the SMRC than vice versa. The foe had become a friend. Without cooperation

⁴⁷⁷ SHTL, 57.

⁴⁷⁸ SHTL, 58.

⁴⁷⁹ SHTL, 59.

with the SMRC, Shenhai probably would not make enough profits to stay self-sustainable. In the end, the logic of capitalism prevailed over economic nationalism.

After Shenhai entered cooperation with the SMRC, it faced the thorny issue of how to arrange transportation between its domestic partner Jihai and its international partner the SMRC. Shenhai connected tracks with Jihai in 1929, as Jihai was completing the construction. From a purely technical point of view, the best way to cooperate was certainly to arrange through traffic among the three railways. But the Communications Committee quickly put that idea to rest when Shenhai submitted its contract of cooperative transportation with Jihai for approval:

Cooperative transportation with the SMRC is not without merit because it can bring convenience to the business people. However, once implemented, it will inevitably cause all goods on Shenhai and Jihai to be absorbed by the SMR [instead of going through Beining]. It will weaken our national interests; therefore, it is impossible to approve your petition (*ai nan zhaozhun*).

Shenhai and Jihai, it turned out, had already been transporting goods for customers via through traffic onto the SMR for many days. If they followed the order from above, the two railways would lose credibility and suffer disruption of their business; besides, such an arrangement was too crucial to do without. So Shenhai tried to trick the committee into approving by a sleight of hand. It added a clause to allow the two companies extend their partnership to each other's "other partners," which practically meant the SMRC. It would allow Jihai customers to send their goods onto any SMR stations directly. After receiving the new contract, the Communications Committee simply added one word to the contract – "national" (*benguo*) – before the word "partners," taking the SMRC out of the equation. On May 20, Shenhai wrote to Jihai, asking for "brilliant ideas" to move the

issue forward. But Jihai could not make a difference – the Communications Committee did not approve the plan.⁴⁸⁰

Shenhai did not give up. It proposed a one-way cooperative transportation from the SMRC to Jihai Railway – goods originated from any SMR station and destined for Jihai would be transported directly. Jihai responded enthusiastically. A petition was sent to both the provincial government and the Communications Committee – but on railway matters, the provincial government usually relied on the committee's decision making. The new leader of Communications Committee, the military man Gao Jiye, was the archenemy and executioner of Chang Yinhuai, but he shared with Chang a palpable hostility toward the Japanese. With characteristic caution toward the Japanese, the committee grudgingly approved that only goods from beyond Dashiqiao (see Map 3.1), where there was absolutely no access to any Chinese railway, could be transported all the way through.⁴⁸¹ Goods from between Shenyang and Dashiqiao could potentially go through Beining's Gouying Branch – the line between Goubangzi and Yingkou – to reach Shenhai and Jihai, although, according to Shenhai's report, Beining was decidedly losing to the SMRC in providing good services and attracting customers in Yingkou. It was a breakthrough and an award to Shenhai's persistence, but its half-way nature was not satisfactory and it probably was a little difficult to discuss with the SMRC. Shenhai petitioned again for a full approval; the Communications Committee responded with a detailed explanation:

Most goods destined for Jihai Railway originate from Yingkou. Very soon, the Cooperative Transportation of the Eastern Four Railways will commence;

⁴⁸⁰ SHTL, 168.

⁴⁸¹ SHTL, 59.

thereafter, goods from Yingkou can be transported to Jihai all the way through on Chinese railways. If you do not offer the same through transportation together with Nanman, then business people will send their goods through Beining, just to avoid the trouble of transshipment and consigning their goods twice. If these goods were to be sent via Nanman, your company and Jihai would not suffer any loss, but the transportation between Yingkou and Shenyang would be absorbed by Nanman. It still would lead to a loss of *liquan* and would contravene the spirit of the Cooperative Transportation of the Eastern Four Railways ... This is the final decision, the notion of allowing goods from all Nanman stations to go through Shenhai and Jihai should not be mentioned again (*yingwuyongyi*)!

However, Shenhai refused to be stonewalled, or maybe it simply could not afford to forego the cooperative transportation. It petitioned again, entreating approval for the same arrangement, which the committee had explicitly ordered it not to bring up again. Shenhai's counter argument was naturally centered on *liquan*:

We have received the order from Your Honorable Office (*junfu*). We should follow your injunctions in handling the issue and not annoy you with further request. However, since Beining Railway has not established through transportation to Jilin for the Yingkou area, business people in Yingkou who want to reach Jilin are sending their goods via Nanman all the way to Changchun, where the goods are transferred to Jilin. As a result, we are allowing *liquan* to flow outwards; it is indeed a pity. Therefore, to compete with Nanman for transportation business in Jilin Province and to expand the business of Shenhai and Jihai railways, we do need to arrange the transmit transportation from Yingkou area to Jilin. In the future, when the Cooperative Transportation of the Four Eastern Railways begins, because it is through transportation, business people will naturally abandon Nanman and come to Beining. For this reason, the transmit transportation with Nanman will not hinder the Cooperative Transportation of the Four Eastern Railways.

In the previous year, Shenhai managers had investigate transportation business in Yingkou and found out that Beining could not compete with the SMRC, which provided better, cheaper, and safer services.⁴⁸² But Shenhai was reluctant to say openly that because Beining could not compete with the SMRC, it would cooperate with the SMRC to get more business. Shenhai's argument begged an obvious question: if cooperation

⁴⁸² Shenhai Railway Company, *Shenhai Railway Monthly*, Vol. 1, No. 6 and No. 7, October 1929.

with Jihai could cost the SMRC business, which was likely true, why would SMRC agree to participate? The SMRC was probably thinking ahead: by providing transportation service to Jilin and its surrounding areas before the four Chinese railways began to do so, it could build up its customer base and gain the preemptive advantage. The Communications Committee somehow bought Shenhai's argument and the transmission of goods from the SMR onto Jihai Railway continued. Most customers needed only to fill out one additional form.⁴⁸³ Shenhai and Jihai had much to gain from their cooperation with the SMRC, but Beining was certainly unhappy to see such cooperation.

Although the Chinese state allowed Shenhai to cooperate with the SMRC, it was always uneasy with the presence of Japanese railways, which cut through the Chinese territory in the best parts of Liaoning Province. Chang Yinhuai's ambivalence about and indecision on the cooperation with the SMRC were a clear sign of his anti-Japanese stance. The provincial government and the Communications Committee were overly suspicious about the SMRC's hidden agenda in the process of approving Fenghai's cooperative transportation with it. A clause in the contract stipulated that in case of transshipment from the SMR to Fenghai, Fenghai should return the freight car within 24 hours if that freight car was not rented from the SMRC; if the SMRC sent goods in a rental car, there was no need for Shenhai to transship the cargo and return the car. The clause was largely neutral, but in the watchful eyes of the provincial government, it was a devious attempt by the Japanese to implement through traffic because the rental cars would not need transshipment, therefore would amount to through traffic.⁴⁸⁴ It

⁴⁸³ SHTL, 60.

⁴⁸⁴ SHTL, 57.

completely ignored the fact that it was Fenghai who initiated the rental relationship with the SMRC, not otherwise. The provincial government and the Communications Committee, because of their concern for *liquan* and sovereignty, were more suspicious of Japanese motives and were more concerned about the harms of through traffic arrangement with the SMRC. Shenhai and Jihai, on the other hand, faced the challenge of their own railways and were less reluctant to cooperate with the Japanese.

9. State Coordination of the Four Eastern Railway Cooperation

Competing against the Japanese transportation system was an urgent issue for the Chinese state; the existence of the sprawling SMR became a major motivation behind the Chinese efforts in building more railways faster. In 1928, when Chang Yinhuai became the leader of Ministry of Communications and the Communications Committee, the Northeastern regime had largely carried out its 1922 railway plan: the Eastern Trunk Line connected Fengtian with Jilin and the Western Trunk Line ran from Dahushan on Beining Railway all the way north to Keshan in Heilongjiang Province (see Map 3.1). In 1928, as the railway czar, Chang oversaw a revision of the 1922 railway plan – both trunk lines would be extended to China's northern border and numerous branch lines would reach hitherto remote areas and serve as feeders for the trunk lines. If completed, the Northeast would have a railway network instead of just two trunk lines. In September 1929, the Communications Committee placed under itself the Northeastern Cooperative Transportation Clearing Offices (Dongbei lianyun hesuan suo), which had been handling calculation for cooperating railways.⁴⁸⁵ In 1930, under the new leadership of Gao Jiye, the Communications Committee reviewed and expanded the railway plan yet again. A third

⁴⁸⁵ Ma Shangbin, p. 124.

trunk line – the Southern Trunk Line (Nan ganxian), which would give Rehe Province and Inner Mongolia access to Beiping and to the future seaport Huludao, was added to the 1928 plan.⁴⁸⁶ Beining Railway was vital to all three trunk lines because it occupied strategic positions and had access to important cities of Beiping and Tianjin as well as and seaports Yingkou and Huludao – the latter yet to be constructed.

For the Communications Committee, besides building more railways, the other challenge was to coordinate the existing railways so they could operate more efficiently and better compete against the SMR. Therefore, the committee not only cast its eyes on grand plans, it also began to work painstakingly on the details, aimed at improving the management and cooperation of all railways. Such hands-on leadership was possible because of Chang Yinhuai's reorganization – now the committee was mostly composed of railway experts, instead of high officials. In 1930, it began to plan Transportation Conferences (Yunshu huiyi), which would be held regularly and attended by middle managers from all railways. The committee hosted four such conferences in 1931, on four highly technical subjects: a telegraph system based on the Standard Phonetic Alphabet (*guoyin dianbao*), transportation rules and regulations (*yunshu zhangze*), grades of goods (*huodeng*) and freight pricing (*yunjia*), and transportation terminology (*yunshu mingci*), forms and tickets (*piaoju*).⁴⁸⁷ Such conferences and the industry standards created thereupon were crucial for the success of cooperative transportation among Northeastern railways.

⁴⁸⁶ Ma Shangbin, p. 118.

⁴⁸⁷ SHTL, 99.

As introduced earlier, Shenhai was part of the Four Eastern Railways, which also included Beining and two railways in Jilin province – Jihai and Jidun. In December 1929, the Communications Committee ordered Beining, Shenhai, and Jihai to arrange cooperative transportation (Dong si lu lianyun). Jidun Railway, built by Japanese engineers and funded with Japanese loan, was in the process of being transferred into the Chinese control.⁴⁸⁸ The Northeastern regime also expanded the cooperation beyond its border – to the seaport Qinhuangdao in Hebei Province. In western parts of the Northeast, the Committee arranged cooperation among four railways that formed the Western Trunk Line – Qike, Taoang, Sitao, and Beining, enabling goods from Heilongjiang to reach seaport Qinhuangdao on through trains.⁴⁸⁹

Shenhai had already been cooperating with the other two railways for some time, so the issue was a familiar one. Although the Communications Committee supervised the process, the three railways mostly negotiated their ways through the arrangement of cooperative transportation. Beining was by far the largest and most established – its origin dated back to the Guanneiwai Railway, which was started by Li Hongzhang in 1890. All other three railways were new and small; the two Jilin railways were even smaller and newer than Shenhai. Regarding the negotiation for the cooperative transportation, chairman of the Communications Committee Gao Jiyi, who was also the chief of Beining Railway Bureau, ordered that “Since Beining already has a solid foundation, it should take in less profit and help other railways to develop.”⁴⁹⁰ Directives

⁴⁸⁸ Ma Shangbin, pp. 164-65.

⁴⁸⁹ Ma Shangbin, pp. 117-18.

⁴⁹⁰ SHTL, 169.

like this helped the negotiation among the four railways; most times, the disagreements happened between Beining and Shenhai.

Beining was put in charge of preparing propositions and discussion questions; for reference, Shenhai sent Beining the rules of its cooperation with Jihai. After preparation, the three railways decided to hold a conference in Tianjin, the host city of Beining's headquarters. The conference began on April 1, 1930; nine days later, the Communications Committee told the three railways that Jidun would join the meeting soon.⁴⁹¹ According to Jin Shixuan, Shenhai's successful cooperation with the SMRC might be a stumbling block for the cooperation of the four Chinese railways, depending on "whether it was sincere in cooperating with Beining." Fully aware that there was disapproval of its cooperation with the SMRC, Shenhai's representative delivered a defense at the beginning of the conference:

Although several Chinese railways have been constructed, it is still difficult to reach a seaport through Chinese railways ... Yingkou port was not properly equipped ... When Shenhai began cooperative transportation with the SMRC, many people from outside criticized us (*waijian duoyou feiyi*). However, Shenhai did not have an alternative ... It was a temporary and expedient arrangement ... Cooperating with Nanman could at least gain some business; otherwise, Shenhai would be sitting there waiting for death and all freight transportation would be monopolized by Nanman.⁴⁹²

Beining did acknowledge that its Yingkou facility remained inadequate while the SMRC's wharf had been improving. But Beining also emphasized that "[T]he outsiders hate deeply the cooperation of our four railways. There is not a moment that they do not think about destroying our cooperation. If we do not sacrifice our own individual interests, then the outsiders can divide us at will; the cooperation of the four railways would be

⁴⁹¹ SHTL, 169.

⁴⁹² Jin Shixuan, p. 89.

hopeless.”⁴⁹³ Once the issue was openly discussed, Shenhai and Beining were able to understand each other and gradually forge a good cooperative relationship.

Another old issue also caused some contention – in Shenyang, Beining wanted its own station to be the sole transfer station for passenger trains, where most passengers would go through. But Shenhai insisted that eastbound passenger trains should transfer at Shenhai’s station. In its letter to Beining, Shenhai invoked Gao Jiye’s order that Beining should help other railways; in its letter to the Communications Committee on the same issue, Shenhai argued that its market needed the passenger flow. It was a hard sell because Shenhai’s station was quite far from the city center; but in the end, Shenhai’s proposal was adopted – the passenger train from Beiping to Jilin would stop at its station for forty long minutes. Otherwise, Shenhai proposed only several minor revisions to the draft contract hammered out at the conference, which went on until May 17. The contract was soon approved by the Communications Committee.⁴⁹⁴ Once again, Shenhai merchant shareholders benefited greatly on the coattails of the provincial government.

On October 10, 1930, the GMD regime’s national day, the three eastern railways (Jidun had not been able to connect tracks with Jihai) officially launched their cooperative transportation – the first through passenger train was arranged to run from Beiping to Jilin. The Double Ten Day (Shuanshijie) was indeed a good choice – it was a day full of celebration and patriotic spirit. The three partners made it into a media event. Railway stations were decorated for the occasion; journalists were invited to all major

⁴⁹³ Jin Shixuan, pp. 89-90.

⁴⁹⁴ SHTL, 169.

stations for celebration.⁴⁹⁵ The four railways planned to begin through traffic for goods on January 20 of next year. However, because Jidun was heavily influenced by the SMRC even after its transfer to Chinese management, it joined the cooperation only in name. Because of Japanese opposition, it never connected tracks with Jihai Railway.⁴⁹⁶

10. Railway War and Chinese Cross-Region Cooperation

Having seaport access was the first step for Chinese railways' success. To compete effectively with the Japanese, they still had to improve services and cut the prices. The most important improvement in freight service was the adoption of responsible transportation (*fuze yunshu*) by Beining⁴⁹⁷ – among the three eastern railways, Shenhai and Jihai adopted the responsible system from the beginning. Under such a policy, customers were guaranteed that their goods would travel safely or they would get compensation for losses. In July 1930, Beining started responsible transportation between Shenyang and Yingkou, where the direct competition with the SMRC took place; in December, it adopted the new policy across the whole railway.⁴⁹⁸ It was the market that forced Beining to improve its services.

Fees and taxes were still a big challenge for the Chinese railways that was not faced by the Japanese railways. Shenhai's research in Yingkou one year earlier had shown clearly – the government had to reduce and eliminate the taxes and fees imposed on railway freight. Both eastern and western trunk lines were hindered in their competition with the SMRC by the taxes levied on railway freight – since the SMRC

⁴⁹⁵ SHTL, 170.

⁴⁹⁶ Jin Shixuan, p. 79.

⁴⁹⁷ Zhongguo tielu shi bianji yanjiu zhongxin, p. 109.

⁴⁹⁸ Jin Shixuan, p. 92.

operated outside the Chinese sovereignty, its cargoes were not subject to these taxes. In April 1930, the Communications Committee sent a petition to the Political Affairs Committee, the highest governing body in the Northeast, asking for cut or elimination of taxes levied in Goubangzi, Shanhaiguan, and Qinhuangdao. The Political Affairs Committee relayed the petition to Ministry of Treasury in Nanjing and the Hebei provincial government.⁴⁹⁹ One year earlier, Shenhai suggested, among other things, the elimination of passing tax (*changguanshui*) in Goubangzi, for the benefit of Beining and the cooperative transportation of Beining, Shenhai, and Jihai. The Political Affairs Committee, after reviewing Shenhai's petition, refused to make an exception for the railways.⁵⁰⁰ Now it turned around to help.

Both Ministry of Treasury and the Hebei government were supportive. The Ministry indicated that "[s]ince the Communications Committee's purpose is to rescue economic interests (*wanhui liquan*), we should try to support their efforts." Regarding the export tax in Qinhuangdao, the ministry indicated it was difficult to make a special case for the Northeast, because that would affect the national export taxation; but it agreed to eliminate the passing taxes in Goubangzi, to "show sympathy" (*yi shi tixu*). As for the one-time tax (*tongjuan*) in Shanhaiguan, the Northeast had to ask Hebei provincial government for favorable terms. The Communications Committee was seeking a 70 percent reduction, to which Hebei Treasury and the tax bureau in charge of Shanhaiguan responded enthusiastically. The tax bureau, which was ordered to investigate the issue, was especially eager to support,

⁴⁹⁹ SHTL, 169.

⁵⁰⁰ FTSZGS, 3820.

The soybean products are mostly destined to Japan ... it takes less time and shorter routes to transport them to Yingkou or Dalian on Nanman Railway, so they have never been sent to Shanhaiguan and Qinhuangdao before. The tax is also lighter on Nanman, therefore, without reducing freight prices and taxes on Chinese railways, the customers would ... suffer a loss and take a longer route without being compensated ... We certainly should help the railways in the competition so they can court customers ... We plan to reduce the tax by 70 percent.

Besides reducing the tax, the bureau also offered to simplify the procedure of examining goods for Northeastern trains destined for Qinhuangdao so cargoes could move faster.⁵⁰¹

The cross-province coordination was smooth and Northeastern railways got their reduction in tax. The episode once again demonstrated the provincial autonomy – even when competing against foreign railways, provincial authorities had to negotiate the arrangement with each other.

Shenhai took advantage of every opportunity to emphasize the harm done by heavy taxes to railway development and to make level the playing ground for Chinese railways. In November 1930, Ministry of Railways sent out notifications to all railway bureaus and companies on its intention to coordinate a raise in railway freight price all over the country,

The current price for railway freight has been in place for more than ten years; because the situation has changed, such price is not appropriate anymore. In recent years, salaries have been increasing year by year; prices of goods are also becoming more and more expensive ... National railways mostly borrowed foreign loans and the interest payment has been a big loss because the price of gold has been increasing ... To offset the rising cost and to rescue railways from bankruptcy, the current price has to be revised. This Ministry will host a meeting of representatives of all railways on January 15 of the next year ... ten days before the meeting, railways should send in their opinions on raising the freight price and on any other difficulties. These will be the basis for the meeting.

⁵⁰¹ SHTL, 169.

Freight pricing was certainly an important issue for Northeastern railways, but in an unexpected way. Chinese railways in the Northeast faced a different problem – the competition from the SMRC forced them to keep the price low. But Shenhai saw the ministry's letter, which was relayed to it by the Communications Committee, as a good opportunity to address the issue of taxes. In its response to the committee, Shenhai pointed out that for Northeastern railways, the clincher was the taxes, not the freight price:

We think that if the government wants Northeastern railways to overcome difficulties in transportation business, it has to begin with reducing and eliminating taxes. After our railway opened business, and even after we arranged cooperative transportation with Beining and Jihai, we did not have much freight business, because the government's taxes are too heavy. Businessmen, seeing our railway as a difficult path, would rather take a longer route and spend more time to go to the foreign railway than come to the nearby railway of their own country ... We lost a great deal of business to foreigners; it was such a shame! Since the winter of 1929, after our company obtained permission from Liaoning Treasury to reduce and eliminate taxes for grain, lumber, and miscellaneous goods, our business has been gradually expanding ... That is why we think reducing taxes is essential for the further development of Northeastern railways.

Only at the end, Shenhai indicated that since gold price had been rising, raising the cost for buying equipments from foreign manufacturers, it decided to raise the freight price by 20 percent.⁵⁰² The Communications Committee probably received similar feedbacks from other railways – in its January letter to Shenhai and the Ministry, the committee emphasized the different situation faced by Northeastern railways and their counterparts inside the Mountain and Ocean Pass (*guannei*). The former faced competition from the SMRC but the latter did not; therefore, “if the Northeastern railways raise the freight price, they would drive customers to Nanman like herding fish into the deep water ... to compete effectively, the Northeastern railways should reduce instead of increase the

⁵⁰² SHTL, 99.

freight price.” At the end, the committee pinpointed the passing taxes (*tongguo shui*) as the major barrier to the success of Northeastern railways. Shenhai took the hint and sent a petition to withdraw its previous proposal to raise freight price by 20 percent. On January 1, 1931, the GMD government abolished all passing taxes in the whole country, allowing Chinese railways to compete with foreign railways on equal footings.⁵⁰³ The Japanese, by building and operating railways in the central areas of the Northeastern territory, unwittingly pushed the Chinese state into adopting a series of policies that were favorable to Chinese railways and the business community in general.

At the same time, the SMRC also pushed Chinese railway managers to try harder and be more creative in reducing price. In April 1929, to better compete with the SMRC, Beining lowered freight prices and simplified the pricing – now, all goods of the third, fourth, and fifth grades were charged a uniform price of three *yuan* for each ton of goods transported between Yingkou and Shenyang.⁵⁰⁴ The policy not only made the freight service cheap, it also simplified the procedure for customers by not discriminating among different goods. In November 1930, Jihai and Shenhai engaged in a price war with the SMRC in trying to absorb business in Jilin City – in the one month after Jihai and Shenhai began cooperative transportation, Jihai slashed price three times and the SMRC cut its price four times!⁵⁰⁵ Chinese railways received some unexpected help in 1930, when depression swept through the world and the price of gold shot up. Since the SMRC priced its services in Japanese currency, which was tied to gold, its freight price surged high above the normal level. China was on the silver standard, so Chinese railways were

⁵⁰³ Jin Shixuan, p. 99.

⁵⁰⁴ Jin Shixuan, pp. 40-41.

⁵⁰⁵ Jin Shixuan, p. 56.

not affected; their business boomed as customers switched over in droves. Suddenly, Chinese railways were flooded by new business. In response, the SMRC cut prices across the board, including freight price, warehouse rate, and seaport fee, but the force of the world's gold price was too devastating. Therefore, on March 1, 1931, the SMRC began to charge silver *yuan* for services between Yingkou and Shenyang.⁵⁰⁶ The CER also struggled to stay alive because of the competition from Chinese railways and the onslaught of world economic depression.⁵⁰⁷ Beining's Yingkou wharf had been long dilapidated due to lack of business before the cooperative transportation; in 1931, business was so good that Beining built a new wharf downstream from the old site.⁵⁰⁸ Shenhai played a critical role in the Chinese competition against the Japanese, the oft-repeated verdict that Fenghai had become a feeder line for the SMR by arranging cooperative transportation with it⁵⁰⁹ is simply wrong.

11. Conclusion

The Chinese state achieved great success in establishing an effective transportation system to compete against the Japanese. The aggressive competition took a heavy toll on the SMRC's freight business – so much so that the SMRC began to look desperate. In December 1930, at a meeting in Tokyo on Japan's "rights and interests" in Manchuria and Mongolia (Manmou keneki), a board director named Kimura Eishi introduced the ideas of fixing freight prices (*yunfei xieding*) and assigning region-based

⁵⁰⁶ Jin Shixuan, p. 41.

⁵⁰⁷ Jin Shixuan, pp. 61-67.

⁵⁰⁸ Jin Shixuan, p. 95.

⁵⁰⁹ See, for example, Jin and Xu, p. 347; Zhongguo tielu shi bianji yanjiu zhongxin, p. 101; Zhongguo shekeyuan Jilin fenyuan jingji yanjiusuo, Jilin daxue jingji xi, Book 3, Vol. 2, pp. 47-52.

quotas (*quyu xieding*) with Chinese railways.⁵¹⁰ It was not a new idea for the SMRC – five years ago, to end a price war with the Soviet-controlled CER, it negotiated with the CER freight quotas for grain exports from Harbin.⁵¹¹ Regarding pricing, Kimura proposed that all railways, Chinese and Japanese, have the same freight price, measured by ton per mile; as for region-based quotas, he divided the Northeast into several parts along rail lines and assigned about half of the regions to the SMRC and half to Chinese railways. If the Chinese were to disapprove these two plans, Kimura suggested that all the southbound goods be divided into two parts: 45% went to the SMRC and 55% the Chinese railways.⁵¹² These brazen proposals, put forward just when the Chinese railways began to do well, revealed the Japanese's peremptory psyche – their sense of entitlement to the Chinese territory was even stronger than the Chinese themselves. Kimura presented the proposals to Zhang Xueliang and Gao Jiye; the two sides agreed to talk but the negotiation did not even begin before the Japanese invasion broke out in September.⁵¹³

Because of the presence of the SMR, which ran through the heartland of Liaoning, cooperative transportation for Shenhai, Beining, and indeed all Chinese railways in the Northeast, was an intricate matter. The major mission of Chinese railway partnership was to compete head on with the SMRC, yet as Shenhai had quickly found out, Chinese

⁵¹⁰ Zhongguo tielu shi bianji yanjiu zhongxin, p. 110.

⁵¹¹ In 1925, the CER fixed the freight price between Harbin and Changchun at a higher level than that between Harbin and Suifenhe, a much longer route. As a result, the SMRC lost some of its business in northern parts of the Northeast. The Japanese protested and the two sides negotiated. In September, an agreement on quotas was reached: 55% of exports in Harbin would head south to the SMRC and 45% would go east on the CER. See Zhongguo tielu shi bianji yanjiu zhongxin, p. 96.

⁵¹² Jin Shixuan, p. 72.

⁵¹³ Jilin shehui kexue yuan, ed. *Man tie shi ziliao, di'er juan* (Materials of the history of the South Manchuria Railway, Vol. 2) (Beijing: Zhonghua shu ju, 1979), pp. 1049-1054; pp. 1070-1074.

railways had to befriend the foe. Because the SMRC occupied the most important seaport in the Northeast – Dalian, Shenhai had to cooperate with it while competing against it; even the headstrong and nationalistic Chang Yinhuai had to bite the bullet and approve the cooperation. Beining, the leading Chinese railway, started its cooperation with the SMRC in as early as 1908.⁵¹⁴ The Chinese had to strike a balance between economic nationalism and self development.

The controversy around Chang Yinhuai's revocation of cooperation contract was an illustration of the larger political atmosphere at the time. In the Japanese sensationalist media, it seemed that, by backing out of a railway contract, the Chinese inflicted the biggest humiliation that Japan had ever suffered. The exaggerated Japanese outcry and media agitation reflected how volatile and aggressive the Japanese were regarding the Northeast – they were waiting for a slight excuse to take military actions; if such actions were not yet feasible, they simply made as much noise as possible. This kind of constant agitation probably contributed to the eventual conquest of the Northeast by making the already restless, trigger-happy Japanese military more so; even among other Japanese, it served to spread a false sense of indignity.

⁵¹⁴ Jin Shixuan, p. 78.

CONCLUSION

Rupture and Continuity: Railway and Capitalism in China

The history of Chinese railways in the Northeast took an abrupt turn in September 1931. After the Northeastern regime lost the whole territory to the Japanese, Chinese railways also switched hands. Thanks to the intense nationalism in the railway rivalry between the two sides, the transition happened in a dramatic way. According to Jin Shixuan, the patriotic Beining manager, as Beining's transportation business in Yingkou boomed because of the successful cooperative transportation of Chinese railways, the Japanese "first were jealous then turned spiteful." The Japanese conquest of the Northeast, which started on September 18, 1931, provided the SMRC an opportunity for revenge. After occupying Shenyang, the Japanese army came to Yingkou and blocked Beining's outlet; some SMRC staff came along to Beining's Yingkou station. At a theatrical moment, Jin recounted, the SMRC staff declared to Beining's staff: "Beining and other railways have wrestled business from Mantetsu. Today we are here to take over the Yingkou Station to punish Beining!"⁵¹⁵ The new wharf was also taken over by the Japanese.⁵¹⁶ In Shenyang, on October 11, the Japanese tore down the connecting route between Beining and Shenhai – now all the grain produced in eastern Liaoning for export would go to seaports through the SMR.⁵¹⁷ In the Lytton Report published by the League of Nations one year after the invasion, railway rivalry was considered the major reason

⁵¹⁵ Jin Shixuan, p. 76.

⁵¹⁶ Jin Shixuan, p. 95.

⁵¹⁷ Jin Shixuan, p. 76.

for international conflicts in Manchuria.⁵¹⁸ At least, it was the Japanese's major excuse for military "self-defense."

After September 18, 1931, Shenhai was also taken over by the Japanese. Fu Baoheng, who succeeded Zhang Zhiliang as the general manager eight days before September 18, left the company. A temporary organization named Shenhai Railway Peace Maintenance Association (Shenhai tielu baoan weichi hui) was established.⁵¹⁹ Ding Jianxiu, a former high official in the Northeastern regime and a graduate of Waseda University (in Japan), was appointed the head of the association (*huiizhang*). Koumoto Daisaku, who orchestrated the murder of Zhang Zuolin, was installed as the Chief Monitor (*jianshi zhang*). At least some members of Shenhai's brass, including heads of Engineering Department and Police Department, stayed on.⁵²⁰ In 1932, Shenhai and the SMRC revised their contract for cooperative transportation. After the puppet state Manchukuo was established, Shenhai's letterhead began to use the reign year of Datong.⁵²¹ On a side note, under the Manchukuo regime, the provincial Bureau of Education began to supervise Shenhai's Fulun School⁵²² – it can be viewed as a sign that the Japanese were more rigorous in state control. Shenhai was now completely in the Japanese hands.

However, such a drastic Japanese takeover, or even the later nationalization under the communist regime, did not change Shenhai Railway's position in local communities –

⁵¹⁸ Jin and Xu, p. 351.

⁵¹⁹ Peace maintenance association was a generic name for most temporary organizations established together by Japanese occupiers and local collaborators.

⁵²⁰ SHTL, 135.

⁵²¹ SHTL, 60.

⁵²² SHTL, 156.

it remained an outside and powerful force for decades. While growing up in Meihekou, the former village that was designated as the junction of Shenhai's trunk line and its Meixi branch, I was fully aware of the divide between the railway and the local society. Starting in the 1930s, Meihekou gradually became the dominant city in the region and replaced Hailong as the county seat. Up to the 1990s, the railway still occupied half of the city, with its own residential areas, schools, factories, hospitals, and everything else – often better than the “local” ones. Railway staff in their uniforms still commanded special attention and railway jobs were the envy of city residents. Things began to change in recent years as the local economy began to offer many new opportunities and the well-to-do begin to own cars. In 2006, during my research trip to Meihekou, which now hosts the archives of the old Hailong County, I found the railway part of the city had declined in comparison to the “local” half, because the city has been developing fast and the local economy was diversifying rapidly. The boundary between the railway and the local also began to break down. At long last, for Hailong County, now renamed Meihekou Municipality,⁵²³ railway dominance is over. It is another new era.

That new era, as we know now, was ushered in by the new Chinese developmental state – the CCP regime, which is communist only in name. This new round of capitalist development has been quite different from that of the Republican era in Fengtian, because conditions have changed much in the 50 years separating the two regimes. Suffice it to say that capitalism takes on different forms in different social, political, and economic contexts. In countries that industrialized later than those in

⁵²³ In today's China, the term *shi*, translated as municipality, is used in a confusing way – it can refer to various levels of administrative unit (Meihekou is a county-level *shi*).

Western Europe and North America, it was common for the state to be more proactive in the process of industrialization and capitalist development. It is common for any state to intervene in economic activities, even in the West, as the recent bailouts in the United States have illustrated, but the difference in the degree of involvement is still striking. Alexander Gerschenkron has shown that in Germany and Russia, because of the economic backwardness at the onset of industrialization, the state and the banking system played a larger role in economic development than in Britain.⁵²⁴ In Japan, since Meiji era, the state has always aggressively engaged in economic development by leading and coordinating capitalists.⁵²⁵ In Korea, consecutive states – the colonial Japanese government as well as the Korean government after WWII – have worked closely with *chaebols* (business conglomerates) including Samsung and Hyundai, which were originally modeled on the Japanese *zaibatsu*.⁵²⁶ Chalmers Johnson shows that the MITI (Ministry of International Trade and Industry) led Japan's rapid economic growth after World War II by nurturing strategic industries through favorable loans, preferential taxes, subsidies, prevention of over competition, and numerous other methods.⁵²⁷ He has convincingly shown that state coordination can greatly increase economic efficiency and productivity and that successful capitalism does not necessarily take place in free market

⁵²⁴ Alexander Gerschenkron, *Economic backwardness in historical perspective: a book of essays* (Cambridge: Belknap Press of Harvard University Press, 1962), chap. 1.

⁵²⁵ See Thomas Smith, *Political change and industrial development in Japan: government enterprise, 1868-1880*. Stanford: Stanford University Press, 1974; Chalmers Johnson, *MITI and the Japanese miracle: the growth of industrial policy, 1925-1975*. Stanford: Stanford University Press, 1982.

⁵²⁶ Atul Kohli, "Where do high-growth political economies come from? The Japanese lineage of Korea's 'developmental state'" in Woo-Cumings, Meredith, ed. *The developmental state*. (Ithaca: Cornell University Press, 1999, pp. 93-136), pp. 120-23.

⁵²⁷ Johnson, p. 29.

economy. Johnson therefore aptly characterizes Japan as a “developmental state;” in contrast, he considers the United States a “regulatory state” because it largely does not interfere with business activities as long as regulations are obeyed.⁵²⁸ It should be emphasized that the Japanese state’s intervention is categorically different from socialist economic planning, because it employs “market-conforming methods,”⁵²⁹ and Japanese products competed in both domestic and international markets.

In this study, I propose another type of state regarding its role in economic development – the *entrepreneurial state*. The Fengtian provincial government, pushed by the powerful forces of capitalism and imperialism, in the absence of a full-fledged native bourgeois class, became the initiator and manager of capitalist industrial production, i.e., a capitalist. The two Fengtian enterprises thus established by the state had the purpose of generating profits for shareholders and stimulating entrepreneurship among the people, which was in stark contrast with the state’s other industrial projects, such as the famous Northeastern Arsenal. The arsenal was industrial in scale and technologically advanced, but it drained instead of generating wealth for the state and the society. As an integral component of state building, this capitalism was naturally *embedded in the bureaucracy* – state bureaucracy was the best possible institutional base for any large-scale endeavors in Fengtian. But the Fengtian government was a reluctant entrepreneur – its goal was to eventually hand the baton to the native bourgeoisie, as we have seen in the case of the two state-run companies.

⁵²⁸ Ibid., 19.

⁵²⁹ Ibid., 29.

There are three still influential classic theories on capitalism – the modern economic force that has created enormous, ever-growing material wealth. For Adam Smith, who never used the term capitalism, the sustained economic growth is largely a result of exchange and specialization. The division of labor, according to Smith, “is not originally the effect of any human wisdom;” rather, it is “the consequence of a certain propensity ... the propensity to truck, barter, and exchange one thing for another.”⁵³⁰ For Karl Marx, capitalism was essentially defined by a new mode of production, in which the bourgeoisie owns the means of production while the working class is deprived of it. He therefore often referred to the form of society created by capitalist mode of production “bourgeois society.”⁵³¹ In this framework, the surplus value, found by Marx himself, is the source of all the new wealth. For Max Weber, the fundamental nature of capitalism is rationality, mainly embodied in profitability-oriented “rational capital accounting”⁵³² and the calculability of all means of production – from land to labor, from machines to goods.⁵³³ Furthermore, for Weber, capitalism is not just one example of Western rationality; it is, according to Tom Bottomore, the “principal manifestation of rationalism.”⁵³⁴

In my opinion, among the three classic economists, Weber best grasped the essence of capitalism. On the one hand, unlike Smith, he assigned human agency –

⁵³⁰ Adam Smith. *An inquiry into the nature and causes of the wealth of nations*; edited with an introduction by Kathryn Sutherland. (Oxford: Oxford University Press, 1993), p. 21.

⁵³¹ Karl Marx and Frederick Engels, *The Communist Manifesto* (London and New York: Verso, 1998), p. 35.

⁵³² Max Weber (translated by Frank H. Knight), *General economic history*. (New York: Collier Books, 1961), p. 208.

⁵³³ Weber, *General economic history*, pp.208-209.

⁵³⁴ Tom Bottomore. *Theories of modern capitalism*. (London; Boston: G. Allen & Unwin, 1985), p. 22.

rational calculation and behavior – the central role in the making of modern capitalism. In Weber's understanding, capitalism is *intentional*, instead of haphazard. Rationality is clearly a better explanatory tool than propensity – in the case of Fengtian farmers' conversion to cotton production, we see that the invisible hand of the market and the human propensity were simply not strong enough to push farmers into specialization. Christopher Isett has shown in his detailed study of Northeast China that market force failed to push villagers into specialization, although it would make better economic sense for farmers.⁵³⁵ In this study, I have demonstrated that, it was the visible hand of the state and its economic rationality that led to some Fengtian farmers' successful participation in the market. On the other hand, in contrast to Marxism, Weber's conceptualization stripped capitalism of the unnecessary class-based elements. Weber therefore effectively separated the essence of capitalism from the favorable sociopolitical factors that led to its genesis. Marxist theory would have a hard time in explaining the profits of certain kinds of modern enterprises, such as hedge funds and startups, often operated by one person or several partners. There is no surplus for exploitation – the profits can only be the result of rational calculation.

Marxian and Smithian theories, their interpretive power notwithstanding, have led to rigid interpretation of capitalism and dire consequences for the humanity. The fallacy and danger of neoliberal, free-market ideology has been once again exposed by the current global economic crisis. The root of this ideology is the Smithian notion of market – the invisible hand will somehow magically put things in good order. In reality, human

⁵³⁵ Christopher Isett. *State, peasant, and merchant in Qing Manchuria, 1644-1862*. Stanford: Stanford University Press, 2007.

propensity has to be guided by rationality, at both the individual (enterprise) level and the collective (state) level. The state's supervision and regulation, especially in the banking industry, are an essential part of capitalist rationality – for one thing, modern banks cannot be trusted to automatically behave in a rational manner; for another, even if most banks conduct their business in a rational manner (maximizing their own income), their collective behavior might still lead to terrible consequences for the society (for example, real estate bubble and economic crisis). In the end, the state is the only agent who is at least principally responsible for the well-being of the population, corporations are not. Therefore the state has to place its visible hand in the economy. In the case of Fengtian in 1920s, the state had to provide the big push, to break the underdevelopment trap and to launch the Chinese economy into the orbit of industrialization and capitalism. Depoliticizing the economy and taking the state out of the equation, as the neoliberal economists try to accomplish,⁵³⁶ is to undermine the rationality of capitalism. Of course, the damage of free-market dogma looks trivial compared to that of the Marxist ideology. Communist regimes in the twentieth century, empowered by the ideology of class struggle, took over half of the world and wrought devastating havoc to human civilization. Starting from 1980s, most communist countries including China began to go back onto the capitalist road. It is indeed crucial to have a correct understanding of capitalism.

⁵³⁶ Ha-Joon Chang, “The Economic Theory of the Developmental State” in Woo-Cumings, Meredith, ed. *The developmental state*. (Ithaca: Cornell University Press, 1999, pp. 182-99), p. 190.

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Abbreviations of Archives

Archives are all quoted by volume number (*juan hao*).

FTSZGS – *Fengtian shengzhang gongshu*

HLXGS – *Hailong fu, Hailong xian gongshu, Hailong xian zhengfu*

SHTL – *Shenhai tielu wenjian*

SYSZGS – *Shenyang shizheng gongsuo*

SYXGS – *Shenyang xian gongshu*

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Appendix A: Glossary

aihui	愛輝
ai nan zhaozhun	礙難照准
Andong	安東
Ang'angxi	昂昂溪
Anli yanghang	安利洋行
Anzihe	安子河
Bai Chunyi	白純義
bakyo	暴挙 (Japanese)
bangban	幫辦
Bao Guiqing	鮑貴卿
baowei sangzi, kaifa dongbei	保衛桑梓，開發東北
baoweituan	保衛團
Bawangsi pijiu qishui gongsi	八王寺啤酒汽水公司
Beifajun	北伐軍
Beining	北寧
Beiyang	北洋
Beizhen	北鎮
benguo	本國
benshu weibian shouli	本署未便受理
bianyi ke	編譯課
bingsheng	稟生
bingxing xian	並行線
buyong	補用
Cailiao chu	材料處
Cailiao zongchang	材料總廠
caizheng tingzhang	財政廳長
canyi	參議
Cangshi	蒼石
Cao Kun	曹錕
caoliang	漕糧
chaebol	財閥(Korean)
changguanshui	常關稅
changyi fang	暢怡坊

Chang Yinhuai 常蔭槐
changzhang 廠長
changguanshui 常關稅
Chen Shutang 陳樹棠
Chen Xijiu 陳錫九
Chen Zhengliang 陳正良
Chengcheng zhongxue 成城中學
chengxiang yishi hui 城鄉議事會
chewu 車務
chewu chu 車務處
chewu zongduan 車務總段
chengxiang yi shi hui 城廂議事會
chihua zhuyi 赤化主義
choubei chu 籌備處
chu 處
dache 大車
Dahushan 大虎山
Dalian 大連
Dashiqiao 大石橋
Datong tielu 打通鐵路
Datong 大同
daili shengzhang 代理省長
daixing buwu 代行部務
dan 石
daode yanjiu hui 道德研究會
daozaì 倒載
dayang yi jiao 大洋一角
Dentsusha 電通社
Ding Jianxiu 丁鑒修
Dongbei daxue gongchang 東北大學工廠
Dongbei jiaotong weiyuan hui 東北交通委員會
Dongbei lianyun hesuan suo 東北聯運核算所
Dongfeng 東豐
Donghe gongsi 東合公司
Dongsansheng guan yinhao 東三省官銀號

Dongsansheng jiaoshe zongshu 東三省交涉總署
Dongsansheng jiaotong weiyuan hui 東三省交通委員會
Dongsansheng bingongchang 東三省兵工廠
Dongsansheng minbao 東三省民報
Dongsansheng xunyueshi 東三省巡閱使
Dongsansheng yanyun shi 東三省鹽運使
Dongsansheng zongdu 東三省官總督
dongshi hui 董事會
dongshi zhang 董事長
Dong si lu 東四路
Dong si lu lianyun 東四路聯運
Duan Qirui 段祺瑞
duanzhang 段長
du dongsheng zhi louzhi 杜東省之漏卮
dudu 都督
dujun 督軍
duli 獨立
Fengdayang 奉大洋
Fengyu tielu 奉榆鐵路
Fenghai tielu 奉海鐵路
Fenghai tielu choubanchu 奉海鐵路籌辦處
Fenghai tielu youxian gongsi 奉海鐵路有限公司
Fenghai tielu gongsi 奉海鐵路公司
Fengjun 奉軍
Fengtian jiaoshe si 奉天交涉司
Fengtian shichang zuling dimu zhangcheng 奉天市場租領地畝章程
Fenghai tielu gongcheng ju 奉海鐵路工程局
Fenghai zhouban 奉海周刊
Feng ren zhi Feng 奉人治奉
Fengtian diandeng chang 奉天電燈廠
Fengtian fangsha chang 奉天紡紗廠
Fengtian shizheng gongsuo 奉天市政公所
Fengxi 奉系
Feng Yuxiang 馮玉祥
Fu Baoheng 富保衡

Fudanshe 復旦社
fuduo 浮多
fujian 附捐
fukoku kyohei 富國強兵 (Japanese)
Fulun xuexiao 扶輪學校
Fusong 撫松
fu weiyuanzhang 副委員長
Fu Weiji 富維驥
fuze yunshu 負責運輸
ganxian 干線
ganlu 干路
Gao Bukong 高步孔
Gao Jiye 高紀毅
gongcheng 工程
gongshang bu 工商部
gongsi zhuanzhang 公司專章
Gongzhuling 公主嶺
Goubangzi 溝幫子
Gouying xian 溝營線
gu bengen 固本根
gu xi 股息
Guandong tielu 關東鐵路
Guan Chenglie 關承烈
guan gu 官股
guan li 官利
guan xi 官息
guanguan xianghu 官官相護
Guannei 關內
Guanneiwai tielu 關內外鐵路
Guan Zhong 管仲
Guangning 廣寧
Guo Guangfu 郭光復
Guo Songling 郭松齡
Guo Xurun 郭續潤
guoren po you feiyi 國人頗有非議

guoyin dianbao 國音電報
Hachiya 蜂谷 (Japanese)
Hailong 海龍
Han Fujū 韓復榘
Han Wangling 韓罔苓
Han Xingxiu 韓行修
heidi 黑地
Heishantou 黑山頭
hongli 紅利
Huhai 呼海
Huashang shachang lianhehui 華商紗廠聯合會
Huifa 輝發
Huinan 輝南
Huludao 葫蘆島
huizhang 會長
huodeng 貨等
huofu 伙夫
kuaiji 會計
jianchayuan 監察員
jiandu 監督
jianshi 監事
jianshi zhang 監事長
jiangjun 將軍
Jiang Yaozhou 姜耀周
Jiao Guorui 焦國瑞
jiaona 繳納
jiaoshe zongshu 交涉總署
jiaoyu xiehui 教育協會
jiecheng gongfu 竭誠共赴
Jichang 吉長
Jidun 吉敦
Jilin 吉林
jiqianshenduo 積欠甚多
jishu zhang 技術長
Jiang Jieshi 蔣介石

Jin'ai 錦璦
 Jinchao 錦朝
 Jinchuan 金川
 Jin Yufu 金毓黻
 Jin Yulun 金毓綸
 Jinzhou 錦州
 Jinzhou 金州
 Jingfeng tielu 京奉鐵路
 jing qu qi men 竟趨其門
 jingzhang 警長
 Jiuzhan 舊站
 juren 舉人
 junfu 鈞府
 junfa geju 軍閥割據
 junmin fenzhi 軍民分治
 Kaihai zhuyi 開海主義
 Kaituo 開拓
 Kaiyuan 開原
 kana 假名 (Japanese)
 Kantoshu 關東州 (Japanese)
 Kawamura Takeji 川村竹治 (Japanese)
 ke 課
 kezhang 課長
 Keshan 克山
 Kimura Eishi 木村銳市 (Japanese)
 Kinoshita 木下 (Japanese)
 Koumoto Daisaku 河本大作 (Japanese)
 Kouqian 口前
 Koyama 小山
 kuaiji 會計
Kuangye tiaoli 礦業條例
 li 里
 licai nengshou 理財能手
 Lijiadafang 李家大房
 lijīn 厘金

liquan 利權
lishi zhang 理事長
Li Xianggeng 李象賡
lianyun 聯運
Lianyun chu 聯運處
liangji 糧集
liangshi jiaoyisuo 糧食交易所
Liaohe 遼河
Linge 鄰葛
Liu Wenhui 劉文輝
Liu Bei 劉備
liubi shen ju 流弊甚巨
Liu Rongguo 劉榮國
Liu Shangqing 劉尚清
Liu Wenhui 劉文輝
Liu Xiang 劉湘
Long Yun 龍雲
Longzhong dui 隆中對
louzhi 漏卮
lujing dui 路警隊
lujing duizhang 路警隊長
Lu Jinggui 盧景貴
lukuan 路款
Lu Yongxiang 盧永祥
Luo Wengan 羅文幹
Luzheng huiyi 路政會議
Ma Jianzhong 馬建忠
Manmeng si lu 滿蒙四路
Manmeng wu lu 滿蒙五路
Manmou keneki 滿蒙權益 (Japanese)
Mantie 滿鐵
Mantetsu 滿鐵 (Japanese)
Maojuntun 毛君屯
Meihekou 梅河口
Meihetai 梅河台

Meixi zhixian 梅西支綫
Mengjiang jinglüeshi 蒙疆經略使
mie wo jingquan 蔑我警權
Minjindang 民進黨
Minyuan 岷源
minzu jingshen 民族精神
minzheng shi 民政使
Mine Yasoichiro 峰八十一郎 (Japanese)
Nanman 南滿
Nanshanchengzhen 南山城鎮
Nanzamu 南雜木
Niuzhuang 牛莊
Niuzhuang shangmin chuxuhui 牛莊商民儲蓄會
nonghui 農會
Nongkuang ting 農礦廳
Nonggongshang bu 農工商部
Pang Zuoping 龐作屏
piaoju 票據
piner xuexiao gongchang 貧兒學校工廠
Qi'ang 齊昂
Qichang lunchuan gongsi 旗昌輪船公司
Qi guo 齊國
Qike 齊克
Qi Shouchun 祁壽春
qiangsuo 強索
Qingguo 清國
Qingli 清里
Qingyuan 清原
Qingzhang ju 清丈局
Qinhuangdao 秦皇島
Qiqihar 齊齊哈爾
Quanye dao 勸業道
quguan 區官
qun qing xin dong 群情欣動
quyu xieding 區域協定

quzhang 區長
Rehe 熱河
Renao qu 熱鬧區
ru 儒
Shahe shuijuanju 沙河稅捐局
Shanchengzhen 山城鎮
Shanhaiguan 山海關
Shanhaiguan jiandu 山海關監督
Shansonggang 杉松崗
Shang bu 商部
Shangbu ju 商埠局
shanggu 商股
shanggu dongshi 商股董事
shangwu diaochayuan 商務調查員
shang gu dongshi 商股董事
Shanghai jiqi zhibu ju 上海機器織布局
shang hui 商會
shang min 商民
she 賒
Shenchang yanghang 慎昌洋行
Shenhai tielu 瀋海鐵路
Shenhai tielu baoan weichi hui 瀋海鐵路保安維持會
Shenhai xing chashe 瀋海興茶社
Shenhai yuekan 瀋海月刊
Shen Guomian 沈國冕
shenshang 紳商
Shenyang 瀋陽
Shen Zhenrong 沈振榮
sheng 省
sheng yihui 省議會
shengcheng 省城
Shengjing 盛京
Shengjing jiangjun 盛京將軍
Sheng Xuanhuai 盛宣懷
shengyuan 省垣

shenggongshu 省公署
Shengjing shi bao 盛京時報
Shijiatu 石家台
Shijie ribao 世界日報
shishang 士商
Shi Yancai 史言財
shuzhang 署長
Shuanghezhen 雙河鎮
Shuangshijie 雙十節
Shuangxing 雙興
shuijuanju 稅捐局
Sichuan 四川
Sichuan baolu fengchao 四川保路風潮
sishu 私塾
Sitao 四洮
Song Zheyuan 宋哲元
suigongsheng 歲貢生
Sunjiatou 孫家台
Sun Liechen 孫烈臣
Sun Mingwu 孫銘武
Sun Zhongshan 孫中山
Sun Zuchang 孫祖昌
Tanaka 田中 (Japanese)
Tang Tingshu 唐廷樞
Taoang 洮昂
Taonan 洮南
Tianjin 天津
Tianqington 天清屯
tiedao 鐵道
Tiedao bu 鐵道部
Tieling 鐵嶺
Tohosha 東方社 (Japanese)
tongdian 通電
Tonghua 通化
Tongliao 通遼

Tong Zhaoyuan 佟兆元
tongguo shui 通過稅
tongjuan 統捐
tubu 土布
Tukouzi 土口子
Usami Hiroji 宇佐美寬爾 (Japanese)
waijian duoyou feiyi 外間多有非議
Wanminyuan 萬民怨
Wan xi 皖系
wanhui liquan 挽回利權
Wang Dehou 王德厚
Wang Jiarui 王家瑞
Wang Jinghuan 王鏡寰
Wang Keqian 王克謙
Wang Shuhan 王樹翰
Wang Yintang 王蔭堂
Wang Yongchao 王永潮
Wang Yongjiang 王永江
Wang Zuocai 王佐才
Waseda 早稻田
Wato Ryoukichi 和登良吉 (Japanese)
Wenzhi pai 文治派
weichang 圍場
Wei Zhian 魏治安
wolong 臥龍
Wuchang 武昌
Wu Junsheng 吳俊升
Wu Peifu 吳佩孚
Wu Yingyuan 吳應元
xiangshi 鄉試
Xiaojinchuan 小金川
Xie 謝
xieli 協理
Xi'an 西安
Xifeng 西豐

Xiliang 錫良
Xinfeng 新奉
Xinjun 新軍
xin zheng 新政
Xingfeng dao 興奉道
xiyuan 戏园
xiucai 秀才
Xu Huaifang 徐懷芳
Xu Shichang 徐世昌
Xuanju jianzhang 選舉簡章
xun'anshi 巡按使
xunfangying 巡防營
xunguan 巡官
xunjing zongju 巡警總局
xunyueshi 巡閱使
Yamamoto Jotaro 山本條太郎 (Japanese)
Yan Xishan 閻錫山
yangbu 洋布
Yantongshan 烟筒山
Yangzishao 樣子哨
Yang Sen 楊森
Yang Yuting 楊宇霆
Yang Zhankui 楊占魁
yetaixi 野台戲
yewu ke 業務課
yi yu hu di 伊于胡底
Yihe yanghang 怡和洋行
Yijing 易經
Ying'emen 英額門
Yingkou 營口
Yingpan 營盤
yingwuyongyi 應毋庸議
yingye 營業
yi shi tixu 以示體恤
Yoshizawa kensachi 芳澤謙吉 (Japanese)

Youchuan bu 郵傳部
Yu Chonghan 于衡漢
yumin zhengli 與民爭利
Yu Sixing 于駟興
Yuting 雨亭
Yuan Jinkai 袁金凱
Yuan Shikai 袁世凱
Yuan Zhaoqing 袁兆慶
yunfei xieding 運費協定
yunjia 運价
Yunshu huiyi 運輸會議
yunshu mingci 運輸名詞
yunshu zhangze 運輸章則
Zang Shiyi 臧式毅
Zeng Youyi 曾有翼
Zhai Wenxuan 翟文選
Zhan Tianyou 詹天佑
zhangfang xiansheng 帳房先生
Zhangdang 章黨
Zhang Guodong 張國棟
Zhang Huanxiang 張煥相
Zhang Mingshan 張銘山
Zhang Xueliang 張學良
Zhang Zhenglu 張振鷺
Zhang Zhiliang 張志良
Zhang Zuolin 張作霖
Zhang Zuoxiang 張作相
Zhao Erxun 趙爾巽
zhao gu jianzhang 招股簡章
zhao gu shiwu suo 招股事務所
Zhaoshang lunshuan ju 招商輪船局
zhenxing shiye 振興實業
Zheng Guanying 鄭觀應
Zhengwu ting 政務聽
zhengzhijing 整之淨

zhilu 支路(枝路)
zhitong 直通
Zhi xi 直系
Zhongdong lu 中東路
Zhongdong tielu 中東鐵路
Zhonghua minguo lu hai jun da yuanshuai 中華民國陸海軍大元帥
Zhongguo 中國
Zhonghousou 中後所
Zhong Ku 鍾庫
Zhongyang dangbu 中央黨部
Zhongzhaizi 中寨子
Zhu Qi'ang 朱其昂
Zhu Qinglan 朱慶瀾
zhuce jiaozhi 注冊教職
Zhuge Liang 諸葛亮
Zhu Xiaozhai 朱曉齋
Zhuzhan pai 主戰派
Zhuo An 拙盒
Zijing 子敬
zikou shui 子口稅
ziyi ju 咨議局
zizheng yuan 資政院
zizhi 自治
zongdu 總督
zongli 總理
Zongli yizhu 總理遺囑
zongwu chu 總務處
zongwu chuzhang 總務處長
zuoban 坐辦