Building and Funding a Warlord Regime

The Experience of Chen Jitang in Guangdong, 1929-1936

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Warlordism persisted, though appearing in a new form, after Jiang Jieshi completed the Northern Expedition against warlords in 1928. A contemporary political commentator ascribed this phenomenon to Jiang's eagerness for military victory and his policy of appointing rival military leaders as commanders of the National Revolutionary Army. Warlords thus survived and continued to challenge the Nanjing government under the guise of armed comrades of the Guomindang (GMD), rendering "national reunification" nominal rather than real. The same commentator succinctly pinpointed three features of "separatist military rule" (*junren geju*): first, the elimination of all nonaffiliated military units within the warlord's sphere of influence; second, the appropriation of both national and local revenues by the warlord, with such revenues then expended largely for military purposes; and third, the filling of all government posts, at the provincial and subprovincial levels, by the warlord's henchmen (Hua Yan, 1932: 10).

Chen Jitang's regime in Guangdong in the 1930s displayed all the above characteristics. Although a recent biography of Chen asserts

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that he "did not have control of territories in mind" (*meiyou dipan sixiang*) (Lin Huaping, 1996: 10), the claim is unpersuasive. Chen, whom contemporaries referred to as "King of the Southern Skies" (*Nantianwang*), belonged to a new genre of separatist military leaders labeled by historians as "residual," "reformist," "Guomindang," or "new" warlords (Sheridan, 1966: 14-16; Lary, 1974: 130-31; Hsu, 1995: 540). These warlords saw themselves as faithful disciples of Sun Yixian and professed to carry out reforms based on Sun's teachings. They also pledged allegiance to Jiang Jieshi but challenged him for violating Sun's Three People's Principles whenever a conflict of interests arose.

Differences existed among these warlords. Chen Jitang, for instance, was unlike his Guangxi ally, Li Zongren, in being parochial in outlook. His agenda aimed essentially at "safeguarding Guangdong and providing reassurance to the Guangdong people" (*baojing anmin*). Unsurprisingly, Chen's attitude toward Jiang vacillated as the threat to his domain posed by Jiang's policy varied. In this respect, too, Chen differed from Li, who was persistently anti-Jiang (Shi Jiashun, 1992: 133-34). Notwithstanding differences among the warlords, no warlord could have failed to realize that the very survival of his regime depended on ready access to the mainstays of war. Thus, a warlord's primary concern was maximizing revenue to finance his war machine. Such an overriding focus undercut whatever desires a warlord might have for bettering society.

Scholarly studies of the residual warlords reveal genuine efforts to achieve provincial regeneration. These works suggest that the warlord period was not necessarily an era of fruitless strife. Instead, the warlords permitted and even encouraged development toward modernity in the autonomous regions.

Donald Gillin, in his study of the Shanxi warlord Yan Xishan, highlights Yan's ambitious program of rapid industrialization in the 1930s. He sees Yan's undertaking as

> rais[ing] the possibility that in at least some instances the division of China into competing warlord regimes created an environment favorable to economic growth, since in order to provide their armies with the latest weapons and other necessities warlords were compelled to build

> factories and otherwise develop the productive resources of their domains. [Gillin, 1967: 293-94]

Diana Lary similarly observes that "many of the most serious attempts to modernise and reconstruct took place in the independent regions—in provinces such as Kwangtung, Shansi, Shantung and Kwangsi" (Lary, 1974: 17). She presents the Guangxi Clique as "both regionalist and nationalist—at the same time," driving home the point "that regionalism and nationalism were not necessarily antagonistic, that they could co-exist" (Lary, 1974: 211, 3). In another study of the Guangxi Clique, Eugene William Levich reiterates the clique's assertion that Jiang Jieshi's failure to regenerate China was "the key factor permitting Japanese aggression" (Levich, 1993: 28). Moreover, he explains how the clique's concern for "the creation of an effective resistance to Japanese domination" had brought about "in most respects a good government" in Guangxi in the 1930s (Levich, 1993: 23, 255).

Admittedly, warlord rule was in some ways constructive. Guangdong under Chen Jitang was buzzing with activity, and he could take pride in a number of accomplishments. Apart from giving Guangzhou a modern facelift (Lee, 1936), Chen deserves credits for two other remarkable feats. The first was the construction of highways.[1] In 1929, Guangdong had only 3,661 kilometers of highways (Deng Yanhua, 1929b: 10). By 1935, it had built 17,587 kilometers and ranked first among all provinces in length of highways completed (Woodhead, 1935: 241).[2] The second was the suppression of banditry, which many old-timers recalled with joy; this task was facilitated by the newly built roads.[3] I do not here deny that Chen Jitang made important contributions to Guangdong. I argue, however, that even a "reformist" warlord such as Chen was limited in what he could accomplish because his primary orientation remained that of a warlord.

Drawing on the fiscal records of Republican Guangdong, this study also highlights two points of general interest that are often neglected in studies of "residual warlordism" during the Nanjing era (1928-1937). The first is that fiscal autonomy, which made it possible to sustain provincial or regional armed forces, was the basis of military separatism. The second, related to the first, is that fiscal relations produced much of the tension between particular warlord regimes and the

central government at Nanjing. I start with a discussion of Chen Jitang's meteoric rise to power, then analyze the fiscal resources, strategies, and problems of Chen's military regime.

BUILDING A WARLORD REGIME: CHEN JITANG'S QUEST FOR SUPREMACY IN GUANGDONG

BECOMING KING OF THE SOUTHERN SKIES

Chen Jitang joined the army after graduating from the Guangdong Short-Term Military School in 1913. Starting his military career as a platoon commander in 1914, he became company commander in 1918, battalion commander in 1919, regiment commander in 1922, brigade commander in 1923, and division commander in 1925. He was further promoted to commander of the Fourth Army of the National Revolutionary Army in 1928.[4]

Happenstance made Chen the top military man in Guangdong in the spring of 1929, shortly after Jiang Jieshi detained Guangdong's paramount leader, Li Jishen, for allegedly conspiring with the New Guangxi Clique. Jiang Jieshi, Gu Yingfen, and Ma Chaojun subsequently met at Nanjing on 21 March. It was decided, on Ma's recommendation, that Chen Jitang be appointed special deputy for the reorganization and discharge of troops in Guangdong, as well as replace Li Jishen as commander in chief of the Eighth Route Army.[5] Chen thus assumed command of all regular forces in Guangdong in April 1929. He demonstrated his brilliance as a military commander by routing Guangxi troops that invaded Guangdong in May and repelling another attack by the joint forces of the New Guangxi Clique and Zhang Fakui in December (Lin Huaping, 1996: 144-51).

Chen Jitang's grip on Guangdong was not yet firm, for—in accordance with the prevailing principle of "separating military and civil rule" (*junmin fenzhi*)—he had to share power with Chen Mingshu, chairman of the Guangdong Provincial Government. Moreover, Chen Jitang was ordered by Jiang Jieshi to clear up the situation in Guangxi and to wipe out Zhang Fakui's forces in Hunan. Consequently, Chen was absent from Guangdong for seven months in 1930, commanding the newly established field headquarters at Wuzhou in Guangxi and

directing campaigns on the Hunan front (Guangdongsheng dang'anguan, 1995-1996: 12.380-413, 13.1-32). He thus had little time to attend to affairs in Guangdong. These were largely taken care of by Chen Mingshu, who found the military expenses incurred by Chen Jitang's campaigns outside Guangdong extremely burdensome for the Guangdong Provincial Government.

Chen Mingshu had relinquished military power after becoming chairman of the Guangdong Provincial Government, and the 60th and 61st Divisions of the Eighth Route Army previously under his command were regrouped into the 19th Route Army and sent out of Guangdong on combat missions. To strengthen his position, Chen Mingshu organized four "security corps" (*baoantuan*), which were assigned to pacify the localities. They were placed under the command of the Guangdong Provincial Government, an act that aroused the suspicions of Chen Jitang (Luo Yiqun, 1987: 83; Zhu Zongzhen, 1997: 65).

A dramatic turn of events drew Chen Jitang into the vortex of GMD factional struggles and paved the way for his eventual domination of Guangdong. In late February 1931, Hu Hanmin, president of the Legislative Yuan, objected to Jiang Jieshi's proposal for a provisional constitution; as a result, he was detained by Jiang.[6] An anti-Jiang movement was soon under way, and Chen Jitang was finally persuaded to join the anti-Jiang cause by his longtime patron, Gu Yingfen. Two telegrams dispatched from Guangzhou circulated in late April and early May, calling for the impeachment of Jiang for his illegal arrest of Hu. Despite severe warnings from Jiang, Chen inaugurated a separatist national government in Guangzhou on 28 May.[7]

Sad to say, the Guangzhou national government comprised a hodgepodge of rival politicians and militarists who would have warred against one another were they not united by their ambition to do away with Jiang Jieshi, and they made the situation in Guangzhou in the second half of 1931 almost farcical. Chen Jitang played a crucial role by providing military support to this separatist movement. He found himself in a delicate position, and he had to calculate every move to make sure that his own power base would not fall prey to GMD factional politics. There is little doubt, however, that Chen benefited tremendously from his involvement. In the first place, he got rid of Chen Mingshu, who, on realizing the precariousness of the

situation, fled to Hong Kong on 28 April.[8] Henceforth, Chen Jitang could rest assured that the chairman of the Guangdong Provincial Government would be a candidate of his choice. Second, after the former chairman's departure, he disarmed and disbanded the four security corps loyal to Chen Mingshu (Guangzhou minguo ribao, 26 May 1931). As a result, rival military units were finally eliminated. Third, Chen used the establishment of the Guangzhou national government as an excuse to reorganize and expand the Eighth Route Army into the First Group Army with himself as commander in chief (Luo Yiqun, 1987: 87-88), thereby greatly enhancing his position and power. And finally, since Li Zongren joined the separatist movement, hostilities with Guangxi ceased and a long-term threat to Guangdong's security was removed. Apparently, Chen Jitang had emerged as a victor in the separatist movement.

Tension between Guangzhou and Nanjing eased after the Mukden Incident (18 September) and the subsequent release of Hu Hanmin (13 October). The ensuing negotiations fully exposed the conflicts among the separatists and made a mockery of unity against Jiang Jieshi. On 1 January 1932, Chen Jitang dissolved the Guangzhou national government, which signified the end of the confrontation with Nanjing. However, two new organs that claimed authority over Guangdong and Guangxi were simultaneously inaugurated: the Southwest Executive Branch of the Central Executive Committee of the GMD and the Southwest Political Council of the national government (Luo Yiqun, 1987: 88-90). Although professing allegiance to Nanjing, Chen had actually brought about the semi-independence of the southwest.

By March 1932, Chen Jitang, with the help of his crony Lin Yizhong, had grasped control of all provincial, municipal, and county party organs in Guangdong (Liu Tingsheng, 1987: 135-38). Chen's principal concern regarding the provincial government was to hold the purse strings. When Feng Zhuwan, who headed Guangdong's Department of Finance and was close to Jiang Jieshi, resigned on 6 May, Chen immediately seized this opportunity. He replaced Feng with a henchman, Qu Fangpu, to ensure that Guangdong's revenue would henceforth be at his disposal (Guangdongsheng dang'anguan, 1995-1996: 13.151).

A week before Feng Zhuwan tendered his resignation, Chen Jitang took active steps to remove a major obstacle to his quest for supremacy

in Guangdong: namely, the independence of the Guangdong navy and air force from First Group Army command. These branches of the military had become independent right after the Guangzhou national government was established in late May 1931. At the same time that Chen Jitang reorganized the Eighth Route Army into the First Group Army and made himself commander in chief, Sun Ke placed the Guangdong navy and air force under the control of the Guangzhou national government and installed his own men, Chen Ce and Zhang Huichang, as the respective commanders in chief. The collapse of Guangzhou's national government in early 1932 provided Chen Jitang with an excuse to take them over. Stressing the need to reduce military expenditure and achieve unified command, Chen dissolved the air force general headquarters on 30 April and the naval general headquarters on 3 May. Chen Ce retaliated by setting up a rival naval headquarters at Haikou on Hainan Island, but his resistance was crushed when Chen Jitang's air force bombed Haikou and sank the mutinous naval vessel *Feiying* on 5 July (Luo Yiqun, 1987: 88, 92-94; Ding Jixu, 1987: 172-77; Li Jiezhi and Jiang Luo, 1987: 150-51).

As a result, Chen Jitang reigned supreme in Guangdong. He also gained the support of the New Guangxi Clique. Pretending to follow in the tradition of Sun Yixian, Chen launched, on 1 January 1933, a comprehensive program of reconstruction called the "Three-Year Administrative Plan" (*Sannian shizheng jihua*), which aimed at creating "a model, new Guangdong" (*mofan zhi xin Guangdong*).[9] By then, Chen had become "King of the Southern Skies."

CONSOLIDATING HIS POSITION

Although Chen Jitang had no ambitions to seek territories outside Guangdong, he saw building up the army as a task of paramount importance because he needed a strong military to ward off external threats and to wipe out bandits and communists within his domain. In reorganizing the Eighth Route Army into the First Group Army in June 1931, Chen expanded the 59th, 62nd, and 63rd Divisions into the First, Second, and Third Armies, respectively. He also expanded the 1st and 2nd Independent Brigades into the 1st and 2nd Independent Divisions, respectively, as well as forming a new Training Division, five new independent brigades, and eight new independent regiments

TABLE 1: Organization of the First Group Army, July 1932

GENERAL HEADQUARTERS
Commander in Chief: Chen Jitang
Chief of Staff: Mou Peinan; Chief Adjutant: He Luo; Secretary General: Zhang Zhaoqin; Chief Councilor: Li Hanhun; Director of General Office: Zhang Guoyuan; Director of Political Department: Qu Fangpu

Army	*First Army (was 59th Division)*	*Second Army (was 62nd Division)*	*Third Army (was 63rd Division)*
Commander	Yu Hanmou	Xiang Hanping	Li Yangjing
Chief of Staff	Yang Gang	Ye Minyu	Zhou Zhi
Director of Political Department	Li Xunhuan	Li Heling	Di Junqian
Division Commander	1st: Li Zhenqiu	4th: Zhang Meixin	7th: Huang Tingzhen
Division Commander	2nd: Ye Zhao	5th: Zhang Da	8th: Huang Zhiwen
1st Independent Division (was 1st Independent Brigade)	Division Commander: Huang Renhuan		
2nd Independent Division (was 2nd Independent Brigade)	Division Commander: Zhang Ruigui		
Training Division (new)	Division Commander: Mou Peinan		
Independent Guards Brigade (new)	Brigade Commander: Chen Hanguang		
Independent 1st Brigade (new)	Brigade Commander: Fan Dexing		
Independent 2nd Brigade (new)	Brigade Commander: Chen Zhang		
Independent 3rd Brigade (new)	Brigade Commander: Yan Yingyu		
Independent 4th Brigade (new)	Brigade Commander: Li Jiezhi		
Independent 1st, 2nd, 3rd, 4th, 5th, 6th, 7th, and 8th Regiments (new)			
Navy Commander: Zhang Zhiying			
Air Force Commander: Huang Guangrui			

SOURCE: Li Jiezhi and Jiang Luo (1987: 145-46, 151).

(see Table 1). He thereby tripled the size of the Guangdong army from 50,000 to 150,000 men. Apart from minor reorganization at the division and brigade levels after 1932, the military establishment of Guangdong remained more or less the same until the fall of Chen in July 1936 (Li Jiezhi and Jiang Luo, 1987: 145, 153-54).

Efforts were also made to manufacture and purchase modern weaponry. The existing Shijing Arsenal, which produced cartridges, rifles, machine guns, and smokeless powder, underwent a 1933-1935 expan-

sion to include a new grenade plant, a new mortar plant, and a new power plant. It employed 2,000 workers and technicians, operated twelve hours a day, and could produce 2,100,000 cartridges, 1,000 rifles, 6 to 18 German-style heavy machine guns, 6 to 18 mortars, 1,200 shells, and 20,000 grenades a month. Its total monthly outlay was in the region of 200,000 yuan (Guangdong dollars) (Li Jiezhi and Jiang Luo, 1987: 147-48). Chen Jitang nevertheless found the Shijing Arsenal deficient in cannon production. In July 1933, Chen and Li Zongren deputized their respective chiefs of staff, Mou Peinan and Zhang Renmin, to sign a contract with Hänschenklein Böcklin, a German arms dealer, to undertake the construction of a new arsenal at Pajiang for the sum of HK$5,490,800. In September, Chen again deputized Mou to sign a HK$295,000 contract with Böcklin to build a plant to manufacture gas masks. It was reckoned that Chen had spent a total of 11,000,000 dayuan (national dollars) on these two projects, a sum largely wasted. Although the Pajiang Arsenal manufactured the prototypes of a 10.5 cm fieldpiece and two 7.5 cm mortars in 1935, they never became operational, and by the time of Chen's fall from power, not a single gas mask had been produced (Li Jiezhi and Jiang Luo, 1987: 148-49; Deng Yancun, 1987: 161-67; Guangdongsheng guofang keji gongye bangongshi, 1989: 185-96). To make his ground forces more mechanized, Chen purchased twelve tanks and fifteen armored cars from Britain in 1935. These vehicles formed a special crack unit within his army (Liu Chi, 1984: 157).

The might of air power first dawned on Chen Jitang when the Guangdong air force helped defeat Zhang Fakui's invading troops in late 1929 (Li Debiao, 1985: 124-25). Chen therefore expanded the aircraft repair plant at Dongshan in Guangzhou with a view to manufacturing light bombers. At the same time, he purchased 6 pursuit planes and 4 light bombers of British manufacture, as well as six fighter planes and seven light bombers of American manufacture. Chen Jitang took the success of the air force in crushing Chen Ce's mutiny in mid-1932 as further evidence that upgrading his air units would tremendously increase his power. Beginning in 1933, he thus purchased more aircraft: 29 pursuit planes, 10 reconnaissance planes, 6 monoplanes, and 1 transport plane from the United States and 6 medium bombers and 3 advanced trainer aircraft from Germany. In addition, he spent 300,000 yuan to build a new aircraft plant at Shaoguan, which

was completed in 1935. By 1936, Chen commanded six squadrons of aircraft comprising 130 planes of different types. However, their defection en masse in July of the same year dealt him a crushing blow (Li Jiezhi and Jiang Luo, 1987: 152-53; Ding Jixu, 1987: 177-81).

Chen Jitang's prime concern regarding the navy was to rid it of Chen Ce's influence. Following his suppression of Chen Ce's mutiny, Chen Jitang placed the Huangpu Naval Academy under close surveillance, dismissing more than 50 cadets who were suspected of close ties with Chen Ce. Indeed, between 1933 and 1936, the captains of the more important naval vessels of Guangdong were army officers rather than graduates of the naval academy: this was Chen Jitang's method of controlling the navy. To strengthen naval power, Chen concentrated on expanding his fleet of light craft. In 1934, he spent HK$2,000,000 to purchase four torpedo coastal motor boats, two from Britain and two from Italy. They formed a special unit, and the captain of each was a graduate of the Guangdong Military Political Academy at Yantang. In the spring of 1935, Chen spent another HK$30,000 on a minesweeper from France. This boat and a new gunboat built by the Guangnan Shipyard in Guangzhou were placed under the command of his brother Chen Weizhou, who was the salt transport commissioner of Guangdong and Guangxi. And shortly before his fall, Chen Jitang bought an old British passenger-cargo vessel for HK$10,000; it was re-equipped and turned into a transport ship (Xu Yaozhen, 1987: 188-91).[10]

So far, we have seen how Chen Jitang became the lord of Guangdong's military establishment. To understand Chen's paramount position in Guangdong after the summer of 1932, we also need to take into account his pervasive influence beyond the military. Presumably, Chen's lavish military spending would have met strong opposition from the civilian sector had he not succeeded in bringing under his sway the provincial government. Its top organ, the Committee of the Guangdong Provincial Government, met twice a week to deliberate and resolve matters of importance. Chen exerted no direct control over it—the minutes of the 509 meetings of the Sixth Committee of the Guangdong Provincial Government (June 1931 to July 1936) reveal no trace of his influence; he attended only one meeting, as a nonvoting observer.[11] Indeed, as commander in chief of the First Group Army,

Chen was excluded from membership on that committee by virtue of the principle of separating military and civil rule.

Instead, Chen Jitang's strategy to control the provincial government relied on placing his henchmen in key government posts. They included Qu Fangpu (director of the Department of Finance), Lin Yizhong (director of the Department of Civil Administration), Huang Linshu (director of the Department of Education), Chen Weizhou (salt transport commissioner of Guangdong and Guangxi), He Luo (chief of the Public Security Bureau of Guangzhou Municipality), and Chen Dacai (chief of the District Courts of Justice of Guangzhou Municipality). Other top posts were staffed by close relatives or associates of the so-called faction of seniors (*yuanlao pai*) that backed him. For instance, the mayor of Guangzhou, Liu Jiwen, was the son-in-law of Chen's patron, Gu Yingfen. To please Hu Hanmin, head of the faction of seniors and nominal leader of the semi-independent southwest, Chen appointed Hu's protégé, Lin Yungai, to be chairman of the Guangdong Provincial Government. He also appointed Lin's close friend He Qili as director of the Department of Reconstruction while installing his own men as bureau chiefs inside that department. In this way, Chen Jitang made sure that his views prevailed (Li Jiezhi, 1987: 14; Qiu Ping, 1987: 123-28).

Moreover, Chen exerted control over county administration through the help of Lin Yizhong, who in September 1933 started and supervised an "advanced political study course" (*zhengzhi shenzaoban*) in the Guangdong Military Political Academy to train low-level functionaries. By early 1936, 49 graduates of this course had been appointed county magistrates after successfully completing interviews conducted by a "county magistrate examination committee" set up by Lin in April 1933. Many more graduates had taken up appointments as bureau chiefs, section heads, and secretaries in county governments.[12]

Control of the ground level was further facilitated by the launching of "local self-government" (*difang zizhi*). In February 1932, the Department of Civil Administration established an institute to train local self-government personnel, and it had produced 3,419 graduates by March 1936 (Guangdongsheng minzhengting, 1936: 118-19, 122).[13] These individuals, together with graduates of the advanced political study course, constituted the core of Chen Jitang's local government

functionaries. Even the "cooperative movement" (*hezuo yundong*), as John Fitzgerald points out, "was only incidentally a movement for alleviating rural poverty in the province," for it was mainly "a tactical arm of a grand bureaucratic strategy for pacifying the province, extending provincial government authority, and routinizing local administration" (Fitzgerald, 1997: 451). Moreover, because the power of gentry in the localities was based in local militias, Chen wrested control of the "local security guard teams" (*difang jingweidui*) from the hands of the gentry. In 1934, he set up a special office within the General Headquarters of the First Group Army to take charge of reorganizing all local security guard teams. He also started a training course in the Guangdong Military Political Academy with a view to nurturing loyal "security guards" (Guangdongsheng minzhengting, 1936: 37).[14] Clearly, Chen Jitang strove to gain a monopoly on power in all sectors of state and society and at all levels to eliminate threats to his rule and enable him to tap resources as he wished.

Admittedly, Chen recognized the importance of gaining mass support, but he feared letting the masses go their own way. As he once remarked, "The power of the masses is great. Yet the masses are easily deceived, and they easily abuse power. . . . Our party must therefore openheartedly guide them and arouse them . . . to stand by and fight with us" (Chen Jitang, 1928: 19). Chen apparently was driven by a real concern for the well-being of the toiling masses and saw himself as playing the role of a benevolent patriarch. When some reporters solicited his views on good governance, he promptly replied, "First, make sure that the folks have food to eat; second, make sure that they have enough to eat; and third, make sure that they eat well" (Chen Jitang xiansheng, 1974: 80).

In launching the Three-Year Administrative Plan, Chen obviously wanted to impress on the people of Guangdong that his government had much to offer. He promised, among other things, to wipe out banditry, abolish exorbitant taxes and miscellaneous levies, reduce rent, provide relief to the poor, popularize education, promote agriculture and industry, and improve transport and communication. It is not my purpose here to assess the effectiveness of the Three-Year Administrative Plan. As the following section shows, however, Chen had difficulties fulfilling his promises because he concentrated primarily on financing his war machine.

FUNDING A WARLORD REGIME: METHODS AND REPERCUSSIONS

COVERING MILITARY EXPENSES IN GUANGDONG'S BUDGET

Finances constitute the mainstay of any government. Tables 2 and 3 present a profile of Guangdong's finances from the beginning of the Republic to the mid-1930s. The data reveal that expenditures exceed income for all fiscal years (except 1912-1913) because Guangdong incurred huge military expenses during this period.

Table 2 shows that of the eighteen fiscal years recorded between 1912 and 1930, in thirteen tax receipts were insufficient to cover just the military expenses. On average, military expenses accounted for 93% of all taxes received by the provincial government during those years. The proportion of military expenses to total revenue (including both tax and nontax receipts) ranged from 50% in some years to 100% in others, averaging 68% for the period. In absolute terms, military expenses soared to an all-time high of 83,266,000 yuan in 1926-1927, when the province bore the costs of the Northern Expedition that set out from Guangdong. As the American journalist Hallett Abend observed, "Canton, by the end of June [1926], was like a squeezed lemon. All the juice and flavor was gone. It was a city of apathy" (Abend, 1943: 33).[15] Military expenses remained high (around 49 to 61 million yuan per annum) for the rest of the 1920s.

It is interesting to note the small proportion of total revenue supplied by the land tax in this period, averaging only 10% overall and as little as 5% in the last half of the 1920s. In contrast, in provinces such as Hunan, Jiangxi, Zhejiang, and Jiangsu, the land tax usually made up 50% or more of annual provincial revenues (Guangdongsheng caizhengting, 1934: 1.67). The peculiar situation in Guangdong was caused by the proliferation of a large number of "miscellaneous taxes and levies" (*shuijuan*); the provincial government found these more attractive than the land tax, as they were easier to collect and yielded quicker returns. Of particular importance was the gambling tax, euphemistically called the "defense fund" (*chouxiang*). Except for two brief periods when Chen Jiongming ruled Guangdong and decided to wipe out gambling (Huang Linsheng, 1936: 31-33; Wei Gong, 1964: 106, 109-10), the gambling tax was a lucrative source of

TABLE 2: Revenue and Expenditure of the Guangdong Provincial Government, 1912-1930 (in thousands of yuan)

Fiscal Year	*1912-1913*	*1913-1914*	*1914-1915*	*1915-1916*	*1916-1917*	*1917-1918*	*1918-1919*	*1919-1920*	*1920-1921*
REVENUE									
Gambling tax	—	—	1,850	2,064	1,911	1,506	2,907	2,335	737
Land tax	3,837	3,963	2,662	2,912	2,034	1,971	2,164	4,655	2,167
Other taxes	15,361	11,139	10,070	9,230	8,608	9,535	9,958	11,077	10,248
All tax receipts	19,198	15,102	14,582	14,206	12,553	13,012	15,029	18,067	13,152
Nontax receipts	18,941	4,577	5,846	5,732	12,504	15,004	13,836	14,111	9,230
Total	38,139	19,679	20,428	19,938	25,057	28,016	28,865	32,178	22,382
EXPENSES									
Military	19,749	19,461	12,504	11,377	14,327	15,187	15,703	21,319	16,319
Other	12,083	8,303	10,471	12,884	23,920	24,986	24,410	25,737	20,375
Total	31,832	27,764	22,975	24,261	38,247	40,173	40,113	47,056	36,694
BALANCE	+6,307	−8,085	−2,547	−4,323	−13,190	−12,157	−11,248	−14,878	−14,312

Fiscal Year	*1921-1922*	*1922-1923*	*1923-1924*	*1924-1925*	*1925-1926*	*1926-1927*	*1927-1928*	*1928-1929*	*1929-1930*
REVENUE									
Gambling tax	6	—	34	5	7,527	16,886	12,861	14,576	14,006
Land tax	4,061	2,475	2,017	1,770	2,144	5,507	2,455	3,201	5,674
Other taxes	17,254	13,981	5,122	4,790	21,000	59,470	51,604	57,244	73,109
All tax receipts	21,321	16,456	7,173	6,565	30,671	81,863	66,920	75,021	92,789
Nontax receipts	9,145	7,652	6,643	3,181	19,703	2,959	12,219	9,103	7,707
Total	30,466	24,108	13,816	9,746	50,374	84,822	79,139	84,124	100,496
EXPENSES									
Military	23,593	22,759	8,815	6,208	35,943	83,266	61,162	52,793	49,373
Other	17,483	10,945	7,909	5,988	34,341	42,164	50,084	71,128	87,895
Total	41,076	33,704	16,724	12,196	70,284	125,430	111,246	123,921	137,169
BALANCE	−10,610	−9,596	−2,908	−2,450	−19,910	−40,608	−32,107	−39,796	−36,672

SOURCE: Guangdongsheng caizhengting (1934: 1.106-12, 3.282-466).

income for financing military campaigns across the province. Indeed, the gambling tax had become the most important source of tax income in Guangdong ever since the GMD prepared for the Northern Expedition; it was three to five times the size of the land tax collected and accounted for 14% to 20% of the total provincial revenue between 1925 and 1930.

The Guangdong government had also accumulated huge debts over the years as it attempted to make up deficits. They included mainly government debts to the central bank, public bonds, and treasury notes. By early 1928, the provincial treasury had inherited debts of 200,000,000 yuan, half of which were contracted between 1924 and 1927 (Guangdongsheng caizhengting, 1934: 1.57-58).

Table 3 shows that the general state of finances in Guangdong between 1930 and 1935, after the ascendancy of Chen Jitang, was more or less the same as in the preceding period. The provincial government continued to register budget deficits. The land tax still constituted 5% of the total revenue, bringing in one-third the revenue of the gambling tax. Military expenses, ranging from 40 to 60 million yuan per annum, remained the single largest expenditure. On average, they accounted for 71% of all tax receipts and 54% of the total revenue. Although Guangdong was free from war in this period, Chen Jitang's mammoth military program, as well as his campaigns against bandits and communists, kept military spending at a high level throughout his rule.

The inauguration of tax sharing between the central and provincial governments in the Nanjing era complicated fiscal administration and constituted a major source of disputes between Guangdong and Nanjing. Although tax-sharing arrangements were finalized by Song Ziwen in July 1928, it was not until the fiscal year 1930-1931 that Guangdong's budget drew a distinction between national revenue and expenditure, on one hand, and provincial revenue and expenditure, on the other (Guangdongsheng caizhengting, 1934: 1.66-67, 3.466-87).[16]

Table 4 presents a profile of the incomes and expenditures of Guangdong's national treasury during the 1930-1935 period. Of taxes designated as national, two were particularly important after Chen Jitang achieved supremacy in Guangdong. The first was the so-called consolidated tax (*tongshui*), which included excise duties on rolled tobacco, flour, cotton yarn, matches, and cement. It constituted 33%

TABLE 3: Revenue and Expenditure of the Guangdong Provincial Government, 1930-1935 (in yuan)

Fiscal Year	*1930-1931*	*1931-1932*	*1932-1933*	*1933-1934*	*1934-1935*
REVENUE					
National Treasury					
Opium suppression tax	5,994,699	8,361,699	8,699,971	12,165,181	11,271,292
Other taxes	23,940,660	24,099,463	23,824,449	27,245,311	27,636,778
All tax receipts	29,935,359	32,461,162	32,524,420	39,410,492	38,908,070
Nontax receipts	1,672,362	3,855,605	3,959,155	4,175,441	5,004,956
Total national revenue	31,607,721	36,316,767	36,483,575	43,585,933	43,913,026
Provincial Treasury					
Gambling tax	14,528,603	13,583,506	17,370,969	15,186,696	13,282,991
Land tax	4,150,277	4,483,270	4,304,725	—[a]	—[a]
Other taxes	10,179,937	9,864,077	10,055,499	28,487,312	38,898,720
All tax receipts	28,858,817	27,930,853	31,731,193	43,674,008	52,181,711
Nontax receipts	20,537,010	15,350.434	17,226,681	12,988,911	22,045,527
Total local revenue	49,395,827	43,281,287	48,957,874	56,662,919	74,227,238
Total revenue	81,003,548	79,598,054	85,441,449	100,248,852	118,140,264
EXPENSES					
National Treasury					
Military	40,256,960	50,263,877	45,412,781	55,288,486	59,956,742
All	56,648,422	65,470,983	55,947,639	62,660,756	70,490,936
Provincial Treasury					
Regular	16,988,095	13,358,145	15,401,788	26,269,370	30,143,869
All	65,666,101	57,260,340	63,969,102	52,918,078	72,432,654
Total expenditure	122,314,523	122,731,323	119,916,741	115,578,834	142,923,590
BALANCE: (treasury revenue and expense)					
National	−25,040,701	−29,154,216	−19,464,064	−19,074,823	−26,577,910
Provincial	−16,270,274	−13,979,053	−15,011,228	+3,744,841	+1,794,584
National and provincial	−41,310,975	−43,133,269	−34,475,292	−15,329,982	−24,783,326

SOURCE: Guangdongsheng caizhengting (1934: 1.112-15, 3.466-528) for the fiscal years 1930-1931, 1931-1932, and 1932-1933; Xiong Li (1935: 7-17; 1936: 2.533-35) for the fiscal years 1933-1934 and 1934-1935.

a. No separate figure is provided for the land tax, which is included in "Other taxes."

of all taxes and 30% of all revenues (including both tax and nontax receipts) received by the national treasury. The second was the opium tax, euphemistically called the "opium-suppression tax" (*jinyanshui*), which constituted 28% of all taxes and 25% of all revenues received by the national treasury during this time. Other important national

TABLE 4: Revenue and Expenditure of the National Treasury of the Guangdong Provincial Government, 1930-1935 (in yuan)

Fiscal Year	*1930-1931*	*1931-1932*	*1932-1933*	*1933-1934*	*1934-1935*
REVENUE					
Taxes					
Salt	8,325,137	6,929,266	7,054,409	5,160,457	5,004,271
Tobacco and wine	4,103,348	5,528,711	4,635,919	6,583,080	5,029,683
Stamp	1,692,228	2,098,914	1,731,235	2,117,686	1,998,822
Customs	632,690	74,498	37,258	49,369	63,098
"Consolidated"	1,275,677	9,057,292	10,176,848	13,055,972	15,257,598
Opium suppression	5,994,699	8,361,699	8,699,971	12,165,181	11,271,292
Other	7,911,580	410,782	188,780	278,747	283,306
All taxes	29,935,359	32,461,162	32,524,420	39,410,492	38,908,070
Nontax receipts	1,672,362	3,855,605	3,959,155	4,175,441	5,004,956
Total revenue	31,607,721	36,316,767	36,483,575	43,585,933	43,913,026
EXPENSES					
Party	49,880	25,440	15,856	0	30,472
Diplomatic	5,320	8,000	4,088	7,862	7,862
Home affairs	236,993	458,980	352,536	375,021	406,999
Financial administration	1,378,978	1,015,482	572,797	1,630,408	2,725,880
Education	1,277,800	1,611,809	1,993,597	2,369,717	3,590,275
Military	40,256,960	50,263,877	45,412,781	55,288,486	59,956,742
Other	13,442,491	12,087,395	7,595,984	2,989,262	3,772,706
Total expenditure	56,648,422	65,470,983	55,947,639	62,660,756	70,490,936
BALANCE	–25,040,701	–29,154,216	–19,464,064	–19,074,823	–26,577,910

SOURCE: Guangdongsheng caizhengting (1934: 1.112-15, 3.466-71, 477-81, 487-92, 497-502, 508-12, 518-23) for the fiscal years 1930-1931, 1931-1932, and 1932-1933; Xiong Li

taxes were the salt tax, tobacco and wine tax, stamp tax, and customs duty. On the national expenditure side, one item surpassed all others in importance: military expense, which constituted 80% of the total expenditures of the national treasury between 1930 and 1935. In every fiscal year of this period, military spending alone outstripped the total revenue of the national treasury. Thus, no money was ever left in the national treasury, and consequently no revenue was ever submitted to Nanjing.

To defray military expenses, it was arranged that the provincial treasury would make up the deficits of the national treasury (Guangdongsheng caizhengting, 1934: 1.66). This modus operandi generated conflicts between Chen Jitang and Chen Mingshu when the latter was chairman of the Guangdong Provincial Government.

In his memoirs, Chen Mingshu recalls that Chen Jitang "had never interfered with government affairs under my jurisdiction," yet he ridicules Chen Jitang as one who "pretends to be a pig and swallows up a tiger" (*banzhu chi laohu*) (Zhu Zongzhen, 1997: 67, 121). The two men were certainly at loggerheads. Speaking on National Day in 1930, Chen Mingshu expressed regrets that little had been accomplished because huge sums had been taken away from the provincial treasury to pay for military expenses (Zhu Zongzhen and Wang Chaoguang, 1996: 72). Jiang Jieshi summed up the conflicts between the two Chens after Chen Mingshu silently left Guangzhou in late April 1931:

> The revenues that Guangdong ought to remit to the central government have all been turned over to Chen Jitang to defray his military spending. Still not satisfied, he draws money from the provincial treasury. His army comprises only five divisions and, according to central regulations governing military expenditure, he requires less than 1,500,000 yuan a month to pay his troops. However, Chen Jitang demands 4,300,000 yuan a month, which is three times more than what is needed to maintain a central army of the same size. He also gets 800,000 yuan a month from those areas in Guangxi that he occupies, without reporting this to the central authorities and waiting for central allocation. It all adds up to more than 5,000,000 yuan a month. . . . Consequently, Chen Mingshu, chairman of the Guangdong Provincial Government, finds it impossible to get anything done. Gambling cannot be banned and bandits cannot be wiped out because Chen Jitang's army has seized all income. Nothing can get moving. Chairman Chen has long wished to resign, . . . [for] such a state of affairs has been going on for a long time. . . . Chen Jitang, on the other hand, has also been long dissatisfied with Chairman Chen Mingshu, as he cannot levy taxes according to his own wish. In particular, after the central government abolishes the collection of *likin* [tax on goods in transit], Chen Jitang's troops can no longer go around extorting *likin* as they had done before. This has aroused their dissatisfaction. . . . All these matters can be confirmed by official telegrams. They are based on evidence that can be verified. ["Jiang Zhongzheng (Jieshi)," 1931: 95]

After Chen Mingshu departed, and especially after Qu Fangpu was appointed to head the treasury, Chen Jitang had little trouble control-

ling the purse strings of Guangdong. He could now levy taxes as he wished and spend revenues in the ways he saw fit. Undoubtedly, Chen Jitang assigned top priority to funding Guangdong's military establishment. He also had the final say on all matters pertaining to military spending. Any requests for additional military expenses had to have Chen's approval (in the form of written instructions to the Department of Finance) before payments were made. It was said that Chen signed his instructions in a variety of ways, or used special marks in lieu of a signature, to denote how much to pay and when to pay it. It was also said that only Qu Fangpu knew what those different signatures or marks implied (Chen Boren, 1987: 295).

Until Chen's fall, Guangdong was beyond Nanjing's reach in matters of finance. As already mentioned, no revenue was ever remitted to Nanjing because military expenses, which fell into the category of national expenditure, always exceeded the total annual revenue of the national treasury. This independence not only angered Jiang Jieshi but also alienated those people who favored de facto national reunification ("Jinhou zhi Yue ju," 1936: 10). Significantly, Chen Jitang's rule of Guangdong shows that fiscal autonomy, rather than men at arms, was the very foundation of military separatism. Scholarly works on residual warlordism seldom explore the fiscal relationship between particular warlord regimes and the central government. Robert Kapp's study of Sichuan stands alone, revealing that apart from a very small portion of the salt tax revenue, none of the other so-called national taxes was ever forwarded to Nanjing (Kapp, 1973: 71). How prevalent this phenomenon was in China during the Nanjing era will become clear when more case studies are conducted.

TAPPING THE SOURCE OF REVENUE (KAIYUAN)

To obtain the mainstays of war and to keep his regime afloat, Chen Jitang racked his brain to find the quickest and most economical means of increasing income. Although he promised to reduce tax burdens, his imperative and urgent need to tap every possible source of revenue kept him from living up to that promise. He had only two possible approaches to increase income, and each had repercussions.

Increasing Tax Revenue

Table 3 shows that total tax revenue (i.e., receipts from both national and provincial taxes) increased from 58,794,176 yuan in the fiscal year 1930-1931 to 91,089,781 yuan in 1934-1935. As previously observed, the Guangdong government's tax revenue depended largely on "miscellaneous taxes and levies." They were usually collected by tax farmers and were often filtered through several layers of underwriting companies. Although most of these taxes originated as ad hoc levies, they generally became permanent and so, over the long run, they accumulated. In Zhongshan county, for instance, a total of 60 miscellaneous taxes and levies existed by the 1930s, including the obnoxious excrement tax. Angry taxpayers reportedly composed a couplet sent to one of the tax farmers: "A tax on excrement was never heard of in the past; these days, everything carries a levy except when we fart" (Xiao Baoyao, 1989: 26-27). The number of miscellaneous taxes and levies varied considerably from place to place, for most of them were of local origin. In the widespread chaos of the 1910s and 1920s, a substantial portion of those collected was embezzled by local functionaries and troops alike. That situation changed once Chen Jitang installed Qu Fangpu as director of the Department of Finance in May 1932.

Qu, with the backing of Chen, immediately declared that the Department of Finance would issue all tax licenses through open bidding, which would start in October 1932 (Guangdongsheng caizhengting, 1934: 1.90). This new centralization, coupled with the competition now encouraged among the tax merchants, brought the provincial government more income from the host of miscellaneous taxes and levies. Regulations mandated that the successful bidders pay a protection fee of an extra 10% to troops stationed in those localities where the taxes were to be collected (Qin Qingjun, 1987: 297); it was euphemistically called the "accumulation fund" (*gongjijin*). This fee, intended to defray local military expenses, created serious conflicts between the Second and Third Armies. When assigned to take over garrison duty from the Third Army in central Guangdong, the Second Army found itself deprived of that region's protection fees, which were still being collected by troops from the Third Army. To ease tensions among his commanders, Chen Jitang eventually set up a special

military financial committee to oversee this so-called accumulation fund (Chen Boren, 1987: 301-2).

Chen Jitang was particularly concerned about the gambling and opium taxes. Public outcry against the social demoralization caused by gambling and opium smoking was strong. Even Chen himself realized that the rampancy of these two evils had made a mockery of his slogan of building "a model, new Guangdong." But he could not afford to lose these two lucrative taxes, which local functionaries of the time referred to as the "Vitamins A and B" that "sustain the vitality of Guangdong" (Wei Gong, 1964: 113).

To ensure that their collection was placed in trustworthy hands, Chen Jitang issued both the gambling and opium licenses to a tactful tax farmer, Huo Zhiting, who had provided him with 4 to 5 million yuan during the war with Zhang Fakui in late 1929.[17] In the winter of 1933, Chen came under strong public pressure to ban gambling, and he subsequently ordered its prohibition in Guangzhou. The order failed to have any real effect, however, not only because it was not strictly enforced but also because the ban did not apply to Henan on the southern bank of the Zhujiang, where most casinos operated (Wu Xiangheng, 1987: 329). From July 1932 to June 1935, Chen netted 15,000,000 yuan a year from the gambling tax. He also reaped 11,000,000 yuan a year from the opium tax (see Table 3).

To raise the price of opium in Guangdong, in July 1932 Chen Jitang made the Guangxi authorities consent to suppress opium smuggling into Guangdong and to hold regular stocks of opium at warehouses in Wuzhou until Chen's so-called Opium Suppression Bureau (*Jinyanju*) requested shipments. This agreement resulted in a significant loss of revenue for Guangxi until the pact was renegotiated in late 1934 (Levich, 1993: 243-44). Yet the Guangdong-Guangxi opium trade remained under the control of the Liangguang Heyi Company run by Huo Zhiting, who also commanded an armed fleet to protect the trade and crack down on smuggling (Wu Xiangheng, 1987: 328-29). That Huo used his license for the opium tax to supervise traffic in the drug typified the system of tax collection that prevailed under Chen Jitang's rule, labeled "government supervision and merchant management" (*guandu shangban*).

Heavy reliance on miscellaneous taxes and levies as a source of revenue was certainly at odds with the spirit of the Three-Year Admin-

istrative Plan. To carry out its promise of abolishing "harsh and insignificant miscellaneous levies" (*kexi zajuan*), on 1 January 1933, the Guangdong Provincial Government decreed that 21 harsh levies be lifted (Guangdongsheng caizhengting, 1934: 1.97). In July 1934, just before the Guangdong Provincial Assembly convened, Chen Jitang declared that miscellaneous levies worth 4,600,000 yuan a year had been annulled during the previous eighteen months (Chen Jitang, 1934: 233). A year later, a Guangzhou newspaper listed 120 levies that had been abolished since early 1933, at a cost to Guangdong's treasury of 6,427,500 yuan a year. It also reported on the Guangdong Provincial Assembly's decision to make 1 August a day celebrating the abolition of harsh miscellaneous levies in Guangdong (Guangzhou minguo ribao, 22 July 1935).

But in fact, no sooner had one type of levy been declared illegal than a new one sprang up to take its place. Indeed, the oft-repeated promises to abolish harsh miscellaneous levies had been broken just as often throughout Chen's rule, and hundreds remained in place. Shortly after his fall, the Nanjing government banned 380 taxes and levies in Guangdong; another 245 were declared null and void in the first three months of 1937 (Kwok, 1989: 37). At the same time, Nanjing launched vigorous campaigns against gambling and opium smoking (Guomin zhengfu junshi weiyuanhui, 1936; Zhongguo guomindang guangdongsheng dangbu xuanchuanke, 1936).

The Three-Year Administrative Plan also provided for a reform of the land tax, which was still based on antiquated cadastral records and was commonly evaded. It stipulated that the gambling and opium taxes were to be abrogated once the reformed land tax yielded more revenue. In October 1933, the Guangdong Provincial Government proclaimed that a progressive "provisional land tax" (*linshi dishui*), to be based on current land value, would replace the old tax. It was supposedly more fair, as all existing surtaxes on land would be abolished. The tasks of updating land registration and determining current land value were in full swing in 1934. By early 1936, most counties had adopted the new system. According to official records, the land tax quota of the province had increased by 70% as a result of the change. Ironically, this increase resulted not from identifying more taxable acreage by updating land registration but from a higher tax per unit of land, as values were often arbitrarily assessed and fixed. The

landowners thus had to pay more tax, and many old abuses remained (Lin, 1997: 106-13).

Another way that Chen Jitang increased tax revenue was by imposing heavy duties on goods imported into Guangdong. On 15 May 1933, the Guangdong Provincial Government promulgated the levying of "special taxes on foreign agricultural products and miscellaneous items" (*bolai nongchanpin zaxiang zhuanshui*). In truth, these "special taxes" applied not only to foreign imports but also to most Chinese goods that were produced outside Guangdong. Products that made use of foreign raw materials were taxed, products that competed with products similar to those manufactured in Guangdong were taxed, and even farm goods such as soybean and soybean oil produced in Manchuria were taxed (Chen Boren, 1987: 298-99).[18] Indeed, Chen Jitang had erected a high tariff wall around Guangdong to protect infant government industries and to reap more revenue. This action stirred up widespread discontent outside Guangdong and even among the Guangdong merchants. People queried what the term *foreign* really meant and criticized the special taxes as a disguised form of *likin* that hampered the development of a unified national market ("Yue ju dianding hou zhi juanshui," 1936: 3-4).

Increasing Nontax Revenue

Chen Jitang saw the development of government industries (*shengying gongye*) as essential to Guangdong's economic growth and, more significantly, as a way to increase income. The Three-Year Administrative Plan included an ambitious program to establish 24 government factories, with projected capitalization in the region of 100,000,000 yuan. Top priority was assigned to building the Wengjiang hydroelectric plant (42,500,000 yuan) and an iron and steel mill (26,000,000 yuan), which were intended to provide a solid foundation for industrialization (Guangdongsheng diaocha tongjiju, 1934: 4-5; Qin Qingjun, 1987: 282-83). This blueprint of industrial development was nevertheless not followed between 1933 and 1936 because its two key industries demanded huge capital outlays and promised no quick returns. As Chen Jitang's principal concern was to squeeze out revenue from every possible source, he found it necessary

to make adjustments once the Three-Year Administrative Plan was under way. Seeking greater profitability, he subsequently made the cement and sugar industries the cornerstones of his industrial program.

The cement industry was an obvious choice of a business to promote, for two cement factories were then already operating in Guangzhou, an old one at Henan and a modern one at Xicun; thus, no money needed to be spent on building them. Moreover, cement was in huge demand in Guangdong because municipal construction, road and highway construction, and the construction of the southern section of the Guangzhou-Hankou Railway were then in full swing. In July 1933, the Henan Cement Factory became a branch of the Xicun Cement Factory, and in the latter facility, a new set of equipment was installed to double its capacity. To support sales, Chen Jitang not only imposed heavy duties on imported cement but also required all government building projects to use locally produced cement unless granted special exemption by the Department of Finance (Guangdongsheng caizhengting, 1936: 39-41). From June 1932 to the end of 1934, the Xicun Cement Factory yielded a net profit of more than 5,000,000 yuan. The Guangdong Provincial Statistics Bureau highlighted its importance: "The net profit made each year from this factory has been distributed for its own extension and for establishing other kinds of factories. Therefore it is not only the forerunner but also a founder of other industries owned and operated by the Provincial Government" (Guangdong Provincial Statistics Bureau, 1935: 5).

The policy of promoting the sugar industry was the brainchild of Feng Rui, an American-trained professor of agronomy and chief of the Bureau of Agriculture and Forestry of the Guangdong Provincial Department of Reconstruction. Following a visit to the Philippines in early 1933, Feng drafted the "Three-Year Plan for the Rejuvenation of the Sugar Industry of Guangdong" (*Fuxing Guangdong tangye sannian jihua*). It laid down guidelines for creating five "cane sugar production districts" (*zhetang yingzaoqu*) and establishing three modern sugar refineries in each district.[19] Feng's proposal, submitted to the Guangdong Provincial Government in June, was instantly approved.

In setting up the sugar refineries, Chen Jitang benefited from the worldwide bankruptcy of industries caused by the Great Depression. He was able to purchase equipment and accessories at reduced prices

from two competing contractors: the Honolulu Iron Works Company of the United States and the Skoda Works Company of Czechoslovakia, with the latter offering especially favorable terms of payment (Xian Zien, 1987: 251-52). The first two sugar refineries, established at Xinzao and Shitou in the Guangzhou district, started to mill sugar cane in December 1934.

Surprisingly, Chen Jitang was said to have reaped huge profits from selling machine-processed white sugar in the six months before these two refineries went into operation. He had reportedly sent his agents to Hong Kong, where they bought huge quantities of white sugar from the Taikoo Sugar Refinery at 8.4 yuan per picul. The sugar was shipped up the Zhujiang River; reloaded onto Chen's so-called anti-smuggling fleet, which bypassed Guangzhou Customs; repacked at the Xinzao Sugar Refinery, which was still under construction; and sold as the government's "Five Rams Brand" (*Wuyangpai*) sugar at 19 yuan per picul. In the second half of 1934, Chen reaped a profit of 4,000,000 yuan from selling what contemporaries sarcastically called "smokeless sugar" (*wuyantang*)—that is, sugar produced before the refinery started to mill sugar cane (Xian Zien, 1987: 260; Xie Yingming, 1987: 230-31). In late 1935 and early 1936, four more sugar refineries were established in Shunde, Dongguan, Huiyang, and Jieyang counties. Together they constituted the principal component of modern government industries set up under Chen's rule.[20]

With a view to supplying sufficient cane to these refineries, Chen Jitang encouraged the planting of sugar cane by providing loans to needy cultivators, who were then required to sell their harvested cane to the government. To push up sales of white sugar, Chen both imposed heavy duties on imported sugar and entrusted the marketing of white sugar to specially licensed wholesalers and distributors who were all required to pay earnest money and to fulfill stipulated monthly sales quotas. Sugar sold without the government's permission was treated as smuggled; according to newly passed ordinances, all such sugar would be confiscated and the smugglers fined 10 to 40 times its value, depending on the number of offences they had committed (Guangdong shengying zhetang, 1934: 30-34, 50-51, 67-73).

Chen Jitang also guarded his sugar business against private investment in white sugar production. By regulation, no unregistered private sugar mills could be set up: capitalization was limited to 50,000 yuan

per mill and output to three tons per day. Moreover, the use of imported syrup and coarse sugar to make white sugar was forbidden (Xian Zien, 1987: 256, 258). The limit on private investment obviously made it impossible for any individuals or groups to set up modern sugar refineries in Guangdong, for one such refinery with a complete milling outfit would cost at least 1,200,000 yuan (Mo Yinggui, 1987: 311). The government sugar refineries thus had no rivals. A survey conducted shortly after Chen Jitang's fall revealed that there were 1,789 private sugar mills operating in nineteen sugar-producing counties of Guangdong. All were of the traditional, stone roller type (*shizha zheliao*) that produced brown sugar only ("Guangdongsheng jiben gongye," 1937: 57, 60-61).

There is little doubt that Chen Jitang made a fortune out of the sugar monopoly. Guangdong white sugar found lucrative markets not only in the southwest but also in Shanghai and the entire Yangzi region (Guangzhouqu diyi zhetang yingzaochang, 1935: 89-90). Unfortunately, it is impossible to determine how much Chen earned: income from government industries was kept separate from the accounts of the Department of Finance (Qin Qingjun, 1965: 96; Chan, 1974: 188), and it is doubtful that such income was ever systematically and truthfully recorded. A popular saying in those days, which ridiculed the Guangdong army for "feeding on sugar," nevertheless drove home the importance of sugar incomes (Xie Yingming, 1987: 230).

A quicker and more convenient way of raising nontax revenue was to issue treasury notes and public bonds, usually apportioned among various counties and municipalities. In the period 1929-1932, treasury notes were issued five times (December 1929, July 1930, August 1930, June 1931, and January 1932) and public bonds once (April 1932), for a total of 59,500,000 yuan.[21] From 1933 to the fall of Chen Jitang in July 1936, treasury notes were issued four times (September 1934, March 1935, July 1935, and November 1935) and public bonds twice (April and May 1936), for 48,000,000 yuan.[22] How many of these treasury notes and public bonds were redeemed remains unknown.

A final point that merits attention is Chen Jitang's manipulation of the Guangdong Provincial Bank, which enjoyed the right of issuing notes and silver coins free from the control of Nanjing. From July 1932 to October 1935, the bank issued currency amounting to

49,000,000 yuan. When Nanjing abandoned the silver standard in early November 1935, Guangdong followed suit because of the serious outflow of silver. Chen nevertheless did not adopt the *fabi* as legal tender, instead instructing the Guangdong Provincial Bank to issue new kinds of paper notes for Guangdong and to offer a premium of 20% in exchanging silver coins for the new banknotes. From late 1935 to mid-1936, the Guangdong Provincial Government purchased 110,330,000 yuan of silver from the public. In the same period, the Guangdong Provincial Bank issued new notes totaling 192,000,000 yuan (Shao Zongchi, 1987: 315-38; Tang Shoumin and Bei Zuyi, 1936: 4).

Chen Jitang also borrowed heavily from the Guangdong Provincial Bank. An old-timer who was the bank's chief cashier remembered at least five occasions when Chen asked for money on behalf of the provincial government and army general headquarters, borrowing 80,000,000 yuan.[23] Furthermore, Chen was said to have drawn 7,000,000 yuan and HK$3,800,000 from the bank when he stepped down from office and took flight in July 1936 ("Jinhou zhi Yue ju," 1936: 10).

TRADING ACCOUNTABILITY FOR CONTROL: THE TRAGEDY OF WARLORD RULE

Chen Jitang's principal concern was to strengthen and safeguard his regime outside the mandate of Nanjing. He could not have maintained his position as "King of the Southern Skies" had he not been able to withhold revenues due the central government and spend them in the ways he saw fit. This fiscal behavior accounted for much of the tension between Guangdong and Nanjing in the first part of the 1930s, until Chen's fall in July 1936 closed the chapter of warlordism in Guangdong.

As a "reformist" warlord, Chen Jitang aspired to make Guangdong a showcase: a Sun Yatsenist model province that would create local pride and national envy. There is little doubt about Chen's commitment to such an ideal or the sincerity of his promises. But as this article demonstrates, Chen's primary orientation as a warlord seriously limited what he could accomplish.

Chen's style of rule was unmistakably arbitrary and coercive, leaving no room for any sort of compromise. He had little choice: only by exercising total control could he tap the resources required to finance his war machine. Chen's experience in governing semi-independent Guangdong illustrates that nothing mattered more to a warlord than gaining unrestricted access to the mainstays of war. Such access is a matter of survival for any warlord regime; everything else is secondary. Chen missed no opportunity to augment income, but unfortunately, gains in revenue were constantly outpaced by increases in military spending. He thus had to orchestrate endless campaigns to raise money and tap every possible source. As a result, his regime turned into a revenue-generating enterprise that made a mockery of his lofty aspirations.

That need for revenue did contribute to Chen's promotion of industries in Guangdong. Of all government industries established under his rule, none enjoyed more acclaim than the sugar industry. Indeed, it was Chen who pioneered the production of machine-processed white sugar in China. He proudly proclaimed Guangdong's lead in this enterprise when the Shitou Sugar Refinery went into operation in December 1934 (Guangzhou minguo ribao, 21 December 1934). It should be noted, however, that Chen's sugar refineries were not an unqualified success. They failed to produce at capacity because insufficient sugar cane was produced in Guangdong (Xian Zien, 1987: 250), and Chen could not expect other provinces to provide him with cheap cane after he had erected a high tariff wall around Guangdong to protect its infant industries. This bind testifies to the limits of industrial development under a separatist regime. Besides, Chen's policy of discriminating against private capital stifled local initiatives; stamping out competition was not conducive to economic growth.

After the grandiose Three-Year Administrative Plan expired, Chen Jitang lamented that the masses had benefited little. Out of disappointment, he criticized his subordinates for abusing power and performing their duties perfunctorily (Chen Jitang, 1935: 342-46; 1936: 349-50). One wonders whether Chen realized that his own style of rule had encouraged the arbitrary exercise of power and that his methods of governance had sheltered negligent officials from public criticism. He must have known that he could not afford to lose the support of his henchmen, even though he found them at fault. Rule by force, as Chen

exemplifies, is antithetical to the accountability required if the public good is to be served.

NOTES

1. Chen recognized the economic advantages of highways, but his primary interest in constructing them was to facilitate troop movements, which he deemed crucial to warding off attacks from the outside and maintaining order in the province (see Chen Jitang, 1933: 203-4). The importance of highways in deciding the outcome of war was fully driven home when Zhang Fakui invaded Guangdong in 1929: the timely completion of the Guangzhou-Huaxian Highway enabled Chen Jitang to deploy his troops quickly and to rout Zhang's army near Huaxian (see Deng Yanhua, 1929a: 96-97).

2. Jiangxi, which built 9,916 kilometers of highways, ranked a distant second to Guangdong, which had 17,587 kilometers.

3. For information on banditry in Republican Guangdong, see Guangdong wenshi ziliao bianjibu (1997). The contemporary newspaper *Guangzhou minguo ribao* is a rich source for the study of bandit activities and their suppression by Chen Jitang. A contemporary slogan highlights the importance of highways in this effort: "The day that witnesses the completion of highway construction is the day that bandits are doomed" (see Deng Yanhua, 1929a: 98). For an account that illustrates the significance of road and highway construction in pacifying the bandit-infested region of Xuwen in southwestern Guangdong, see Guangdong wenshi ziliao bianjibu (1997: 38-53).

4. For more information on Chen Jitang's early military career, see Chen Jitang (1974), Lin Huaping (1996), Ling Likun and Ling Kuangdong (1998), and Zhong Zhuoan (1999).

5. Gu Yingfen was Chen Jitang's longtime patron, and Ma Chaojun was then director of the Guangdong Provincial Department of Reconstruction. Ma recalled telling Jiang Jieshi at the meeting that Chen Jitang was the best choice because he was "honest, reliable, and easy to control." Of the other possible candidates, Ma called Chen Mingshu "supercilious and capricious," Jiang Guangnai "feeble and irresolute," and Xu Jingtang "inexperienced and aggressive." Jiang Jieshi eventually endorsed Ma's proposal. Ma also remembered visiting Li Jishen at Tangshan. He learned from Wu Zhihui that Li was detained because he was charged with using public funds in Guangdong to aid the Guangxi army. See Guo Tingyi, Wang Yujun, and Liu Fenghan (1992: 121-23, 125-26).

6. Ka Zhishan, captain of the security police at Nanjing, gave a firsthand account of Hu Hanmin's detention and its aftermath (Ka Zhishan, 1986: 1-28). After Hu was detained, Jiang Jieshi sent an encoded telegram to Xiang Hanping, a division commander under Chen Jitang, in which he accused Hu of conspiring with Chen and said that he was forced to detain Hu as a preemptive move. It is generally believed that Jiang had made up this excuse to counter criticism (see Luo Yiqun, 1987: 80-81).

7. For the two telegrams and Jiang's warnings, see Guangdongsheng dang'anguan (1985: 88-92) and "Jiang Zhongzheng (Jieshi)" (1931).

8. According to Chen Mingshu, he was not consulted in the plot against Jiang, although he was well aware of it. He subsequently left Guangzhou because he feared what he might suffer because of others' open opposition to Jiang Jieshi, even though he did not take part and did not favor the anti-Jiang movement (Zhu Zongzhen, 1997: 68). A different account is given by Cheng Tiangu, chief of the Bureau of Public Works in Guangzhou, who points out in his memoirs that Gu Yingfen had sent him to consult with Chen Mingshu several times. According to Cheng,

Chen Mingshu was actually offered the choice of taking up either military or political leadership in the campaign to save Hu Hanmin. Chen, however, regarded the offer as a joke, as he knew that Chen Jitang was already making military plans and would not budge an inch (Cheng Tiangu, 1993: 217-18).

9. Chen Jitang first mentioned the Three-Year Administrative Plan on 14 September 1932 (Chen Jitang, 1932a). For an abstract of his Three-Year Administrative Plan, submitted to and endorsed by the Southwest Political Council on 17 September 1932, see Chen Jitang (1932b). For the full text of the plan, which runs 530 pages, see Guangdongsheng mishuchu (1933).

10. In the summer of 1933, three vessels belonging to the Bohai Fleet defected to Guangdong and became the Guangdong Fleet (remaining distinct from the Fleet of the First Group Army). But these three vessels left Guangzhou for Hong Kong in mid-1935, and they were eventually taken over by the Nanjing authorities (see Xu Yaozhen, 1987: 186-88; Li Jiezhi and Jiang Luo, 1987: 151-52).

11. For the minutes of the meetings of the Sixth Committee of the Guangdong Provincial Government, see Guangdongsheng dang'anguan (1987-1989: 3.1-628, 4.1-391). Chen Jitang attended the 245th meeting on 15 December 1933. This meeting passed the budget for the fiscal year July 1933–June 1934, but it is difficult to ascertain why Chen attended this particular meeting (Guangdongsheng dang'anguan, 1987-1989: 3.496-97).

12. For a complete list of these 49 county magistrates, see Guangdongsheng minzhengting (1936: 15-16). For more information on the advanced political study course, see Chen Yuceng (1987: 201-7) and Zhong Zhengjun (1993: 48-53).

13. For a detailed account of the development of local self-government under Chen Jitang, see Guangdongsheng mingzhengting (1936: 91-142). In July 1934, just before the Guangdong Provincial Assembly was convened, Lin Yizhong sent students of the advanced political study course to various counties and municipalities to supervise the election of assemblymen. For a discussion of Lin's role in building up Chen Jitang's power through the local self-government movement, see Chen Yuceng (1987: 204-5).

14. In 1928, the gentry-led local militias were reorganized into local security guard teams and placed under the county magistrates, yet in the early 1930s, most of these "teams" remained under the control of powerful gentry. For more information on the genesis and development of the local security guard teams in Guangdong, see Yu Mianqun and Chen Jiefu (1962).

15. For discussion of Guangdong's finances during the Northern Expedition, see Fitzgerald (1990), Qin Qingjun (1982), and Luo Ming (1992).

16. The accounting unit of all national revenue and expenditure was the dayuan (national dollar), whereas provincial revenue and expenditure was figured in yuan (Guangdong dollars). For the sake of consistency, this article uses the yuan as the basic monetary unit throughout (with the exchange rate between the dayuan and yuan set at 1:1.3).

17. Huo Zhiting was a crony of Chen Jitang's brother Chen Weizhou. Apart from securing the gambling and opium licenses, Huo also managed to procure the post of vice president of the Guangdong Provincial Bank for his son Huo Baocai. For more information on Huo Zhitang, see Wu Xiangheng (1987: 325-30).

18. For a complete list of commodities subject to the "special taxes on foreign agricultural products and miscellaneous items," as well as their respective tax rates, see Guangdongsheng caizhengting (1936).

19. The five districts were Guangzhou, Huiyang, Chaoshan, Xuwen, and Qiongya (Hainan Island) (see Feng Rui, 1934: 2-4).

20. Modern government industries established under Chen Jitang's rule, apart from the expanded Xicun Cement Factory and the Xinzao, Shitou, Shunde, Dongguan, Huiyang, and Jieyang Sugar Refineries, comprise the Guangdong Textile Factory, which had six branches

(producing raw silk, silk goods, linen goods, woolen goods, cotton goods, and machinery); the Guangdong Chemical Factory, which had two branches (producing sulfuric acid and caustic soda); the Guangdong Fertilizer Factory; and the Pajiang Arsenal. Three other factories were near completion when Chen fell from power: the Meilu Linen Goods Factory, the Guangdong Beverage Factory, and the Guangdong Paper Mill. The originally planned hydroelectric plant and the iron and steel mill proved too costly, and little progress on them had been made by 1936 (see Xie Yingming, 1987; Huang Zengzhang, 1989).

21. The precise amounts raised on each occasion are 4,000,000 yuan, December 1929; 500,000 yuan, July 1930; 10,000,000 yuan, August 1930; 10,000,000 yuan, June 1931; 5,000,000 yuan, January 1932; and 30,000,000 yuan, April 1932 (see Guangdongsheng caizhengting, 1934: 3.5-6).

22. The precise amounts raised on each occasion are 2,000,000 yuan, September 1929; 6,000,000 yuan, March 1935; 5,000,000 yuan, July 1935; 10,000,000 yuan, November 1935; 10,000,000 yuan, April 1936; and 15,000,000 yuan, May 1936 (for treasury notes, see Guangdongsheng dang'anguan, 1987-1989: 4.21, 131, 134, 142, 187, 197, 260; for public bonds, see Guangdongsheng dang'anguan, 1995-1996: 14.200, 208, 214).

23. According to the former chief cashier, Chen had asked for 3,000,000 yuan to expand the Xicun Cement Factory, 20,000,000 yuan to develop military reclamation districts, 10,000,000 yuan to step up air defense, 37,000,000 yuan to put the Department of Finance in order, and 8,000,000 yuan to pay his troops on the day before he stepped down from office (see Shao Zongchi, 1987: 319).

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