

Government Gangsters:

The Green Gang and the Guomindang 1927-1937

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Introduction

From 1932-1939, the Guomindang regime in China under Chiang Kai-Shek (1887-1975) collaborated with the Shanghai Green Gang; a secret society that engaged in criminal activities. The Guomindang, also referred to as the Nationalist party, was a political party founded in 1911 that ruled over China from 1927 until 1949. In 1932, The Guomindang was in dire need of revenue and needed to extract any financial resources they could from every level of Shanghai society. The power of the local Guomindang party branch in Shanghai was not sufficient to enforce the law, so illicit elements such as the Green Gang were able to make a profit on the margins of society. Instead of fighting entrenched criminal enterprises, the Guomindang used the Green Gang to gain revenue and further government interests within the city. The union of the Government and the Gang benefited both, as the Guomindang needed revenue from narcotics sales and the Green Gang needed government backed security and legitimacy to run their massive drug distribution networks and enter the financial world of Shanghai. Despite the Guomindang and the Green Gang's mutual benefit, there were areas in which the collaboration did not work. The conditions that allowed the Guomindang to back Green Gang opium distribution were easily disrupted, especially when negative media attention emerged. This relationship sheds light on the benefits and consequences that a government incurs when it incorporates organized crime into its bureaucracy.

The relationship between the Guomindang and the Green Gang falls loosely under corporatism. Philippe Schmitter, a professor of political science and leading voice on corporatism, defines corporatism as,

A system of interest representation in which the constituent units are organized into a limited number of singular compulsory, noncompetitive, hierarchically ordered and functionally differentiated categories, recognized or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports.¹

Corporatism was a goal of the Guomindang leadership as they saw it as a way to ensure representation from the people and better manage civic grievances. The model of corporatism that appealed to the Guomindang was the fascist form in which various sectors of the economy have representative bodies that speak for their industry. The regime was never able to implement perfect corporatism as the Green Gang came to have a “representational monopoly” for labor interests and the financial elite. The fact that the Green Gang hijacked the organs of representation is telling of how corporatism worked for the Guomindang in the whole of China. Corporatism was meant to ensure that the government heard from all levels of society and could assist where needed, but in reality it became a vehicle for elites and gangsters to influence the regime.

This thesis looks into the cooperation between the Guomindang and the Shanghai Green Gang during the Republican period 1912-1949 in order to answer several questions examined in three different chapters. The first, examined in Chapter 1, is what exactly were the capabilities of Guomindang police to fight crime within Shanghai, and was it necessary for law enforcement to cooperate with criminal elements? I examined the Shanghai Municipal Police files, which were compiled by the police of the International Settlement, to help answer this question.

¹ Philippe C. Schmitter, “Still the Century of Corporatism?,” *The Review of Politics* 36, no. 01 (January 1974), doi:10.1017/s0034670500022178. P. 93-94

Shanghai at the time was divided into three different administrations, the French Quarter, the International Settlement (composed mainly of British and American forces), and the Chinese portion of the city. The city had been divided ever since the 1842 Treaty of Nanjing, and would remain divided until 1943. British and American officers of the International Settlement wrote the vast majority of the reports in the Shanghai Municipal Police Files. Information from the Shanghai Municipal Police Files must be subject to scrutiny as the foreign police were often biased in favor of their own nation and ethnicity, and were not privy to complete information about the Chinese community and Chinese politics. Frederick Wakeman in his work *Policing Shanghai 1927-1937*, assesses the difficulties faced by the various Shanghai police forces and this book was invaluable to answering my question.² I will also use Brian Martin's examination of the Shanghai Green Gang and the rise of Du Yuesheng (1888-1951) to assess how powerful criminal interests were in comparison to law enforcement.

The second question investigated in Chapter 2, evaluates whether or not Chiang Kai-Shek's Guomindang party was criminalized through their cooperation with the Green Gang, as authors like Frederic Wakeman have suggested. Lloyd Eastman in his chapter in *The Nationalist Era in China 1927-1949* examines the legitimacy and fiscal crises that Chiang Kai-Shek faced throughout the Republican period.³ Alan Baumler in *Opium Regimes* argues that the fiscal weakness of the party compelled them to establish an opium monopoly throughout the rule of Chiang Kai-

² Frederick Wakeman Jr., *Policing Shanghai 1927-1937* (Berkeley: University of California Press, 1995).

³ Lloyd E. Eastman et al., *The Nationalist Era in China: 1927-1949* (Cambridge: Cambridge University Press, 1991).

Shek.⁴ An understanding of how Chinese society viewed opium at the time will be necessary to evaluate how the people viewed this opium monopoly. A social history of opium will help evaluate whether or not the government breached the trust of their citizens. Authors such as Frank Dikötter, Edward R. Slack Jr., and Xavier Paulès have all examined the nuanced perception of narcotics at this time.⁵

Chapter 3 evaluates the success of Guomintang interests pushed forward by gangs and the extent to which the Green Gang was a corporatist extension of the Guomintang. Cooperation between the regime and the Green Gang started with labor control. Labor politics were critical in this period, as whichever regime could control the working class held the reins of power. The CCP and the Guomintang fought an existential battle to win the hearts and minds of the working class. I will utilize the Shanghai Municipal Police Files, which contain accounts of the strikes that occurred in the International Settlement. Elizabeth Perry in her seminal work *Shanghai on Strike: The Politics of Chinese Labor* examined the many elements that could pull a workforce into a strike: native place associations, worker solidarity, nationalism, gang co-optation, and government pressure.⁶ She also has case studies that demonstrate how complex each strike was during this period. S.A. Smith in *Like*

⁴ Alan Baumler, *The Chinese and Opium Under the Republic: Worse Than Floods and Wild Beasts* (United States: State University of New York Press, 2008) p.4

⁵ Edward R. Slack, *Opium, State, and Society: China's Narco-Economy and the Guomintang, 1924-1937* (Honolulu: University of Hawaii Press, The, 2001).

Xavier Paulès, "Anti-Opium Visual Propaganda and the Deglamorisation of Opium in China, 1895-1937," *European Journal of East Asian Studies* 7, no. 2 (December 1, 2008), doi:10.1163/156805808x372430.

Frank Dikötter, " 'Patient Zero': China and the Myth of the 'Opium Plague'" (Inaugural Lecture, School of Oriental and African Studies, University of London, Friday 24 October 2003) p. 8, accessed October 20, 2016 <http://www.frankdikotter.com/publications/the-myth-of-opium.pdf>.

⁶ Elizabeth J. Perry, *Shanghai on Strike: The Politics of Chinese Labor* (Stanford, California: Stanford University Press, 1993).

Cattle and Horses looked into the role of nationalism as a precipitating factor in a strike, and how it could be used to mobilize workers.⁷ I will also look into the role of gangsters among the Shanghai elite and how they came to be representative members of the elite for the Guomintang.

All of these questions examine the unique circumstances that led to a government-backed gang, and evaluate how successful this arrangement worked for both the regime and the gang. Knowledge of the events that led the Guomintang to back a criminal enterprise and how beneficial this arrangement was, will forward our understanding of Republican period 1912-1949 successes and failures in governance. The metric of success or failure will be the Nationalist's deviation from their professed principles. The Nationalists came into power with the aim of instituting their founder Sun Yat-Sen's "Three Principles of the People" roughly translated as nationalism, democracy, and social welfare. Democracy was not an immediate goal at the time as Sun Yat-Sen allowed for a period of temporary dictatorship until the country was ready for democracy. Chiang Kai-Shek implemented very few democratic policies and operated as an authoritarian so the republican experiment never began in earnest. The relationship that the regime formed with the Green Gang undermined the other two principles of nationalism and social welfare. The regime betrayed their nationalist aims by proving themselves incapable of effective policing to the imperialist powers as shown in Chapter 1 and by lying to the public and capitulating to the drug imposed by foreign powers as shown in Chapter 2. The regime betrayed the principle of social welfare

⁷ S. A. Smith, *Like Cattle and Horses: Nationalism and Labor in Shanghai, 1895-1927* (Durham: Duke University Press, 2002).

by allowing the Green Gang to extort the working class and appropriate the means of representation for various economic classes within Shanghai as will be examined in Chapter 3.

I. The Green Gang and Shanghai Police

The goal of this chapter is to demonstrate that curtailing gang activity within the city of Shanghai was fraught with difficulty during the Republican period. The Green Gang was entrenched within the concessions and the Chinese police force was ill equipped for the task of taking down the Green Gang. By 1932 the Guomindang chose not to fight the Gang. The regime and the Green Gang reached an accommodation for their mutual benefit over opium sales and the control of labor. Knowledge of balance of power between the police and the gangsters will help demonstrate why the Guomindang came to rely upon the Green Gang.

The Rise of the Green Gang up to 1932

In 1887 a boy was born in the town of Gaoqiao in the Pudong area roughly 30km North from the Bund on waterfront of Shanghai.⁸ He was born one year after future generalissimo Chiang Kai-Shek. The boy grew up impoverished and received only four months of formal education.⁹ He remained largely illiterate for the rest of his life. He lost his parents by the age of nine years old. By the age of eighteen he was working in a fruit stand in Shanghai where he was soon fired for stealing from the shop.¹⁰ After this he wandered the streets of Shanghai, a city where danger pervaded the lives of the impoverished. Typhus and other illnesses were rampant

⁸ SMP D-9319 August 7, 1939.

⁹ Brian G. Martin, *The Shanghai Green Gang: Politics and Organized Crime, 1919-1937* (Berkeley: University of California Press, 1996) P. 40

¹⁰ SMP D-9319 August 7, 1939.

throughout the city, foreign police would fire into crowds if they suspected danger, and thousands of children's exposed corpses lined the streets every year.¹¹

Fortunately this young man was able to find employment as a bodyguard at a brothel.¹² It was as a bodyguard that the man would make the most important decision of his life. At twenty-three years old he decided to join the secret society known as the Green Gang.¹³ It was in this gang that he became one of the most influential men in Shanghai and indeed all of China. This man was Du Yuesheng.

At the time Shanghai experienced rapid growth as the population exploded from one million people in 1910 to three million people by 1930.¹⁴ Shanghai promised new migrants a wealth of jobs that were not available in the countryside. Chinese migrants came in droves: from the late nineteenth century to the mid-twentieth century, migrants consistently made up about 80 percent of the city's population.¹⁵ But when these migrants arrived they found a city of extreme contrasts, extravagant luxury was situated next to dire poverty. Beyond the financial centers located along the bund, past the factories bustling with industry, and beyond the alleyway houses of the little urbanites, roughly one fifth of the population lived

¹¹ (Wakeman, *Policing Shanghai*, p. 167) foreign police were known to fire with very little hesitation, especially when the crowd was Chinese.

SMP D-7137 February 11, 1936. Foreigners posed a threat to just about all Chinese residents in Shanghai as there was no adequate judicial punishment against them. A Foreigner could kill a Chinese person and only receive a \$50 dollar fine.

Christian Henriot, "Invisible deaths, silent deaths': 'Bodies without Masters' in Republican Shanghai," *Journal of Social History* 43, no. 2 (2009), doi:10.1353/jsh.0.0271. p. 412 Henriot explores the plethora of bodies that could be found on the streets, which were primarily children's bodies found in the winter.

¹² (Martin, *The Shanghai Green*, p. 42)

¹³ SMP D-9319 August 7, 1939.

¹⁴ Hanchao Lu, *Beyond the Neon Lights: Everyday Shanghai in the Early Twentieth Century* (Berkeley: University of California Press, 1999) p. 162

¹⁵ *Ibid.* 28

in Shantytowns.¹⁶ To support this population's drive for wealth, gangs emerged to provide this society with profitable vice industries.

Gambling, prostitution, racketeering, kidnapping, and narcotic sales accounted for most Shanghai gang activity. Many of the following numeric estimates must be subject to extreme scrutiny as data on illicit ventures in this period is never completely reliable. Profits from opium were estimated to account for between Ch \$40 to \$100 million annually.¹⁷ According to one estimate, in the 1920s and 1930s over 90% of the world's supply of narcotic drugs was consumed in China.¹⁸ Prostitution was a pervasive enterprise; in 1935 approximately one out of every thirty-five women was a prostitute.¹⁹ Gangsters amassed considerable profits from mediating kidnapping cases and typically received 50% of the ransom money.²⁰ Profits from other ventures are difficult to assess, but there was enough money to support an estimated 100,000 gangsters throughout the 1920s.²¹

The three different administrative bodies and their inadequate policies tactics enabled these illicit ventures. The International Settlement, French Concession and the Chinese portion of the city all had different civic administrations as well as separate national jurisdictions.²² These three municipalities had very little

¹⁶ Ibid. 14

¹⁷ (Martin, *The Shanghai Green*, p. 48)

¹⁸ Frederick Wakeman Jr., "Licensing Leisure: The Chinese Nationalists' Attempt to Regulate Shanghai, 1927-1949," *The Journal of Asian Studies* 54, no. 1 (February 1995). p. 24

¹⁹ Christian Henriot, *Prostitution and Sexuality in Shanghai: A Social History, 1849-1949* (Cambridge: Cambridge University Press, 2001). p. 120

²⁰ D-9319 August 7, 1939.

²¹ Marie-Claire Bergère, *Shanghai: China's Gateway to Modernity* (Stanford, California: Stanford University Press, 2009). p. 226.

²² (Martin, *The Shanghai Green*, p. 31)

collaboration due to the disparate interests of the various powers involved.²³ In 1930 SMP police commissioner Frederick Wernham Gerrard went so far as to say, “while the principles on which the police administrations of the three independent areas of a large city work differ as fundamentally as they do in Shanghai... there can be no real cooperation between different police authorities in suppressing crime”.²⁴ In 1925 there wasn’t even a phone line installed between the French and International Settlement police forces.²⁵ Chinese police were forced to obtain official documents any time they wanted to set foot in the foreign settlements.²⁶ This lack of collaboration between police departments improved only when it came time to search for Communist underground members in the 1930s.²⁷ But even then, because of the lack of cooperation, crossing the street from one municipality to the next was often enough to evade law enforcement.²⁸

The policing tactics of the foreign concessions fostered an environment where crime prospered. The French and Shanghai Municipal Police were both wholly reliant on Chinese police officers to monitor the existing Chinese populations. In 1935, there were 39,500 foreign residents compared to 1,900,000 Chinese residents, so the foreign police desperately needed some way to maintain a connection with the Chinese community.²⁹ In 1929, the SMP employed 2,707

²³ (Bergère, Shanghai, p. 214)

²⁴ Shanghai Municipal Council, *Report for the Year 1930 and Budget for the Year 1931*, (Shanghai: Kelly & Walsh LTD, 1931), http://www.bniao.org/coreWeb/docReader/myReader.php?fid=bnPeriodical_ID-47_No-1.pdf, p. 97

²⁵ (Martin, *The Shanghai Green*, p. 32)

²⁶ SMP D-137 march 26, 1929.

²⁷ (Wakeman, *Policing Shanghai*, p. 174)

²⁸ (Bergère, Shanghai, p. 228)

²⁹ SMP D-9524 July 23, 1938.

uniformed Chinese police and only 474 foreign police officers.³⁰ Many of the Chinese detectives were involved in organized crime. Both the SMP and the French Concession police sought to recruit gang members into their Chinese detective squads.³¹ According to Brian G. Martin, the authorities entered into an implicit agreement that if the selected gang bosses helped maintain order among the Chinese population, the police would turn a blind eye to their illicit activities.³² The Chinese gangsters who became detectives were able to reap career benefits from their dual role as gangsters in the underground and as figures of authority. The linkage to the underground enabled them to better maintain order as they could use their gangster connections to gain information.³³ The protection the foreign authorities provided enabled the proliferation of a vast criminal enterprise. This was especially true in the French Concession where these dealings enabled the unhindered refinement and smuggling of opium and its derived products. The Green Gang first amassed a large base of power in the French Concession.

Green Gang members made major inroads in the concessions in the early 1920s with the Big Eight Mob composed of Eight Major Green Gang bosses. After the legal trade of opium was abolished in 1919, Shanghai emerged as a hub in a vast

³⁰ Shanghai Municipal Council, *Report for the Year 1929 and Budget for the Year 1930*, (Shanghai: Kelly & Walsh LTD, 1931), <http://www.bniao.org/coreWeb/docReader/myReader.php?fID=bnPeriodical ID-46 No-1.pdf> p. 57, 59

³¹ SMP D-4009 August 22, 1932. the British were well aware of their Chinese detective's dealings but they still did investigate the extent of corruption present (Wakeman, *Policing Shanghai*, p. 30)

³² Brian G. Martin, *At the Crossroads of Empires: Middlemen, Social Networks, and State-Building in Republican Shanghai*, ed. Nara Dillon and Jean C. Oi (Stanford, California: Stanford University Press, 2008). p. 68

³³ (Wakeman, *Policing Shanghai*, p. 29)

trafficking network.³⁴ The Big Eight Mob was the first major Green Gang operation to get involved in opium smuggling, and their success can be attributed to their close relationships with the foreign police and the Chinese Water Police. The cooperation of the Chinese Water Police was critical because they were charged with raiding opium shipments coming into Shanghai. The Water Police would allow opium shipments but maintained the appearance of combating opium shipments by burning imitation opium made from boiled pigs rind, sesame seed, and sometimes dates.³⁵ With the opium shipments unchecked, there was enormous opportunity for profit. In 1923 the North China Daily News put the mob's annual earnings at Ch \$30 million.³⁶ The power of the Big Eight Mob only declined once the British put in a concerted effort to fight the mob in 1924, forcing the mob to move out of the International Settlement.³⁷ The Big Eight Mob's power base within the International Settlement was absolutely destroyed in 1924, and Huang Jinrong (1868-1953) and his cohort Du Yuesheng immediately usurped the Big Eight Mob.

Huang Jinrong was a detective in the French Concession police force and from that position he was able to secure the prosperity of his various illicit ventures in the Concession.³⁸ In 1916, a fellow gangster recommended Du to Huang, and Du quickly impressed Huang's paramour "Kwei Sung".³⁹ Du's role quickly ballooned within Huang's enterprise, especially when they began to expand their opium racket

³⁴ (Martin, *The Shanghai Green*, p. 47)

³⁵ SMP D-1456 July 21, 1930.

³⁶ Jonathan Fenby, *Chiang Kai-Shek: China's Generalissimo and the Nation He Lost* (New York: Carroll & Graf Publishers, 2003).

P. 139

³⁷ Ibid. 140

³⁸ SMP D-9319 August 7, 1939.

³⁹ Ibid.

in contest with the Big Eight Mob. Du's gained even more power after Huang fought the son of a militarist ruler over remarks about a prominent opera singer and was temporarily arrested.⁴⁰ Du was able to secure Huang's release from prison, but Huang in his shame resigned from the French detective unit. With the Big Eight Mob declining and Huang Jinrong's reputation severely weakened there was opportunity for Du to act on equal footing with his mentor and become an equal partner in the "Three Prosperities Company" composed of Du Yuesheng (1888-1951), Huang Jinrong (1868-1953) and Zhang Xiaolin (1877-1940).⁴¹ The "Three Prosperities Company" would come to control much of the opium trade throughout the 1920s and 1930s. In the French Concession this company extracted approximately \$3,000 to \$10,000 per month from every opium Hong and they paid the French authorities \$180,000 every month for their non-interference.⁴²

At this time prominent opium distributors frequently struck deals with the militarist ruling their province. The Big Eight Mob had a long-standing role within the Anfu clique's unofficial opium monopoly. The Anfu clique was a faction that controlled Shanghai and the surrounding area. In 1920, a competing faction defeated the Anfu Clique.⁴³ Sun Chuanfang later wrested control from within the faction, and he arranged for a semi-official opium monopoly. Opium was an essential revenue source for many militarist regimes, which made establishing ties to local gangs essential for the fiscal capability of these regimes to fight other militarists. For the gangs, operating with militarists was often a risky venture as public opinion

⁴⁰ (Fenby, Chiang Kai-shek, p. 140)

⁴¹ (Martin, The Shanghai Green, p. 61)

⁴² SMP D-9319 August 7, 1939.

⁴³ (Martin, The Shanghai Green, p. 50, 56)

could force militarists to crackdown on opium distribution. The frequent changes in militarist regimes also meant that gangs had to create new arrangements with each successive regime with no guarantee that the militarist would not prefer their services over their rival's.

Members of the Green Gang were entwined with the Guomindang from very early on. Chiang Kai-Shek relied upon financing from Huang Jinrong in 1919 to escape Shanghai after his business failings incurred a large amount of debt.⁴⁴ Du Yuesheng provided protection for several high-ranking members of the Guomindang on their visit to Shanghai and 1924⁴⁵ Du maintained a strong connection with members of the CC clique, an extreme right faction of the Guomindang with close political ties to Chiang Kai-Shek. Despite the interpersonal connections, a more formal merging of the party and the gangsters occurred later once the Guomindang took over Shanghai during their march to reclaim the country in 1927.

The Green Gang was able to establish formal ties with the Guomindang during the Shanghai massacre (or white terror) of April 12, 1927. Since 1923, the communists and the Guomindang had formed an alliance called the United Front. In 1926 the United Front launched a military campaign starting from the province of Canton to rid China of Militarists. The alliance was fraught with difficulty as both the CCP and the Guomindang planned to subvert and control the other side after they defeated the warlords. In the spring of 1927, nationalist and anti-imperialist strikes

⁴⁴ SMP D-529 September 9, 1929.

⁴⁵ SMP D-9319 August 7, 1939.

sprouted up all over Shanghai.⁴⁶ The strikers rallied against the militarist Sun Chuanfang and awaited the United Front forces coming from the south under the command of Chiang Kai-Shek. The Communists in Shanghai worked to unify the opposition against Sun Chuanfang. The CCP appealed for a massive strike in which 500,000-800,000 workers participated.⁴⁷ After this the CCP organized an armed insurrection and took control of the Chinese areas of Shanghai.

The capture of the city took many by complete surprise. The foreign powers, which had been on edge after the May Thirtieth strikes of 1925, dispatched forces to protect their settlements within Shanghai.⁴⁸ When Chiang Kai-Shek entered Shanghai on March 26, 1927 he faced a tense situation. The Generalissimo had less than 3,000 soldiers in Shanghai and had to contend with 2,000 armed picketers allied with the CCP and 15,000 anxious imperialist troops.⁴⁹ Most local militants in Shanghai favored cooperation with the Communists but the foreign powers were highly paranoid about the CCP presence and were poised to strike.

Chiang Kai-Shek dispatched two close associates to make contact with the major gangsters at the time: Huang Jingrong, Du Yuesheng, and Zhang Xiaolin. They formed the Mutual Advancement Society, which had the purpose of undermining the CCP and retaking Shanghai.⁵⁰ On April 12, 1927 thousands of mobsters, reinforced by Guomindang soldiers, attacked and quickly took over the picket stations and

⁴⁶ (Bergère, Shanghai, p. 190)

⁴⁷ Ibid. 191.

⁴⁸ Keith Stevens, "'Duncan Force' - the Shanghai Defence Force in 1927, & the Career of Captain Ronald Spear," *Journal of the Royal Asiatic Society Hong Kong Branch* 48 (2008). P. 156

⁴⁹ (Bergère, Shanghai, p. 196)

⁵⁰ Ibid. 91.

union offices of the CCP controlled General Labor Union (GLU).⁵¹ The next day 200,000 workers went on strike to protest the suppression of the GLU, but they were violently suppressed.⁵² For their part in the white terror the three top gang bosses, Du Yuesheng, Huang Jinrong, and Zhang Xiaolin received honorific titles as counselors with the rank of Major General in the Guomintang.⁵³

Although the Green Gang helped the Guomintang acquire Shanghai, the relationship between the gangsters and the regime was unstable. This is because the Guomintang was caught in a catch-22: they both needed the revenue provided by controlling the opium trade, and they needed to appear to have the morally appropriate stance of fighting opium consumption.⁵⁴ The Guomintang from 1927-1932 resolved this conundrum by alternating between acts of hostility and cordiality towards the Green Gang.⁵⁵ The Guomintang finance minister T.V. Soong especially complicated relations by accommodating the Green Gang at times, and at other times trying to extort millions of dollars from Du Yuesheng and confiscating opium shipments.⁵⁶ In response to Guomintang interference, the Green Gang set up connections with Liu Xiang, the militarist ruler of Sichuan, to acquire partially processed opiates from outside of the Guomintang's control.⁵⁷ This did not endear the Green Gang to the Guomintang and further strained relations. The relationship between the Guomintang and the Green Gang would change dramatically in 1932,

⁵¹ SMP D-9319 August 7, 1939.

⁵² Ibid. 92.

⁵³ (Martin, *The Shanghai Green Gang*, p. 111)

⁵⁴ Timothy Brook and Bob Tadashi Wakabayashi, eds., *Opium Regimes: China, Britain, and Japan, 1839-1952* (Berkeley: University of California Press, 2000). P. 271

⁵⁵ (Martin, *The Shanghai Green*, p. 136)

⁵⁶ Ibid. 139-140

⁵⁷ Ibid.141

but during the five-year period 1927-1932 the Guomindang put up a lack luster fight against the Green Gang in Shanghai. This is because their police force was unable to force the gangs to stop selling opium.

Police Ineffectiveness 1927-1932

When the Nationalist regime entered Shanghai one of their main goals was to rid the city of foreign concessions. The Guomindang's method was to eliminate the justification the foreign powers used to legitimize their imperialist claims to Shanghai: that the Chinese were fundamentally incapable of governing their own cities. Chiang Kai-Shek said as much in a speech given in 1927,

All eyes, Chinese and Foreign, are focused on the Shanghai Special Municipality. There simply has to be a successful completion of its construction. If all is managed according to the way described by the *zongli*, then it will be even more perfect than in the foreign concession. If all of the public health, economic, and local educational affairs are handled in a completely perfect way, then at that time the foreigners will not have any way to obstruct the recovery of the concessions.⁵⁸

The Guomindang's newly formed Public Security Bureau needed effective policing to prove to the international community that the Nationalist government was capable of effective rule. Although well intentioned, this goal of successful law enforcement throughout the Chinese portion of Shanghai was challenging for many reasons: The presence of two foreign concessions with separate jurisdictions enabled criminals to easily evade law enforcement, the Chinese police were tasked with too many different goals, the administration faced chronic underfunding, and there were too few police officers.

⁵⁸ (Wakeman, *Regulating Shanghai*, p. 23)

When the Nationalist government established themselves in Shanghai, they had to contend with a much more difficult section of the city than the foreign powers. The sections along the Huangpu river including the concessions and the old Chinese city only occupied areas of thirty-three and thirty square kilometers, while the municipality of greater Shanghai was as large as five-hundred and seventy two kilometers (although most of this was composed of rural townships).⁵⁹ Shantytowns surrounded the outskirts of the city. People in Shantytowns had no access to running water or electricity and were cut off from police services.⁶⁰ The shantytown population was also exceedingly difficult to monitor, as traditional housing registration would not work.

Even the more developed areas were problematic for conducting police work. The city's rapid development facilitated the uncoordinated construction of large Shikumen dwellings, brick houses that combined western and eastern architectural styles. Shikumen were originally meant to house single families, but often came to contain up to fifteen families within a single dwelling.⁶¹ Landlords frequently did not know who lived in their houses because spaces were heavily subcontracted.⁶² This made it so that many Shikumen spaces were anonymous. The Communist party was able to use these dwellings to evade law enforcement and no doubt other underground organizations also used these dwellings.⁶³ Creating records on the population of the city was also very difficult due to the police's inadequate

⁵⁹ (Bergère, Shanghai, p. 216)

⁶⁰ Ibid. and well as p. 127 which demonstrates how the police often chased out shanty dwellers from the city center

⁶¹ (Lu, Beyond the Neon Lights, p. 158)

⁶² Ibid. 160.

⁶³ Ibid. 177.

registration system. Household registration had been the task of the police since 1913, but when the Public Security Bureau was established in 1927 they found only one census was taken up to 1926 and that this census was already mostly scattered and destroyed.⁶⁴ The homeless, shanty dwellers, and refugees throughout the city made the task of registration especially difficult.

In addition to the maze of housing, the road infrastructure connecting different parts of the city was inefficient.⁶⁵ In response the Nationalist government tried to institute the Greater Shanghai Plan, a massive infrastructure project that would unite all portions of the city into one politically united whole.⁶⁶ Part of the goal was to create a Civic Center, as Shanghai had no center but rather multiple centers of administration. This plan was critical to stopping foreigners from expanding their territory. Foreigners had been expanding their territory by extending their infrastructure, such as water, electricity, etc. in order to create extra-territorial roads over which they claimed sovereignty.⁶⁷ The Greater Shanghai Plan was well intentioned but failed due to civil unrest, lack of funding, and wars during the 1927-1937 period.⁶⁸ A failure to develop sufficient infrastructure hindered policing, as officers had to slowly navigate through heavy traffic to complete their beat.

In 1898, the Shanghai Municipal Council in the foreign concessions appointed a commissioner of public health, which set a precedent ensuring that public health

⁶⁴ (Wakeman, *Policing Shanghai*, p. 85)

⁶⁵ (Bergère, *Shanghai*, p. 214)

⁶⁶ Kerrie L. Macpherson, "Designing China's Urban Future: The Greater Shanghai Plan, 1927-1937," *Planning Perspectives* 5, no. 1 (1990). P. 39

⁶⁷ (Bergère, *Shanghai*, p. 45)

⁶⁸ (Macpherson, *Designing China's Urban Future*, p. 39)

was a responsibility of city administration.⁶⁹ The Nationalist government devoted very few resources to public health until 1936.⁷⁰ Instead the Chinese police were tasked with administering public health.⁷¹ Although the Chinese portions of the city had semi-governmental organizations aiding public health such as The National Anti-Tuberculosis Association of China, they were often small and still developing at this point.⁷² The police were often tasked with disposing of bodies, and on cold winter nights as many as four hundred bodies could be found dead in the morning.⁷³ The police also had to engage in sanitation measures such as repairing garbage cans, building public toilets, cleaning streets, and keeping public swimming pools from becoming sources of infection.⁷⁴

Another task of the Public Security Bureau was to root out Communists and other subversive elements. Despite the brutality with which Communist forces were suppressed during the White Terror, the CCP maintained a presence within Shanghai. In her book *Underground: The Shanghai Communist Party and the Politics of Survival*, historian Patricia Stranahan argues that despite being cut off from the leaders of the CCP after they fled Shanghai, Communists within the city continued their covert fight and developed their own survival tactics.⁷⁵ The Police Commissioner of the International Settlement reported in 1930 that, “local

⁶⁹ Xu, Xiaoqun. *Chinese Professionals and the Republican State: The Rise of Professional Associations in Shanghai, 1912-1937*. Cambridge: Cambridge University Press, 2001. P. 44

⁷⁰ Ibid. 254

⁷¹ (Wakeman, Policing Shanghai, p. 84)

⁷² Sean Hsiang-lin Lei, “Habituating Individuality: The Framing of Tuberculosis and Its Material Solutions in Republican China,” *Bulletin of the History of Medicine* 84, no. 2 (2010), doi:10.1353/bhm.0.0351. p. 256

⁷³ (Wakeman, Policing Shanghai, p. 84)

⁷⁴ Ibid.

⁷⁵ Stranahan, Patricia. *Underground: The Shanghai Communist Party and the Politics of Survival 1927-1937*. United States: Rowman & Littlefield Publishers, 1998.

Communists manifested during the year considerable activity both openly and secretly”.⁷⁶ In that year the Shanghai Municipal Police arrested 570 people for Communist activity and in the next four years they consistently arrested over 100 suspected Communists every year.⁷⁷ The Nanjing government put a high priority on eradicating communism within Shanghai, and utilized the police force to such a degree that they were unable to perform other duties effectively.⁷⁸ This obsession with finding Communists intensified after the Japanese attacked Shanghai in 1932 as Dai Li, Chiang Kai-Shek’s primary source for political intelligence, coopted the police to hunt CCP sympathizers.⁷⁹

In addition to preventing crime, the Public Security Bureau was also charged with regulating morality in Shanghai. The western influence that seeped into the city from the concessions was seen as morally corrupting. Western forces were perceived to invite vice as gambling, prostitution, and opiate addiction flourished in Shanghai.⁸⁰ In response to these changes, police officers adopted stringent regulations for the purpose of creating proper public demeanor, proper attire, and wholesome entertainment centers. Ultimately, intrusion into the personal lives of

⁷⁶ (Shanghai Municipal Council, Report for 1930, p. 95)

⁷⁷ Ibid.

Shanghai Municipal Council, *Report for the Year 1931 and Budget for the Year 1932*, (Shanghai: Kelly & Walsh LTD, 1931), <http://www.bniao.org/BN/Periodiques?ID=48> p. 64

Shanghai Municipal Council, *Report for the Year 1933 and Budget for the Year 1934*, (Shanghai: Kelly & Walsh LTD, 1933), <http://www.bniao.org/BN/Periodiques?ID=49> p. 111

Shanghai Municipal Council, *Report for the Year 1934 and Budget for the Year 1935*, (Shanghai: Kelly & Walsh LTD, 1933), <http://www.bniao.org/BN/Periodiques?ID=50> p. 107

⁷⁸ (Wakeman, Policing Shanghai, p. 133)

⁷⁹ “Spymaster: Dai Li and the Chinese Secret Service — Central Intelligence Agency,” April 21, 2009, accessed November 15, 2016, <https://www.cia.gov/library/center-for-the-study-of-intelligence/csi-publications/csi-studies/studies/vol53no1/spymaster-dai-li-and-the-chinese-secret-service.html>.

⁸⁰ (Wakeman, Licencing Leisure, p. 19)

urbanites generated a great deal of resentment, especially after vigorous censorship was employed in 1932.⁸¹

It would have taken a very strong and well-funded institution to excel in all of the tasks that were demanded of the Public Security Bureau: the administration of public health, communist suppression, labor control, in addition to the maintenance of order and moral values within the Chinese portion of the city. Funding was at first readily available from the Nanjing government as they were eager to reform the Shanghai Public Security Bureau, but the regime was not able to offer stable financial support in the long term.⁸² Many internal problems within the Public Security Bureau also made the proper execution of police work challenging.

When the Public Security Bureau formed, they inherited the dilapidated and ill-equipped precinct offices of the former militarist's police force. In contrast to the well-armed criminal syndicates, the new Public Security Bureau found less than 10% of the supposed quota of weapons listed in the armories by the previous police force.⁸³ The police were resourceful and turned to weapons seizures as well as public funding to supply themselves and by the end of their second year, eight out of every ten policemen was armed.⁸⁴ Unfortunately the police had a much more difficult time securing proper offices, and they utilized temporary housing in temples and guildhalls throughout much of this period.

Frequent turnover at roughly every level of the police force fostered corruption and less-capable policing. In the period from 1927-1931 the average tenure of the

⁸¹ Ibid. 21

⁸² (Wakeman, Policing Shanghai, p.167)

⁸³ Ibid. 49

⁸⁴ Ibid.

chief of the Public Security Bureau was roughly twelve months and each new director brought in their own people to replace the old director's officers.⁸⁵ The high turnover was due to the dissatisfaction of higher-level bureaucrats with each director's performance. The composition of the rank and file officers also changed regularly as many officers resigned every year due to the hazardous nature of their work. The Shanghai Municipal Police were reported to have worked twelve to fifteen hours a day and it is likely that Chinese detectives worked similar hours.⁸⁶ In 1930 the Public Security Bureau chief estimated that an average of one hundred policemen left the force every month.⁸⁷ The Police Commissioner of the SMP reported,

In no other town in the world can it be said that members of the C.I.D. deal with such a volume of crime of all descriptions and it is doubtful if any other Police Force is faced with such difficult conditions, both as regards the danger under which the work is performed or the difficulty of obtaining that co-operation so essential to successful criminal investigation.⁸⁸

The Chinese detectives undoubtedly faced similar conditions so it is no surprise that it was common to leave the force. These frequent turnovers allowed ample room for corruption and little time to train an effective professionalized police force. Frequent turnover also exacerbated the severe shortage of police officers. The Public Security Bureau on average employed roughly four thousand policemen or one uniformed officer for every four hundred and twenty five inhabitants.⁸⁹

⁸⁵ Ibid. 52

⁸⁶ SMP D-8 January 29, 1929.

⁸⁷ (Wakeman, Policing Shanghai, p.168)

⁸⁸ Shanghai Municipal Council, *Report for the Year 1929 and Budget for the Year 1930*, (Shanghai: Kelly & Walsh LTD, 1931), http://www.bniao.org/coreWeb/docReader/myReader.php?fID=bnPeriodical_ID-46_No-1.pdf p. 72

⁸⁹ (Wakeman, Policing Shanghai, p.165)

The Public Security Bureau faced too many tasks, had too few officers and had far too little funding. This all obstructed them from one of their avowed goals in Shanghai: the suppression of the opium trade. The efforts of the Public Security Bureau were also hindered by the actions of the Guomindang regime. In 1927 the Guomindang tried to enforce a licensing scheme that would allow them to have a complete monopoly over the production and sale of opium, so that the regime might over the course of three years taper down the amount of opium both consumed and produced.⁹⁰ By 1928 this plan had created so much public outcry that the Nanjing Government decided to discontinue it.⁹¹ However the Guomindang secretly maintained and expanded their opium production and distribution network. The reasons for this are complex and will be explained in Chapter 2, but at this point it must be noted that the Guomindang was in no way helping the Shanghai police eradicate opium. One particularly poignant example showcases the contradictions in Guomindang policy: In 1928, the Chairman of the Opium Suppression Committee received a tip that a twenty-thousand ounce shipment of opium was going to be unloaded in Shanghai on November 21st.⁹² The Chairman passed the tip along and the Public Security Bureau raided the ship only to find that it was filled with military police who insisted the shipment was officially sanctioned by the Shanghai Garrison Command.⁹³ The civilian police objected to the MP's claims and were arrested. The Public Security Bureau could not stop the opium shipments sanctioned by Nanjing and could not reach the Green Gang operation in the French Concession so they

⁹⁰ (Baumler, *Modern China and Opium*, p. 135)

⁹¹ (Brook, *Opium Regimes*, p. 272)

⁹² (Wakeman, *Policing Shanghai*, p.129)

⁹³ *Ibid.* This event was known as the Jiangan case after the name of the steamer *The Jiangan*

were relegated to looking for small time distributors unaffiliated with either enterprise. With the complete ineffectiveness of any effort to stop gangs within Shanghai, power vested above the police force began to look for other ways to deal with the Green Gang.

The Union of 1932

In 1931, the Japanese military invaded Manchuria in Northern China. Within less than a year the Japanese attacked Shanghai from January 28th to March 3rd of 1932. During this time the local administrative branch of the Guomindang was suspended and local elites took up the role of administration, financing the city, and supporting the troops.⁹⁴ At the end of the conflict, Shanghai was demilitarized and Chinese troops had to leave the city, leaving only a small police force. Among Shanghainese, this battle eroded the legitimacy of the Guomindang. In addition Chiang Kai-Shek also faced a severe backlash after he put Hu Hanmin, a fellow member of the Guomindang, under house arrest.⁹⁵ Hu Hanmin was a right factional leader of the Guomindang who disagreed with Chiang Kai-Shek over the need for a provisional constitution.⁹⁶ There was public outcry for the impeachment of Chiang and a separate government was set up in Canton.⁹⁷ In response, Chiang Kai-Shek resigned and an ineffective government was installed. It collapsed within a year.⁹⁸ Chiang Kai-Shek returned but the reputation of the Guomindang had been greatly diminished by the party's inadequate response to Japanese aggression and their

⁹⁴ (Martin, *The Shanghai Green Gang*, p. 151)

⁹⁵ *Ibid.* 150

⁹⁶ (Eastman, *The Nationalist Era*, p. 13)

⁹⁷ (Martin, *Shanghai Green Gang*, p.150)

⁹⁸ (Eastman, *The Nationalist Era*, p. 14)

internal factionalism.⁹⁹ This fostered an atmosphere of desperation where the Guomindang was more willing to work with underworld elements that would help them amass power.

By 1931 Du Yuesheng had reached the height of power within the foreign concessions. He had vastly surpassed the other forty-eight Green Gang bosses with his scope of vision, connections, and sheer financial power. His power vis-à-vis the French came primarily from gaining control over large segments of organized labor within the Concession. Du was first able to act as an intermediary between the French authorities and the French Tramways Union. He later became the representative of the French Tramway Union, which controlled the provision of water, electricity, and transport in the Concession. By 1931, the French in Paris and the British authorities became alarmed by the amount of power that Du amassed in the French Concession. At any point Du could threaten all French industries in Shanghai. One strike, believed to be used by Du to demonstrate his power, involved 90 percent of the French Municipal Council's workforce.¹⁰⁰ The *China Weekly Review* noted in July of 1931, that the Green Gang had the real power over the Concession and they acted as a, "super-government not greatly different from the regime of Al Capone which operated in Chicago".¹⁰¹ The Japanese attack on Shanghai intensified the conflict between the French authorities and the Green Gang. The French authorities took the opportunity provided by the crisis to invoke martial law and

⁹⁹ (Martin, Shanghai Green Gang, p. 150)

¹⁰⁰ Ibid. 129.

¹⁰¹ Ibid. 127

remove key corrupt officials, as well as to ask for Du Yuesheng's resignation.¹⁰² Du fought against French efforts to remove him via his connections with Chinese leaders in the Concession and through the promotion of a strike from his unions.¹⁰³ This strike forced the head of the French Concession, Consul General Meyrier, to make a deal with Wu Tiecheng, the Mayor of Guomindang controlled Shanghai, to allow for the removal of Du's opium business from the Concession.¹⁰⁴ After Du left, the French vigorously pursued anti-opium policies.¹⁰⁵ This movement out of the French Concession forced Du to rely on Chinese officials to protect his opium enterprise.

The post-1932 union between the Guomindang and the Shanghai Green Gang conferred benefits to both groups. The Guomindang was able to: utilize the Gang's labor connections, control the gang's opium distribution to generate revenue, and focus their police efforts on fighting Communists. Du Yuesheng was given legitimacy from the Guomindang which enabled him to interact with the Shanghai elite and enter industries such as finance, news, and shipping, in addition to managing the Green Gang's opium, gambling, racketeering, and union operations. This distribution of legitimacy was typical of the Guomindang's accommodationist policy in which they offered out the good graces of the regime in exchange from cooperation from the incorporated actor.¹⁰⁶

¹⁰² (Wakeman, Policing Shanghai, p. 203)

¹⁰³ (Martin, The Shanghai Green Gang, p. 131)

¹⁰⁴ (Wakeman, Policing Shanghai, p. 205)

¹⁰⁵ (Martin, The Shanghai Green Gang, p. 132)

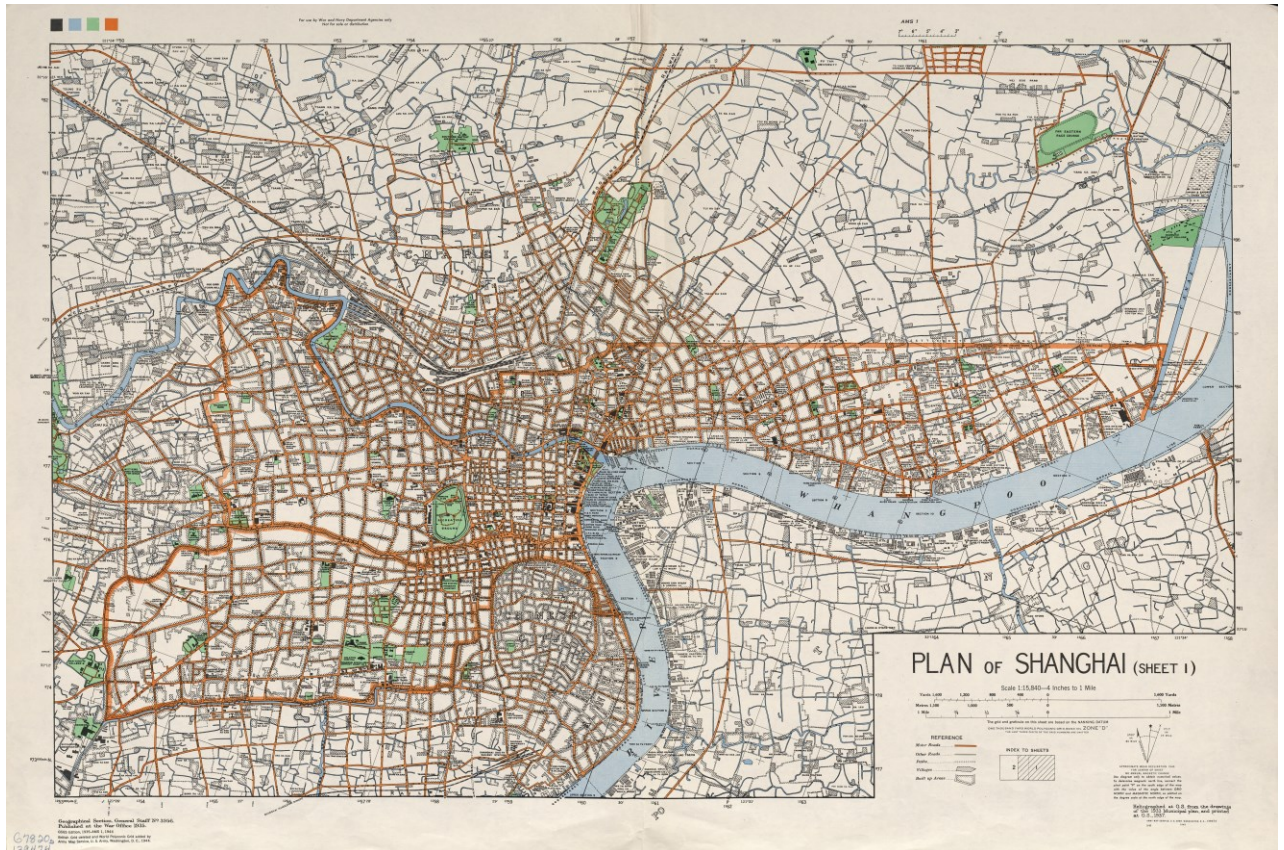
¹⁰⁶ (Brook, Opium Regimes, p. 284)

By this point there was no question of whether or not the police would challenge Du, as he was an essential component of Guomindang control within Shanghai. Du had also gained influence over several members of the Public Security Bureau and some police officers.¹⁰⁷ The Guomindang effectively gave up on its goal of proving to the foreign powers that they could effectively police Shanghai. In doing so they turned their back on the principle of nationalism, as they allowed the foreign powers to continue to use their prejudiced justification for imperialism: that the Chinese could not effectively police themselves. To understand exactly why the Guomindang gave Du Yuesheng so much power, it is necessary to have an examination broader Guomindang policy and more specifically the party's opium monopoly.



Du Yuesheng, Public Domain retrieved from Wikipedia

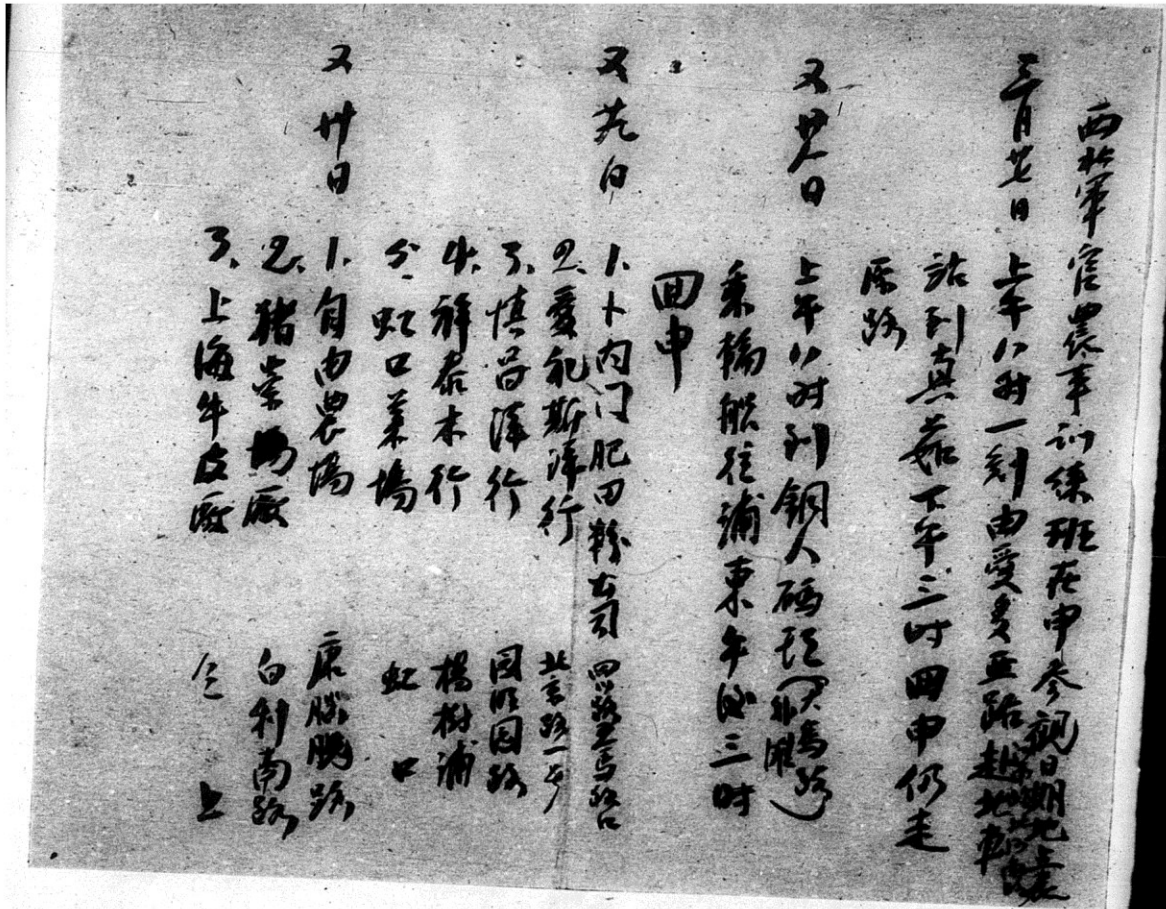
¹⁰⁷ SMP D-9319 August 7, 1939.



Map of Shanghai in the 1930s in China. Photo by United States Army Map Service.



Public domain Nanking Road in 1930, Author unknown



SMP D-137 March 26, 1929 The Chinese Police ask for permission to enter the settlements

II. The Legalization of Opium

In this chapter I will first examine the social history of opium within China and how it gradually shifted from a recreational drug of the elite to a widely used and widely despised substance. This social history will help examine the extent to which the policies of the Guomindang in the 1930s deviated from what was socially acceptable for the populace. I will then evaluate the fiscal and political needs of the Guomindang in the 1920-1930s and whether it was feasible to take action against poppy production without losing substantial revenue. This chapter serves to describe the outside pressures that forced the Guomindang to cooperate with the

Green Gang in Shanghai and how specifically the regime benefitted. Finally I will look at the interaction between the Guomindang and civil society and the constant battle to influence public opinion over opium policies. By analyzing the needs of the Guomindang as well as society's reaction to the spread of opium I hope to display the degree to which promoting opium production and distribution was criminal. Criminality in this case, refers to a government breaking its own laws, as well as breaching the trust of the people.

A Social History of Opium

Chinese people were first introduced to opium in the early eighteenth century combined with tobacco in a mixture called Madak.¹⁰⁸ By the end of the 1800s the elite smoked opium as a recreational activity. The ability to purchase expensive Indian imported products such as opium and opium paraphernalia was an indicator of wealth. Opium smoking served several functions: it was a drug used for social gatherings, it displayed status, and it was often used as a medical panacea to treat a wide variety of ailments from stomach conditions and fatigue to serious epidemics like cholera, the plague, and malaria.¹⁰⁹ As production for the Chinese market increased and Chinese farmers started to grow their own poppy plants, the price of opium plummeted and it became available for members of every level of society.¹¹⁰ Opium was typically used in moderation and the pernicious effects of

¹⁰⁸ (Dikötter, “ ‘Patient Zero’, China and the Myth of the ‘Opium Plague’ ”)

¹⁰⁹ Frank Dikötter, Lars Laamann, and Zhou Xun, *Narcotic Culture: A History of Drugs in China* (London: The University of Chicago Press, 2004). P. 74

¹¹⁰ (Dikötter, *Narcotic Culture: A Social History*, p. 321)

Edward R Slack, *Opium, State, and Society: China's Narco-Economy and the Guomindang, 1924-1937* (Honolulu: University of Hawaii Press, The, 2001). P. 3

addiction were well known and well documented by smokers.¹¹¹ Experienced opium smokers tried to avoid addiction by creating a clear line between moderate consumption and blatant addiction.¹¹² Opium was meant to be used socially and not in excess. Opposition to opium consumption was initially based on the trade deficit created by importation of the drug and the waste of valuable farmland for Chinese production.¹¹³ This was a valid criticism as cultivation of opium was incredibly time and labor intensive, with one acre of opium poppy taking up to 109 days of cultivation a year.¹¹⁴

The British began rapidly smuggling opium into China in the 1820s in an attempt to extract as much wealth as they could from the largely inelastic demand for opium.¹¹⁵ The Chinese tried to force the British to cease their importation of opium but the British navy defeated the Chinese military in the Opium War of 1839-1842. The Nanjing Treaty of 1842, signed between the British and the Qing Dynasty, did not expressly mention opium but it did create extraterritorial settlements in five Chinese cities. Shanghai was one of five cities to have extraterritorial settlements, in addition to Fu-chou, Amoy, Canton, and Hong Kong. Despite these extraterritorial ports, the British still had a significant trade deficit with China, as they could not access the larger market in the interior of China. In 1856 the British used an incident in which a British vessel was captured by Chinese marines to launch the Second Opium War 1856-1860. The war ended with the Treaty of Tientsin in 1860, which

¹¹¹ Xavier Paulès, "Anti-Opium Visual Propaganda and the Deglamorisation of Opium in China, 1895-1937," *European Journal of East Asian Studies* 7, no. 2 (December 1, 2008), doi:10.1163/156805808x372430. P. 233

¹¹² Ibid.

¹¹³ Ibid. p. 230

¹¹⁴ (Slack, *Opium*, p. 8)

¹¹⁵ (Baumler, *The Chinese and Opium under the Republic*, p. 23)

did not expressly legalize opium but it granted the imperial powers five additional treaty ports and opened up trade to the whole of China. With the increased access to the Chinese market, the British were able to vastly expand their opium smuggling operation. Opium suppression did not re-emerge as a major policy of the Qing Government until approximately the turn of the twentieth century.

Gradually opium became seen as hindrance to Chinese society and as a sign of backwardness. By 1906 the Qing government adopted this viewpoint and they started an immensely effective program to eradicate opium. Visual propaganda perpetually stereotyped the opium smoker as a deathly thin man who engaged in criminal activity to get his fix to the detriment of both his country and his family.¹¹⁶ This image continued after the Qing Empire collapsed in 1911, on through the reign of Yuan Shikai 1912-1915, the Militarist period 1915-1927, and the Nanjing Decade 1927-1937.

After the Qing collapse in 1911, Yuan Shikai took power and was able to continue the anti-opium campaign. Yuan Shikai stated, "The people and the officials of the whole nation should regard opium as a great disgrace and shame".¹¹⁷ By 1916 opium was virtually eliminated. After Yuan Shikai's death in 1916 China's territory was divided between military actors and would remain so throughout the Militarist period 1916-1927. During this time each militarist sought every advantage they could in the fight against neighboring provinces. Opium taxation revenue provided a critical advantage for these regimes. The Guomindang was in the province of Canton

¹¹⁶ (Paulès, *Anti-Opium Visual Propaganda*, p. 238)

¹¹⁷ (Baumler, *Modern China and Opium*, p. 4)

during much of the Militarist period. The party learned to utilize the tactics of other militarist regimes in order to secure their own power.

Resistance to opium from civil society persisted during the Militarist period. Civil Society is a term generally used to refer to a community of citizens bonded by common interests and collective activity. Members of The New Culture Movement and foreign missionaries galvanized society against opium consumption.¹¹⁸ By 1924 the national fight against opium was spearheaded by the National Anti-Opium Association.¹¹⁹ This organization was irksome to the Guomintang throughout the 1920-1930s, as the National Anti-Opium Association wrestled to ensure the complete prohibition of opium and was unsympathetic to any Guomintang programs designed to monopolize the opium trade. The Guomintang was forced to advocate a public policy of complete prohibition. Although they did not completely enforce prohibition, this outward policy created many of the same effects as complete prohibition.

Prohibition at times helped abet the problem of opium consumption but it also contributed to the problem. Before the collapse of the Imperial government, the Qing regime signed an agreement with the outside powers, primarily the British, to prohibit opium production and importation by the year 1919.¹²⁰ When this prohibition went into effect it had numerous ramifications on the conduct of the drug trade both internally and internationally. By 1919 real power was vested in

¹¹⁸ (Slack, *Opium*, p.57) The New Culture Movement started in the mid 1910s by Chinese intellectuals and was an outpouring of disillusionment with traditional Chinese culture that sought to create new cultural standards. They saw Opium smoking as a backwards tradition.

¹¹⁹ (Brook, *Opium Regimes*, p. 251) The National Anti-Opium Association was a largely Christian organization that rallied against opium in order to prove their nationalism and draw attention away from the fact that they believed in the same religion as the foreign powers.

¹²⁰ (Bergère, *Shanghai*, p. 229)

militarist regimes. Militarists often needed to appear to have a stance against opium in order to appease their citizens. This led to seizures of the drug and incentivized smugglers to find new methods of getting their products to consumers. Morphine and heroin, both derived from the same poppy plant as opium, were recently introduced into the Chinese market on a large scale. These new drugs proved to be much more conveniently smuggled than opium because in pill form they were cheap, odorless, and largely undetectable.¹²¹ Users also found that direct injections of morphine were far cheaper than opium smoking as direct injections could reduce the cost of a high by more than eighty percent.¹²² Heroin and morphine were much more dangerous than opium due to their higher potency. The cheap street value of these drugs allowed them to spread among more impoverished members of society such as rickshaw pullers and coolies.¹²³

By the 1920s opium had lost all of its charm: it was no longer in vogue with the elite, it was linked to foreign imperialist encroachment into China, its harmful effects were seen as more detrimental than medically beneficial, and it was regarded as morally degrading to the family as well as the nation. Opium was also linked to other vices such as prostitution and gambling. At pawnshops, which were often physically situated next to either a brothel or gambling house, patrons were encouraged to exchange their possessions for opium instead of money.¹²⁴ The implication was that patrons would take the opium and consume it while gambling or with a prostitute. A massive information campaign conducted by the government

¹²¹ (Dikötter, *Patient Zero*, p. 17)

¹²² (Dikötter, *Narcotic Culture: A Social History*, p. 327)

¹²³ *Ibid.* 330.

¹²⁴ SMP D-5543 June 7, 1935.

and organizations like the National Anti-Opium Association, had publications to educate the public against the dangers of opium along with parades, plays, lectures, speeches, propaganda films and posters for illiterate members of society.¹²⁵ Members of the National Anti-Opium Association would also reported suspected opium smokers to the police.¹²⁶ Despite this information campaign, opiates were still widely consumed across China, and by 1922 China was producing approximately 80% of the world's opium.¹²⁷ Edward Slack estimates that at least 10% of the population smoked opium regularly during the Republican period.¹²⁸ Other estimates put the percentage of smokers at around 5% of the total population in 1949.¹²⁹ By either estimate the number of users was at least approximately twenty-seven million people by 1949. It is difficult to get exact figures because middle class and elite members of society were often able to avoid the criminal justice system and government treatment centers, so they do not appear in the opium statistics.¹³⁰ Opiates were still popular among the impoverished for medical purposes. Opiates helped reduce muscle tension in physical laborers and were used as an appetite suppressant by starving people. Another reason for the persistence of opium was the economic value of the cash crop for many different sectors of Chinese society. Throughout the 1920s and 1930s numerous vested interests helped maintain the production of opium such as gangsters, militarists, merchants, and

¹²⁵ (Paulès, *Anti-Opium Visual Propaganda*, p. 236)

¹²⁶ SMP D-3781 May 18, 1932.

¹²⁷ (Slack, *Opium*, p. 4, 43)

¹²⁸ *Ibid.*

¹²⁹ Lin Lu and Xi Wang, "Drug Addiction in China," *Annals of The New York Academy of Sciences Addiction Reviews* 1141 (2008).

¹³⁰ (Dikötter, *Narcotic Culture: A Social History*, p. 332-333)

rural cultivators. All of these groups wanted a share of the profit and competed with the Guomindang to take their share of opium revenue.

The Guomindang and Opium

Sun Yat-Sen (1866-1925) is regarded as the Father of the Chinese Republic (or *guofu*) and of the Guomindang. Even after his death in 1925 it was his writings and ideas that ensured legitimacy for the Guomindang. His most frequently attributed quote regarding opium is from his response to a question posed by a member of the Anti-Opium Association,

In my opinion, the problem of Opium Suppression in China is synonymous with the problem of Good Government. For Traffic in Opium cannot coexist with a National Government deriving its power and authority from the people. Until political workers in China are in a position to assert victoriously the Supremacy of the Civil Authority in the administration of government there is little hope for the effective suppression of the Opium Evil.¹³¹

This quote was widely circulated by the Anti-Opium Association as the official stance of Sun Yat-Sen on opium. However this quote is only a portion of Sun Yat-Sen's position regarding opium; his actual position was far more nuanced. While later in his answer Sun Yat-Sen continues to advocate a policy of "No Surrender" against opium, he acknowledges the practical limitations of banning opium.¹³² The primary limitation comes from the militarists who profited from the traffic of opium. Sun Yat-Sen goes so far as to say, "Until the greater and more destructive evil of militarism is crushed and a National Government is established assuring the supremacy of Civil Authority, the present efforts toward opium suppression can

¹³¹ (Baumler, *Modern China and Opium*, p. 126)

¹³² *Ibid.* 127.

achieve little”.¹³³ At the time this was written Sun Yat-Sen, despite his lifelong stance against opium, had agreed to allow an opium monopoly in Canton.¹³⁴ The practical considerations of the time necessitated that any group that sought power had to deal in opium. Chiang Kai-Shek took power of the party in 1926 after Sun Yat-Sen’s death. Chiang Kai-Shek and the Nationalist regime from 1927-1939 were no different from militarists in their reliance on opium. However this does not mean that the Guomintang was “criminalized” as many contemporary China scholars have argued, but rather it was always in the interest of the Guomintang to get involved in the opium trade. The need to reconcile the opposing Guomintang condemnation of opium on moral grounds and regime’s involvement in opium trade has proved to be a difficult task for scholars of Republican China. I will examine the two primary reasons why the Guomintang regime was reliant on opium revenue: insufficient revenue generation through taxation and internal factionalism within the Guomintang.

The Economics of Opium

The Guomintang was a financially weak party at both a national and a local level. Nationally the government had very little control in many rural areas and primarily focused on extracting wealth from urban areas. This was problematic as the urban and industrial portions of the Chinese economy only made up 12.6% of the total national income.¹³⁵ This helps explain why the Nationalist Government’s total expenditure for 1933 was only 2.4% of China’s Gross Domestic product, a low

¹³³ Ibid.

¹³⁴ (Slack, Opium, p.72)

¹³⁵ Parks M. Coble Jr., *The Shanghai Capitalists and the Nationalist Government, 1927-1937*(Cambridge, Massachusetts: Council on East Asian Studies Harvard Univeristy, 1980). P. 6

figure for any governing body.¹³⁶ The average total expenditure for a government in the modern era is 17.2% of GDP, with wealthier nations tending to spend a higher percentage on average.¹³⁷ This failure to generate revenue was a serious problem, as efforts to consolidate power required massive troop funding. In 1928, Nanjing's army cost roughly 360 million Yuan for the year, despite an annual revenue of only 300 million.¹³⁸ Although Chiang Kai-Shek attempted to demobilize this army to conserve revenue, this effort was a failure and mobilization remained high across the country. In fact the expenditure for military forces across China continued to increase after 1928.¹³⁹

Despite the lack of fiscal health on the national level, the Guomintang were taking up the main sources of revenue and left local governments in an even worse financial condition. Local governments were left to fend for themselves financially so they turned to land taxes, internal tariffs, opium sales, and an array of levies to generate funds.¹⁴⁰ The difficulties faced by the city of Shanghai are indicative of problems faced across the country. In Shanghai the primary direct tax was on residences; which was problematic given that the tax rate did not take into account the steep rise in rent prices as the city grew.¹⁴¹ The collection of indirect taxes on vehicles, sales taxes, slaughterhouses etc. were often farmed out to professional guilds. These guilds often took the lion's share of the revenue, for example in Xiamen

¹³⁶ Ibid. 9

¹³⁷ "General Government Final Consumption Expenditure (% Of GDP) | Data". 2017. *Data.Worldbank.Org*. <http://data.worldbank.org/indicator/NE.CON.GOVT.ZS>.

¹³⁸ (Eastman, *The Nationalist Era*, p.10)

¹³⁹ (Slack, *Opium*, p. 171)

¹⁴⁰ Ibid. 116.

¹⁴¹ (Bergère, *Shanghai: China's Gateway*, p.217)

tax farmers kept 60% of tax revenue.¹⁴² Under the Guomindang, the Municipal Finance Bureau in Shanghai reformed the tax system by incorporating rising rent and by ceasing to use guilds; both these measures combined increased fiscal revenue by 25% per year though this was still not enough to cover administrative expenses.¹⁴³ Farming out taxation to tax guilds occurred across China and was very difficult to change. Finance Minister T.V. Soong tried to streamline the taxation system and eliminate tax guilds where he could, but the existing power of the guilds was difficult to combat.¹⁴⁴ Local governments employed a vast system of various fines in order to earn enough tax revenue to offset the leeching from tax guilds. This wide array of taxes placed a heavy burden on the citizenry and most communities found that taxing opium sales was the only way for the government to generate enough revenue to alleviate the tax burden on the people.

Opium at this time was an integral part of the Chinese economy. Historian Edward R. Slack Jr. gave an estimate that opium may have composed approximately 5.2% of China's GDP.¹⁴⁵ Throughout the Militarist period opium was the most easily collectable form of currency as it consistently held value at a time when the market was flooded with a plethora of different currencies that constantly shifted in value.¹⁴⁶ Opium was the main means by which militarists generated revenue and they frequently coerced their agrarian population to grow the crop through either physical violence or high taxation rates that could only be paid off by growing

¹⁴² (Slack, *Opium*, p.73)

¹⁴³ (Bergère, *Shanghai: China's Gateway*, p.218)

¹⁴⁴ (Slack, *Opium*, p.77)

¹⁴⁵ *Ibid.* 33.

¹⁴⁶ (Baumler, *The Chinese and Opium Under the Republic*, p. 91).

opium.¹⁴⁷ Farmers were often in favor of growing opium because of its financial value and resisted attempts to prohibit opium production.¹⁴⁸ Given opium's value as a cash crop it was very difficult to eradicate from militarist-controlled areas or even provinces controlled the Guomintang. Factional infighting and conflict with remaining militarists forced the Guomintang to rely on opium revenue throughout the Republican Period.

The Militarist System and Reliance on Opium

Although the Nationalist government gained nominal control over most of the Chinese mainland by 1927, it did not exercise unchallenged power. Throughout the 1920s and 1930s the Guomintang frequently extended membership to include people who were not entirely loyal to the party.¹⁴⁹ This allowed the Guomintang to incorporate various militarist regimes and give the false appearance that they had merged the militarist's territory into the new unified China. The militarists in turn were given legitimacy by becoming members of Guomintang. The Guomintang often did not control new members that joined the party and if these new members disagreed with official policies they would easily splinter from the party. This splintering played out to an extreme degree after the white terror in 1927.

Six days after the dissolution of the United Front on April 18th 1927 the Nationalist government was inaugurated in Nanjing. This government sought to turn back the tide of dissolution of the Chinese state and consolidate power under one regime. However with the disintegration of the United Front various factions in

¹⁴⁷ (Slack, Opium, p.11)

¹⁴⁸ (Brook, Opium Regimes, p. 292)

¹⁴⁹ (Eastman, The Nationalist Era, p.10)

the Guomindang sought control. In the spring of 1927, there were two Nationalist governments, Chiang Kai-Shek in Nanjing representing centralist policies, and the left wing in Hankou under politician Wang Jingwei.¹⁵⁰ In addition there were three separate headquarters claiming leadership of the Guomindang.¹⁵¹ In August of 1927, Chiang Kai-Shek was forced from power due to a military defeat and an ineffective government tried to rule without him; this government lasted five months until it crumbled and Chiang came back to power as a military dictator.¹⁵²

Although from this point onward the Republic of China extended over the whole of China proper, this was only because many militarist regimes were coopted by a Guomindang party, which did not have true control over them. In 1929 the Shanghai Municipal Police estimated that among the 652,000 troops under Chiang's control, the Generalissimo could only depend upon 100,000.¹⁵³ Chiang Kai-Shek in response tried to consolidate power and demobilize the armies of the various militarists. The militarists responded with three separate revolts from 1929-1931, the last of which resulted in an estimated 250,000 casualties.¹⁵⁴ These wars were fiscally draining because of regular military expenditures required to deploy large armies as well as the numerous bribes Chiang was forced to pay to ensure the defection of key actors in his enemy's armies. After 1932 when Chiang came back into power he was able to become the dominant force within the Guomindang, but by this point, irreparable damage had already been done to the Guomindang's

¹⁵⁰ SMP D-529 September 25, 1929.

¹⁵¹ (Eastman, *The Nationalist Era*, p.2)

¹⁵² SMP D-529 September 25, 1929.

¹⁵³ SMP D-641 November 2, 1929. Figures in any of these estimates must be subject to scrutiny, as we do not know the methods by which the figures were collected.

¹⁵⁴ (Eastman, *The Nationalist Era*, p.12)

financial health and its reputation among the people. After 1932 the Guomintang still had to contend with the power of largely-autonomous provinces within China such as those controlled by the Guangxi clique in the South, attacks from the Japanese, and the Communist insurgency. A critical part of Chiang Kai-Shek's plan to consolidate his power both before and after 1932 was to create an opium monopoly.

The Functioning of the Monopoly

In 1927, the British Foreign Ministry reported, "The Nationalist Government and the Central Guomintang Headquarters, having decided to bring about the total prohibition of the opium trade within a period of three years, proposed to institute a Government monopoly of the Trade".¹⁵⁵ The monopoly entailed controlling the production and sale of opium for the stated purpose of gradually limiting the supply so that addicts who acquired government licenses could slowly withdraw and the Guomintang could generate revenue.¹⁵⁶ Failure to register could lead to execution.¹⁵⁷ This attempt at a government monopoly in 1927 failed due to backlash from the public, especially the National Anti-Opium Association.¹⁵⁸ Citizens at virtually all levels of Chinese society opposed the monopoly due to the blatant profiteering by the government.¹⁵⁹

In 1928, as a result of the public backlash against government complicity in opium traffic, the Guomintang advocated absolute prohibition as opposed to suppression of opium through taxation. The Guomintang ratified the Opium

¹⁵⁵ (Baumler, *Modern China and Opium*, p. 135)

¹⁵⁶ SMP D-7138 January 23, 1936.

¹⁵⁷ SMP D-7138 January 24, 1937.

¹⁵⁸ (Brook, *Opium Regimes*, p.272-273)

¹⁵⁹ Hong Lu, Terance D Miethe, and Bin Liang, *China's Drug Practices and Policies: Regulating Controlled Substances in a Global Context* (Farnham, England: Ashgate Publishing, Surrey, UK, 2009). p. 62

Prohibition Act and Opium Prohibition Regulations, and even set up an Anti-Opium conference where they invited members of the National Anti-Opium Association.¹⁶⁰ For the Nationalists, the purpose of the conference was to analyze public opinion before issuing a policy, as well to control the public discourse on opium.¹⁶¹ At the conference members of the public learned that the Nationalist government earned at least \$40 million annually from taxes on opium.¹⁶² In light of this revelation Chiang Kai-Shek vowed that “henceforth, the National[ist] government will absolutely not derive one copper from opium revenue. If anything of this sort is suspected and it is reported by this body, we could then regard this government as bankrupt and place no confidence in it”.¹⁶³ All participants including many high ranking members of the Guomindang signed an anti-opium oath.

While the Guomindang made public declarations decrying their involvement in opium, Nanjing was slowly and furtively building up an opium monopoly primarily by taxing boat traffic from Sichuan (a major opium producing region) going across the Yangtze River to Shanghai.¹⁶⁴ Finance Minister T.V. Soong initially utilized tax-farming guilds to collect opium revenue for the government. Over time T.V. Soong was able to restrain the power of the guilds so that by 1926, 90% of all levies were collected by the government.¹⁶⁵ By 1932 the primary point of revenue generation was the Hankou Special Tax Office.¹⁶⁶ Hankou is a port city situated directly at the middle reaches of the Yangtze and the Han rivers. Hankou was

¹⁶⁰ (Slack, *Opium*, p. 92)

¹⁶¹ (Baumler, *The Chinese and Opium under the Republic*, p. 134)

¹⁶² (Slack, *Opium*, p. 92)

¹⁶³ *Ibid.*

¹⁶⁴ (Brook, *Opium Regimes*, p. 273)

¹⁶⁵ (Slack, *Opium*, p. 77)

¹⁶⁶ (Brook, *Opium Regimes*, p. 273)

situated between the opium suppliers in the southwest and the distributors in the east of China, so it was the perfect location from which the Guomintang could exert control over the opium trade. By 1933 the Hankou office was reorganized as the Anti-Opium Inspectorate. The Reorganization allowed T.V. Soong to divide the office into many segments in order to prevent corruption.¹⁶⁷ The furtive nature of the monopoly restricted the options Nanjing had to wield control over the market. The Guomintang kept pushing for the legalization of an opium monopoly so they wouldn't need to hide their distribution from the people. During this time the Green Gang was a major hindrance to the success of the monopoly because they incentivized the Chinese naval and military forces in Shanghai to allow Green Gang Opium shipments to enter the French Concession. Du had also made a separate deal with the Jiangsu provincial government to get the right to a monopoly within the province.¹⁶⁸ This made it so that the Guomintang had to compete with the lower prices from the Green Gang in Shanghai and the prices in other uncontrolled areas of China.

By 1931 it was obvious to the public that Guomintang efforts to eradicate opium were not effective. The National Prohibition Committee had no leader, many Guomintang officials were involved in opium scandals, and the National Opium Prohibition Conference was permanently postponed.¹⁶⁹ The Guomintang put opium suppression on the back burner due to the challenges of the Japanese invasion, spread of Communism, intra-party strife, residual militarist activity, the global

¹⁶⁷ (Baumler, *The Chinese and Opium under the Republic*, p. 159)

¹⁶⁸ SMP D-9319 August 7, 1939.

¹⁶⁹ (Slack, *Opium*, p. 95)

economic crisis of the 1930s that destroyed the export economy, and the flooding of the Yangtze river that caused \$2 billion in damage.¹⁷⁰ Because of these myriad challenges the Guomintang was desperate for revenue and publicly advocated for a government run monopoly in 1931. The National Anti-Opium Association, as well as the Chinese and Foreign press launched a successful campaign against the Guomintang proposal, so the regime continued their opium monopoly in secret.¹⁷¹ This monopoly was fraught with problems as the government had to compete with smugglers, contend with numerous corrupt officials trying to syphon revenue, and try to earn the fickle allegiance from southern and southeastern militarists who controlled the provinces with the highest cultivation.¹⁷²

In 1934, a six-year plan for the elimination of opium was introduced; this was effectively a fully legal opium monopoly. The public accepted the plan because it carried ideological force and the transparency to show the Guomintang's true actions. The people had also lost faith in the government's ability to deal with the opium problem and had become more realistic about the slim prospects of prohibition.¹⁷³ There had always been a less vocal portion of the population that wholly supported suppression through taxation and they too supported this plan.¹⁷⁴ The opposition to the Guomintang opium policy had been undermined by a government sponsored series of slander attacks against the leaders of the National Anti-Opium Association and their financial backers. Within the Guomintang there

¹⁷⁰ Ibid. 96.

¹⁷¹ (Baumler, *The Chinese and Opium Under the Republic*, p.153-145)

¹⁷² (Slack, *Opium*, p. 125)

¹⁷³ (Brook, *Opium Regimes*, p. 286-287)

¹⁷⁴ (Baumler, *The Chinese and Opium under the Republic* , p. 177)

was little opposition as Chiang Kai-Shek was given complete control over all political, military and administrative affairs of the government by 1935.¹⁷⁵ Chiang Kai-Shek through the six-year plan came to control all of Guomindang policy on opium, which became far simpler.

The six-year plan kicked off a flurry of anti-opium propaganda. Anti-Opium films were aired across the country, Police put on anti-opium plays in the streets, the Shanghai Chamber of Commerce publicly burned opium, and representatives from schools, local government organs, and public bodies attended anti-opium memorials.¹⁷⁶ Many of these events could have been just for show, but the government was incentivized to launch an effective campaign against opium. The main goal was to eliminate poppy cultivation for military purposes.¹⁷⁷ If Chiang could use the revenue from the plan to eliminate the power of militarists, the Communists, and the Japanese in Manchuria, then he could start to eradicate poppy production in earnest. Chiang Kai-Shek set up drug-free zones and gradual reduction zones with different laws regarding production and consumption in each.¹⁷⁸

An investigation conducted by the United States government at the time estimated that opium production was reduced by more than 50%.¹⁷⁹ Of course the U.S. was not privy to entirely reliable information at the time on the production of

¹⁷⁵ SMP D-7139 Dember 6, 1935.

¹⁷⁶ SMP D-7138 April 15, 1936.

SMP D-7138 April 17, 1936.

SMP D-7138 December 28, 1936.

SMP D-7138 June 4, 1936.

¹⁷⁷ (Slack, Opium, p.149)

¹⁷⁸ (Baumler, The Chinese and Opium under the Republic, p. 181)

¹⁷⁹ SMP D-7138 July 3, 1937.

opium so we must not wholly believe these figures. Nevertheless several tactics by the Guomindang proved effective. The Guomindang was able to find substitute crops for farmers to replace opium.¹⁸⁰ Opioid addicts were given treatment in newly created facilities.¹⁸¹ The anti-opium campaign was undermined by the Japanese produced opium from Manchuria, which seeped into the rest of China. In Shanghai, Japanese “ronins” peddled opium in the International Settlement.¹⁸² The Japanese military offered protection and transportation of drugs from Manchuria for the purpose of corrupting the will of the Chinese to fight them.¹⁸³ The Nationalists ensured that the international community entirely blamed Japan for the new influx of opioids.¹⁸⁴ After the Japanese invasion began on the 7th of July in 1937, efforts shifted away from combating opium to combating the Japanese.

Du Yuesheng and the Monopoly

In 1927 the Guomindang was trying to fund the Northern Expedition using opium revenue. It was more profitable for the Green Gang to work in the concessions than cooperate with this new government. The Green Gang even started a retail war against the Xin Yuan Company, which was affiliated with the government.¹⁸⁵ Du Yuesheng used his connections with the southern Guangxi Clique to get a supply of non-Guomindang opium. In 1931 the Green Gang initially opposed the proposed government monopoly, Chiang Kai-Shek was able to get Du’s approval only after he offered Du the ability to select officials involved in the monopoly. This

¹⁸⁰ (Hong Lu et al., *China’s Drug Practices and Policies*, p.66)

¹⁸¹ (Dikötter, *Narcotic Culture: A Social History*, p. 333) He claims most addicts started using once they got out of treatment

¹⁸² SMP D-7138 May 21, 1937.

¹⁸³ (Hong Lu et. al, *China’s Drug Practices and Policies*, p. 63)

¹⁸⁴ SMP D-6712 August 27, 1936.

¹⁸⁵ (Martin, *The Shanghai Green Gang*, p. 136)

arrangement failed after Song Ziwen, a prominent member of the Guomindang, confiscated a Green Gang opium shipment.

Du Yuesheng's first major integration into the Guomindang opium distribution system was in 1932 when he became part of the semi-official monopoly as a tax collector and moderator of merchants for the Special Tax General Bureau.¹⁸⁶ In 1933, Chiang Kai-Shek tasked Du with the creation of a morphine refining facility within Shanghai.¹⁸⁷ Once the facility was completed Du conspired to make more opium than Chiang had officially sanctioned. News of Du's scheme was leaked and a raid on the factory revealed \$1,484,000 worth of morphine, cash, apparatus and effects.¹⁸⁸ Du met with Chiang Kai-Shek and made an arrangement that satisfied the Generalissimo to the extent that the confiscated drugs were returned to Du.¹⁸⁹ After the 1934 six year plan was enacted, Du was appointed to the Shanghai Municipal Opium Prohibition Committee which advised the Shanghai City Government, where in addition to running his distribution network, he was given any drugs seized by the Chinese Maritime Customs.¹⁹⁰ Both of these appointments provided Du with a large degree of legitimacy, which he was able to use in the business world. For Chiang Kai-Shek appointing Du Yuesheng was an obvious choice as he could most efficiently generate revenue for the Guomindang with his extensive knowledge of the trade, and his local power in Shanghai.¹⁹¹ The incorporation of Du Yuesheng also

¹⁸⁶ Ibid. 178.

¹⁸⁷ SMP D-9319 August 7, 1939.

¹⁸⁸ SMP D-5645 December 4, 1933.

¹⁸⁹ SMP D-5645 December 11, 1933.

¹⁹⁰ SMP D-7138 July 2, 1935.

SMP D-7138 December 12, 1935.

(Perry, *Shanghai on Strike*, p. 101)

¹⁹¹ (Slack, *Opium*, p. 111)

eliminated him as a competitor to the Government monopoly and secured Shanghai as a key distribution site. Du became such an integrated part of the Guomintang that he even offered protection to T.V. Soong after an assassination attempt; this was an official who had previously tried to extort millions from Du.¹⁹²

Other Vice Industries

The Guomintang was known to tax other vices including gambling and prostitution but opium was by far the most lucrative and the most frequently taxed. Prostitution was widely taxed at the local level; in virtually all provinces one locality, typically the capital city, taxed prostitution.¹⁹³ Despite the prevalence of prostitution in Shanghai during the Republican period, Chinese officials reported little in the way of taxation revenue.¹⁹⁴ This may be because prostitution was primarily conducted in the foreign settlements where the French police taxed the trade in licensed brothels.¹⁹⁵ The Guomintang position towards prostitution was generally in favor of abolition but their policy was unclear, with no specific guidelines to suppress prostitution.¹⁹⁶ In 1928, Chiang Kai-Shek banned prostitution in the cities of three provinces, Jiangsu, Zhejiang, and Anhui, two of these provinces encompassed the city of Shanghai.¹⁹⁷ This ban, although unspecific, may have

¹⁹² SMP D-7143 December 19, 1935.

¹⁹³ E. J. Remick, "Prostitution Taxes and Local State Building in Republican China," *Modern China* 29, no. 1 (January 1, 2003), doi:10.1177/0097700402238596. P. 38

¹⁹⁴ Ibid.

¹⁹⁵ Christian Henriot, *Prostitution and Sexuality in Shanghai: A Social History, 1849-1949* (n.p.: Cambridge University Press, 2001). P. 314-315

Gail Hershatter, *Dangerous Pleasures: Prostitution and Modernity in Twentieth-Century Shanghai* (n.p.: University of California Press, 1997). P. 205. Taxation was frequently in the Foreign areas of Shanghai but most prevalent in the French Concession. Taxation of prostitution did occur in the International Settlement as well but it stopped during the 1920s.

SMP D-5300. The list of licensed brothels in the French Concession

¹⁹⁶ (Henriot, *Prostitution and Sexuality*, p.313)

¹⁹⁷ (Hershatter, *Dangerous Pleasures*, p.287)

further incentivized prostitutes to move into the foreign concessions. Gambling was frequently taxed by militarists at a local level, but was a less important stream of revenue for the Guomindang nationally.¹⁹⁸ Gambling as opposed to the narcotics trade was much easier to combat from a law enforcement perspective so the Guomindang was never forced to incorporate gambling into their national plans like they had to with opium.¹⁹⁹ The limited taxation of other vices made opium taxation the prime link between the Guomindang and the criminal underworld.

The Question of Criminality

A state crime is one in which the state breaks their own law, or an international law. The Guomindang undoubtedly committed state crimes during the Republican period. The Criminal Law of the New Republic passed in 1928 banned the manufacture, sale, cultivation, and smoking/ injecting of narcotic drugs, and imposed heavy fines on violators.²⁰⁰ The Guomindang through its unofficial monopoly became involved in numerous aspects of opium consumption but mostly the sale and distribution. Organizations like the National Anti-Opium Association noted the hypocrisy of Guomindang policy towards opium but could not stop the regime.

A simplistic answer to the question of criminality would be to state that the regime violated their laws and were therefore criminal. However the 1935 six-year plan effectively legalized the Nationalist government's monopoly. The international

¹⁹⁸ Alfred H. Y. Lin, "Building and Funding a Warlord Regime: The Experience of Chen Jitang in Guangdong, 1929-1936," *Modern China* 28, no. 2 (April 1, 2002), doi:10.1177/009770040202800202. P. 189 mentions in importance of the gambling tax in the province of Guangdong. Gambling as source of revenue at a national level is scarcely mentioned in current literature, and this could prove to be an interesting future study.

¹⁹⁹ (Wakeman, *Licensing Leisure*, p. 24)

²⁰⁰ (Hong Lu et al., *China's Drug Practices and Policies*, p. 62)

community met the government monopoly with approbation because suppression through a government monopoly was seen as the most “modern” method of dealing with addiction.²⁰¹ The 1925 Geneva Opium Accord recommended a government monopoly for China. A representative of the Guomindang signed this accord in 1936 after they began their official monopoly in earnest.²⁰²

It is clear that when dealing with the question of criminality and Guomindang policy there can be no absolute answer. Nanjing was informed by the political and financial necessities of the time that required the regime to deal in opium distribution. We can examine how much the regime deviated from its own goals by selling opium. The social history shows us that involvement in opium was reprehensible to the population. Acceptance of opium was seen as capitulation to the drug that the foreign powers imposed on China and a breach of the principle of nationalism.

The Nationalists also did boldly lie to the populace about efforts to suppress opium. This dishonesty was in sharp contrast to what the Guomindang wanted from the Chinese people. In the New Life Movement implemented after 1934, the Nationalists sought to regulate and mold the morality of the population. The Guomindang advocated a mixture of Confucianism, Christianity, Fascism, and martial values to combat what they viewed as foreign vices as well as unsavory traditions.²⁰³ Regulations impacted just about every part of daily life. The *China Weekly Review* reported that there was, “banning even of the ancient game of mah-

²⁰¹ (Slack, Opium, p. 112)

²⁰² Ibid. 146.

²⁰³ (Slack, Opium, p. 106)

jongg, the execution of opium dealers, and even the prohibition of bobbed hair”.²⁰⁴

The New Life Movement often failed to attain grassroots support and frequently served to irritate the people whose lives were being intruded upon.²⁰⁵

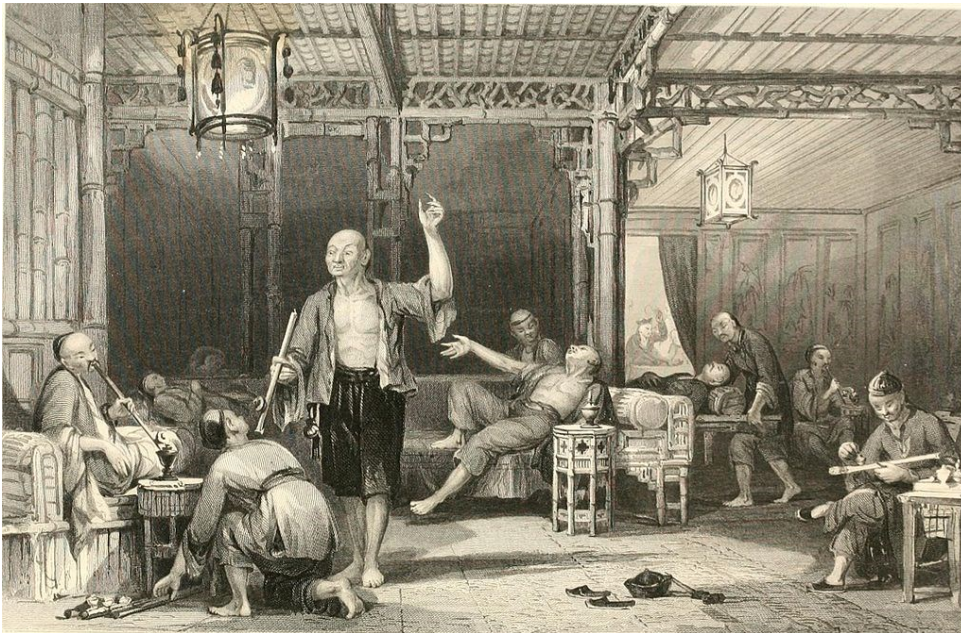
Although the dishonesty seems morally abhorrent, the situation must be put in proper context. The people were in favor of complete prohibition, which was a difficult undertaking. Prohibition efforts across the world have been largely unsuccessful. During roughly this same time period, 1920-1933, the United States, enacted the prohibition of alcohol, which was a catastrophic failure. In 1952 the CCP was able to rid China of opioid addiction but at an enormous human cost. The CCP by that time also had complete control over the Chinese mainland and did not have to contend with foreign concessions that smuggled narcotics.

With the difficulty of prohibition, absolute notions of morality should not be employed in analyzing drug policy. The Guomintang was not financially capable of cutting itself off from opium revenue, nor did it have enough power to do so. Even with enough power and financial resources complete prohibition is often a losing battle. Instead of trying instantaneous prohibition they gradually turned something criminal—dealing in opium—into a normalized and bureaucratized practice by 1935 with the justification of eventual prohibition. By that time the citizens of China had not forgotten their aversion to opium, but did accept that a monopoly might be the best way to end addiction. The legalization and renegotiation of opium policy with the public makes questions of criminality somewhat irrelevant. By 1935 the Guomintang had created a situation in which the government and the people were

²⁰⁴ *The China weekly review* 71. February 9, 1935. Shanghai, China: Millard Pub. House. p. 347

²⁰⁵ (Wakeman, *Licensing Leisure*, p. 21)

at the very least on the same page on opium policy, which can hardly be called an entirely criminal situation. Before this point the principles of the party were tarnished through covert opium sales, but with the monopoly the regime was able to reconcile some of their principles with their actions. They stopped boldly lying to the populace and they took measures towards the eventual eradication of opium. While the opium monopoly became a less detrimental breach of party values over time, the power that was given to the Green Gang in opium distribution and labor control did have a damaging impact on the regime as will be explored in Chapter 3.



Drawn by Thomas Allom, engraved by G. Paterson - Thomas Allom (1858). [*The Chinese Empire Illustrated*](#). Volume 1 (division 3). London: London Printing and Publishing Company.



NAOA propaganda poster, 1930, Courtesy of the Hoover Institution Archives, Reproduced from Xavier Paulès Anti-Opium Visual Propaganda and Deglamorisation of Opium in China 1895-1937



Picture 6: Official anti-opium propaganda, Jinyan banyuekan, No. 1, Reproduced from Xavier Paulès Anti-Opium Visual Propaganda and Deglamorisation of Opium in China 1895-1937

III. The Green Gang and Labor Control

This chapter will examine the Green Gang, and more specifically Du Yuesheng's role in controlling labor and manipulating the financial elite for the Guomintang. The influx of immigrants into Shanghai was conducive to gang infiltration of labor organizations. The control that gangs exercised over labor was reviled by the Chinese Communist Party (CCP) who also tried to mobilize the industrial work force. The Guomintang by contrast tried to utilize gangster networks in an attempt to control labor mobilization. The chief priority of the Guomintang throughout much of the late 1920s and the 1930s was the suppression of Communism, and it was essential for the regime to limit the influence of the CCP. The relationship between the regime and the Green Gang was further cemented by their joint efforts against the Communists at this time. The control of labor in addition to the cooperation over opium distribution and dealing with the financial elite raises the question of whether the Green Gang became a corporatist extension of the Guomintang.

The Condition of Labor

In 1924 a natural disaster forced the Zhang family to leave their property in Subei, an impoverished region in the north of Jiangsu Province. The family of five was able to obtain a small boat and sail down to Suzhou Creek on the outskirts of the Shanghai. The Zhangs sought help from a relative to help them get factory jobs, but the relative was a poor worker himself and was unable to help them. The patriarch became a rickshaw puller, the matriarch at thirty was considered too old to work for a mill. The family sent a gift to a factory foreman and they were able to

get their thirteen-year-old son employment in a Japanese cotton mill. The income of the rickshaw puller and the child laborer was not enough to support the family, so the two younger children roamed the street scavenging for trash to sell. The two younger children soon died, and the family moved their boat to the shore and began to live in a small hut constructed from the parts of their boat. The only living child continued to live in the same area for the next fifty years.²⁰⁶

The story of the Zhang family illustrates many of the difficulties faced by Chinese migrants moving to Shanghai. Chinese migrants were typically forced from their homes in rural areas by famine, war, or poverty. Migrants relied on all of the connections that they had in order to obtain employment within the city; although often times their relatives and friends were in dire straits as well. The dream job was to work in a factory, but these jobs were scarce and frequently workers needed strong recommendations as well as a gift for the factory foreman to secure a job.²⁰⁷ Even with a job, working conditions were grueling. For example silk spinners worked for rock bottom wages with long hours, frequent punishments, and seasonal layoffs.²⁰⁸ Similar conditions were common across all unskilled positions. Children were often expected to work 12 hour days, and shifts that lasted as long as 16 hours were common.²⁰⁹ Many migrants lived in shantytowns on the periphery of Shanghai often in huts constructed from the boats in which they arrived.

²⁰⁶ (Lu, *Beyond the Neon Lights*, P. 129)

²⁰⁷ *Ibid.* 127. According to S.A. Smith *In Like Cattle and Horses* p.24, in the mid 1920s it took \$1.50 (no small sum at the time) to properly bribe a foreman

²⁰⁸ (Perry, *Shanghai on Strike*, p. 168-169)

²⁰⁹ SMP D-5543 June 12, 1935.

In this harsh environment, migrants formed native place associations designed to help fellow migrants who came from the same area of China. Migrants coming to Shanghai encountered workers from other provinces with different dialects, food, wedding and funeral customs, and other cultural differences.²¹⁰ These cultural dissimilarities encouraged migrants to seek out the familiar in the search for ever-important *guanxi* or connections. These connections could get migrants in contact with a factory foreman or woman, who typically recruited workers from their same region.

Because of this hiring discrimination on the part of employers, different industries came to be dominated by different native place groups. Elizabeth Perry characterized southern migrants from areas like Canton and Ningbo as typically skilled workers while many workers from Northern China came to Shanghai with limited skills.²¹¹ The differences in skill were perpetuated as migrants from areas associated with skilled labor could find apprenticeships and resources more easily due to their native-place ties.²¹² Unskilled workers had low levels of education if any and were frequently illiterate so their access to higher paying jobs was limited.

The majority of unskilled workers were from the countryside and they performed the worst paying, and least secure jobs available. Native-place associations for the less socio-economically well off provinces were either weak or non-existent.²¹³ These unskilled workers did not have a firm cross-occupational identity formed around native place, gender, or age but they were able to form

²¹⁰ (Smith, *Like Cattle and Horses*, p. 20)

²¹¹ (Perry, *Shanghai on Strike*)

²¹² (Smith, *Like Cattle and Horses*)

²¹³ (Perry, *Shanghai on Strike*, p. 49)

collective action through gang affiliations. Unskilled workers were by far the most likely to strike, between 1895 and 1913 at least 75 percent of all strikes were launched by unskilled workers.²¹⁴

Gangsters began to meddle in the labor market as they grew wealthier and more powerful from the opium trade. Native-place barons with gang connections came to control almost every line of unskilled labor. Migrants typically had to attain some tie to the criminal underworld in order to find employment opportunities.²¹⁵ Once they gained the connections, migrants were required to become disciples of their gangster foreman, known as the “number one”. The Green Gang extorted regular gifts from their “disciples” and used the workers for criminal purposes.²¹⁶ This labor contract system was called *baogong*, and it was an important stream of revenue for the Green Gang. The Green Gang did not penetrate all levels of the labor force as their nature as a fraternal organization precluded them from generating a large base of female membership.²¹⁷ The Green Gang also had to compete with other groups like the CCP who wanted to influence labor. Despite these impediments the Green Gang in Shanghai had a solid grip on labor, and any regime looking to influence the working class had to deal with gangs in some way.

Politicizing Labor

All political groups that tried to take power in China recognized the importance of mobilizing labor. Socialism was embedded in revolutionary thinking of the time. Sun Yat-Sen’s Revolutionary Alliance, established in 1905 in Tokyo,

²¹⁴ Ibid.

²¹⁵ SMP D-5310 December 12, 1933.

²¹⁶ (Martin, *The Shanghai Green Gang*, p.82)

²¹⁷ (Smith, *Like Cattle and Horses*, p. 31)

incorporated a program of social revolution.²¹⁸ The Revolutionary Alliance abandoned socialism when it became the Guomindang in 1912, but Sun Yat-Sen still espoused socialist ideals. Early in the formation of the Guomindang Sun Yat-Sen sought to get the support of farmers and laborers, who together comprised over eighty percent of the population.²¹⁹ Of this percentage the vast majority were farmers, as aside from urban centers like Shanghai there were very few industrial workers. In the Guomindang platform of 1924, Article 11 pledges that the party will enact labor laws for the improvement of the worker's lives, and to protect labor organizations.²²⁰ This strategy appears to have some appeal as the *China Weekly Review* went as far as to say, "The Kuomintang... has come into power largely as a result of propaganda among the laborers to whom they have promised everything".²²¹

The Communists had many overlapping views with Sun Yat-Sen throughout the 1920s concerning labor. After Sun's death many Communist labor unions struck out against the right wing of the Guomindang because they believed that the right wing had betrayed the goals of Sun Yat-Sen.²²² However, there was a fundamental difference between Sun's and the Communist's visions to help the working class. Sun Yat-Sen and the rest of the Guomindang at large rejected the inevitability of class struggle, which is fundamental to Marxism. Instead they believed in

²¹⁸ Arif Dirlik, *The Origins of Chinese Communism*, 1st ed. (n.p.: Oxford University Press, 1989). P.60

²¹⁹ (Chen, *Fundamentals of the Chinese Labor Movement*, p. 197)

²²⁰ Ibid.

²²¹ *The China Weekly Review* 39. January 1, 1927. Shanghai, China: Millard Pub. House. p. 114

²²² Nym Wales, *The Chinese Labor Movement* (Freeport, New York: Books for Libraries Press, 1945). P. 63

corporatism, which one Chinese dictionary defines as “class reconciliationism”.²²³ Their idea of corporatism was to give voice to various levels of society within the government in order to render class struggle unnecessary. Sun Yat-Sen sought to place the capitalist market under government control for egalitarian social development, rather than to implement class struggle.

The Chinese Communist Party was far from being ideologically coherent throughout much of the 1920s. Much of Communist thought derived from a surge of intellectual inquiry after the 1919 May Fourth Movement, which was a cultural and political anti-imperialist movement. The study societies that cropped up during the May Fourth Movement had widely deviating ideologies incorporating: liberalism, Marxism, and anarchism.²²⁴ Fierce intellectual debates were waged over the best way to create an ideal society. Even after the First Party Congress on July 23, 1921 the Communists were still highly ideologically disparate. This plurality of ideology made the 1923-1927 United-Front alliance of the Guomindang and Communists tenable, as the two parties were not completely at odds. The Communists had yet to bring all members in line with one ideological vision, and could tolerate cooperation with the Guomindang until the time when their ranks were completely unified.

Both parties throughout the 1920s had to contend with the entrenched power of the Green Gang as well as native-place organizations, which were often difficult to politicize. The CCP had a difficult time working with native-place organizations, as these organizations countered the notion of class-consciousness by separating workers based on their home provinces. The *Gongchandang* (a CCP

²²³ (Dirlik, *The Origins of Chinese Communism*, p. 121)

²²⁴ (Bergère, *Shanghai*, p. 183)

publication) reported that, “the bangs [native-place organizations] are each dissimilar; there is no common feeling; they often jostle with one another and forget their common enemy, the capitalist class.”²²⁵

The CCP and the Green Gang

The CCP found the labor practices of the Green Gang abhorrent, but they realized that given the power of the gangsters, they had to make some sort of arrangement. Li Lisan, 1899-1967, the CCP chief trade organizer in Shanghai in 1924-1925 said, “the greatest problem for [the CCP’s] work among the Shanghai workers was the problem of the Green Gang”.²²⁶ The CCP was exceedingly weak at first, with less than ten CCP members in Shanghai in 1924.²²⁷ The CCP’s limited resources forced them to accommodate the Green Gang or pursue clandestine subversion of gang power. The CCP only took a stance against the Green Gang after Green Gang labor bosses put down the Communist inspired strikes. They tried to infiltrate the Green Gang, and in 1921, CCP members joined the Green Gang in an attempt to influence the gangsters. This tactic was ineffective as members of the Green Gang began to manipulate CCP activists. The CCP changed tactics in 1924 and sought to set gangster bosses and the rank-and-file disciples against each other, which met some success. The Green Gang bosses responded by joining the anti-Communist right wing members of the Guomindang and forming the Shanghai Federation of Trade Unions. The Communists in response formed the Shanghai General Labor Union (SGLU).

²²⁵ (Smith, *Like Cattle and Horses*, p. 23)

²²⁶ (Martin, *The Shanghai Green Gang*, p.83)

²²⁷ *Ibid.* 84.

CCP membership expanded markedly after May Thirtieth 1925. On this day, two Shanghai Municipal Police officers fired upon Chinese protestors, which sparked nationwide anti-imperialist action. The May Thirtieth Movement galvanized the labor movement and bolstered the ranks of the CCP. During the period of strikes after the May Thirtieth Incident in 1925 the SGLU and the Federation were in a state of undeclared war, which ended with the closure of the SGLU by martial law authorities. After this the CCP had less public presence but continued to attack the Green Gang by making the abolition of the Green Gang *baogong* system a key strike demand. Despite the at times open hostility of the CCP, the Green Gang had no hostility towards the CCP from 1921-1925 and was initially uncommitted during the CCP Guomindang split in 1926-1927.²²⁸ The Green Gang merely treated the CCP like any other group holding power in Shanghai, with little regard for their ideology. That said the Green Gang readily assisted the GMD during the purge of communists in the 1927 White Terror.

The CCP post 1927

After the White Terror the Communists went underground and their leaders all fled Shanghai. The remaining CCP members found themselves in direct competition with the Guomindang and the Green Gang over labor organization. The CCP faced a major problem with the growing divide between the worker's goals and the CCP's. The CCP after 1927 continued to advocate lofty ideological goals like anti-imperialism and countering the fascist tendencies of the Guomindang, while

²²⁸ Ibid. 88.

workers wanted concrete benefits such as salary increases and eight hour days.²²⁹ The Guomindang mercilessly pursued Communists in the city and devoted a large amount of manpower towards rooting them out.

The Guomindang secured a major blow to CCP operations with the defection of Gu Shunzhang (1903-1934). Gu Shunzhang was head of the CCP's Red Brigade, which was in charge of protection for the party leadership. In April 1931 Gu Shunzhang, was captured by the head of the Guomindang's Special Services Bureau Xu Enzeng.²³⁰ Gu had been performing as a magician in disguise while in Hankou biding his time until an opportunity arose to assassinate Chiang Kai-Shek.²³¹ Upon Gu's capture Xu Enzeng had a conversation with him in an unassuming interrogation room with the interrogation equipment kept out of sight.²³² The interrogator gave Gu two hours to decide his future: he could betray the CCP or die. Gu chose to live and began to rapidly divulge the locations of safe houses and CCP organizational information. Gu gave up the locations of the Party Leaders Zhou Enlai, Li Weihan, Kang Sheng, and Qu Qiubai but they managed to escape.²³³ Gu also gave information that led to the arrest and summary execution of over forty high-ranking CCP members and eight hundred rank-and-file members in Shanghai.²³⁴

The Guomindang post 1927

With the effective decapitation of the CCP organization in Shanghai, the Guomindang was given free rein to politicize labor. The Guomindang needed to

²²⁹ (Stranahan, Underground, p. 93)

²³⁰ (Wakeman, Policing Shanghai, p. 151)

²³¹ Ibid.

²³² (Stranahan, Underground, p. 116)

²³³ Ibid. 117.

²³⁴ Ibid.

appear to advocate labor rights, as this was a key component of Sun Yat-Sen's "Three Principles of the People". Implementation of labor standards was also critical to asserting moral superiority over the imperialist powers.²³⁵ The foreign powers saw Guomintang labor laws solely as an excuse to interrupt business in the International Settlements and fought against Guomintang regulations.²³⁶ Although the Guomintang needed to appear to advocate for labor, they were deeply afraid of radicalism from independent unions so they worked to place labor under tight control.²³⁷ The suppression of communism and the suppression of organized labor put pressure on the Guomintang to find a new avenue through which to support labor.²³⁸ The main way the party advanced their agenda was by enacting laws that both restricted the rights of labor activists to act independently and tried to anticipate and accommodate the needs of labor. The Guomintang established temporary regulations in 1928, which set guidelines for the number of working hours, wages, and child labor regulations among other things.²³⁹ The 1928 Arbitration Act forced workers with grievances to go through the Board of Conciliation and if this failed the workers then had to go through the Board of Arbitration.²⁴⁰ At no point while these bureaucracies evaluated the grievances of the workers were the workers allowed to strike. In 1929 the Factory Law was enacted which included protection of juvenile and female workers, negotiable eight hour

²³⁵ Ulla Liukkunen and Yifeng Chen, eds., *Fundamental Labour Rights in China - Legal Implementation and Cultural Logic*, 49th ed. (Cham, Switzerland: Springer International Publishing AG, 2016). P. 84

²³⁶ SMP D-5310 November 26, 1933.

²³⁷ Ming K. Chan, ed., *Historiography of the Chinese Labor Movement 1895-1949: A Critical Survey and Bibliography of Selected Chinese Source Materials at the Hoover Institution* (United States: Hoover Institution Press, U.S., 1981). P. 103

²³⁸ (Liukkunen et al., *Fundamental Labour Rights in China*, p. 95)

²³⁹ SMP D-9583. no date

²⁴⁰ (Chen, *Fundamentals of the Chinese Labor Movement*, p. 203)

work days, cost of living adjusted wages, sanitation regulations and more.²⁴¹ This law was so progressive and broadly reaching that it was infeasible at the time. Ta Chen, a professor writing in 1930 said that, “the effective enforcement of these laws is not to be hoped for within a short time”.²⁴² Indeed application of the law was postponed until 1931 and by that time the conditions that were inspected for were far more moderate than the progressive goals of the law.²⁴³ The Guomintang hoped that they could encapsulate the grievances of the constrained working class by enacting these labor friendly laws.

In contrast to the lofty rhetoric and laws of the Guomintang, commentators of the day noticed very different conditions. The 1932 booklet “Five Years of Kuomintang Reaction”, by the *China Forum* states,

From 1927 onwards the gangs became increasingly an important arm of the Kuomintang, used chiefly to keep the lid down on the worker’s mass movement, to smash strike actions through intimidation and control of all so-called labor organizations... the Kuomintang-controlled trade unions are placed entirely in the hands of the gangsters who as officials can act in labor disputes independent of rank and file.²⁴⁴

The Shanghai based journalist Nym Wales said, “From 1931-1932 period to the present [1945] no organized labor movement can be said to have existed in China”.²⁴⁵ The Guomintang restricted the formation of trade unions through legislation and they required that existing Unions be monitored and controlled. The party did recognize that unions in certain key industries played a very important

²⁴¹ (Liukkunen et al., *Fundamental Labour Rights in China*, p. 95)

²⁴² (Chen, *Fundamentals of the Chinese Labor Movement*, p. 204)

²⁴³ (Liukkunen et al., *Fundamental Labour Rights in China*, p. 96)

²⁴⁴ (Wales, *The Chinese Labor Movement*, p. 75-76)

²⁴⁵ *Ibid.* 66

role, especially the “seven big unions”.²⁴⁶ They allowed these unions to exist but penetrated their organization with government officials and gangsters to create yellow unions.

Yellow Unions are frequently dismissed as entirely ineffective. However Elizabeth Perry had noted that unions under state direction were rewarded with official funds and favors.²⁴⁷ Perry gives an example whereby the postal workers union went against upper-level staff and sent representatives to Nanjing where their demand for a standardized annual bonus was approved.²⁴⁸ Marie Claude Bergere claimed that historians ignore the combativeness of Yellow Unions in the early years of the regime.²⁴⁹ Bergere also claims that many workers supported the Guomintang’s nationalist ideology and paternalism so their interests were not completely hijacked when the government took over their unions.²⁵⁰ Yellow Unionists could confer benefits for workers, but were also quite distant from their demands.

The Green Gang and Labor

After the White Terror the Mutual Advancement Society, the combination of gangsters and Guomintang officials who organized the terror, formed the Unification Committee.²⁵¹ This group was charged with managing labor unions and it was noted for brutality.²⁵² In response to the violence of the Unification Committee, another faction of the Guomintang set up their own labor organization

²⁴⁶ (Martin, *The Shanghai Green Gang*, p. 160)

²⁴⁷ (Perry, *Shanghai on Strike*, p. 97)

²⁴⁸ *Ibid.* 98

²⁴⁹ (Bergère, *Shanghai*, p. 222)

²⁵⁰ *Ibid.*

²⁵¹ (Perry, *Shanghai on Strike*, p. 92)

²⁵² (Stranahan, *Underground*, p. 26)

in Shanghai called the Shanghai Workers' General Association. The Shanghai Workers' General Association and the Unification Committee engaged in half a year of internal warfare before they were both dissolved.²⁵³ After this Du tried labor organization by himself.

Du knew that working solely through the Green Gang affiliated foremen would achieve little as they primarily sought to extract resources from the workers and would not approve of non-profit motivated strikes.²⁵⁴ Du needed a labor force incentivized to strike at his command without outside considerations. Du worked through the Big Seven Unions after he made inroads with Post Office unionists.²⁵⁵ From there he was able to reap benefits both for himself and his union allies through labor disputes.

Du Yuesheng understood the importance of attending to labors demands and he intervened in virtually every strike in the city often to the benefit of labor.²⁵⁶ As Du's power grew he became involved in strikes that at times coincided with the interests of the Guomintang and at other times went against factions of the Guomintang.²⁵⁷ Du Yuesheng became a force that could challenge the will of the state. More often than not however, Du went against Guomintang factions that clashed with the CC Clique of the Guomintang to whom Du was closely allied.²⁵⁸ Du's main incentives were numerous. Du Yuesheng's lawyer stated that he mediated

²⁵³ Ibid.

²⁵⁴ (Perry, Shanghai on Strike, p. 95)

²⁵⁵ (Martin, The Green Gang and the Guomintang State , p. 78)

²⁵⁶ SMP D-4611 April 28, 1933.

²⁵⁷ (Perry, Shanghai on Strike, p. 100)

²⁵⁸ (Martin, The Green Gang and the Guomintang State, p. 84)

labor disputes out of a desire to “maintain peace and order”.²⁵⁹ Despite this stated goal, Du did manage to net a significant profit through his mediation. Du was able to extract 1,000 shares in the Nanyang Tobacco Company worth \$15,000 as a reward for mediation of a single strike.²⁶⁰ Despite the income generated, Du frequently had to pay strikers wages over the course of their strike which diminished his profits. In the 1937 Shanghai Electric Construction Company worker’s strike Du paid \$6,000 dollars to strikers.²⁶¹ The Shanghai Municipal Police reasoned that, “His [Du’s] desire to settle labour disputes aims at winning the confidence of the public and especially the Government authorities”.²⁶² Whatever the reason, Du was involved in almost all strikes in Shanghai during this time.

Interactions between the gangster-backed yellow unions and the workers were often marred by tension. The strikes at the Shanghai Power Company from 1933-1934 illustrate the interplay between the gangsters, workers, and unionists. Initially the Shanghai Power Company sought to eliminate the power of gangster foremen by taking control over the hiring process and bringing in more workers from northern provinces.²⁶³ A strike broke out over this and other grievances. Du resolved the strike and was awarded a silver cup on behalf of the union.²⁶⁴ A few months later another strike began and the 4th District Water & Electricity Workers’ Union resolved that they must reach out to Du Yuesheng to negotiate a settlement and to request help from the local Guomindang branch and the Bureau of Social

²⁵⁹ SMP D-5310 October 26, 1933.

²⁶⁰ SMP D-9319 August 7, 1939.

²⁶¹ Ibid.

²⁶² Ibid.

²⁶³ SMP D-5310 December 5, 1933.

²⁶⁴ SMP D-5310 January 9, 1934.

Affairs in opposing the management. The strikes were intended to relieve the workers of debts incurred by loans provided by the company.²⁶⁵ The strike went on far longer than the Union had anticipated and the Union, in the face of severe financial difficulties, asked for additional contributions from the workers. The workers responded by rebuking the union saying that they spent the union dues on luxury items such as, “riding motorcars, dining in foreign style, visiting brothels, and entertaining the Head of the Loafers (Tu Yueh Sung [Du Yuesheng])”.²⁶⁶ The CCP took advantage of the schism between the union and the workers and put out pamphlets decrying the machinations of the American “running dogs- Doo Yueh Sung(杜月笙) and the Yellow Labour Union”.²⁶⁷ Eventually the strike demands were met by the company and Du promised to reimburse workers if the Shanghai Power Company rebuked the deal.²⁶⁸

Features of the strikes in the Shanghai Power Company were common across strikes in Shanghai. Union members requested assistance from Du Yuesheng in various industries including: tobacco, rubber, newspapers, and electrical power.²⁶⁹ Unions frequently petitioned for aid from Du Yuesheng and the local branch of the Guomindang. If Mr. Yuesheng refused the workers would continue to press their demands, albeit with less support. The Guomindang often lent assistance to workers

²⁶⁵ SMP D-5310 January 19, 1934.

²⁶⁶ Ibid.

²⁶⁷ SMP D-5310 no date

²⁶⁸ SMP D-5310 February 12, 1934.

²⁶⁹ SMP D-4611 February 2, 1933. Du requested to negotiate with Nanyang Brother Tobacco Factory
SMP D-5310 October 28, 1933 Du involved requested for newspaper dispute
SMP D-5310 November 26, 1934. workers request Du’s Mediation with the Great China Rubber
Factory

in order to combat the power of the foreign owed factories.²⁷⁰ The Guomindang legally could not inspect factories in the concessions so worker mobilization was often the only way to promote the rights of Chinese workers.²⁷¹ The workers and the unions were often times at odds, especially given the distance between workers and union members. Union heads could be invited to conferences in Geneva, or to dine with elite Shanghai bankers while the workers were left paying the union dues.²⁷²

The Rise of Du

After Chiang Kai-Shek implemented the white terror he extorted money from the business elite of Shanghai. Businessmen who did not pay were often accused of communism and were thrown in jail until they made a payment.²⁷³ It is estimated that Chiang raised as much as Ch \$50 million in this way.²⁷⁴ The Guomindang also gained control of the Shanghai General Chamber of Commerce and the Federation of Street Merchant Associations (which they dissolved).²⁷⁵ With these two organizations, the regime was able to control the commercial and industrial elite.²⁷⁶ The regime also imposed censorship regulations requiring that all manuscripts be reviewed before publication.²⁷⁷ Needless to say these actions did not endear the Guomindang to the elite of Shanghai. During the Japanese attack on Shanghai in 1931 the Guomindang failed to protect Shanghai and the merchant class had to step

²⁷⁰ SMP D-5310 November 26, 1933.

²⁷¹ SMP D-2337 April 11, 1933.

²⁷² SMP D-6712 May 9, 1935.

²⁷³ (Martin, *The Shanghai Green Gang*, p. 111)

²⁷⁴ *Ibid.*

²⁷⁵ (Xiaoqun, *Chinese Professionals and the Republican State*, p.97)

²⁷⁶ *Ibid.*

²⁷⁷ Wen-hsin Yeh, *Shanghai Splendor: Economic Sentiments and the Making of Modern China, 1843-1949* (Berkeley: University of California Press, 2007). P. 123-124

in and support the troops and citizens.²⁷⁸ After this the regime approached the Shanghai elite from a denigrated position. In an effort at reconciliation, the regime allowed for involvement of the elites in the Guomindang's decision-making process through bodies like the Shanghai Civic Association. The Guomindang tried to incorporate the Shanghai elite and Du Yuesheng became enmeshed in this incorporation.

Du Yuesheng had been making inroads into the world of the financial elite since the opening of his Zhonghui bank in 1930.²⁷⁹ Du expanded his banking interests throughout the thirties and also became a shipping proprietor. Du cooperated with the Guomindang when they staged the 1935 banking coup to wrestle power from Shanghai financiers. The Guomindang flooded three banks with capital in exchange for complete organizational control.²⁸⁰ They did this in order to have a ready source of capital for their ongoing military engagements.²⁸¹ The regime then gained control over large portions of the Shanghai banking sector and Du took over the Commercial Bank of China.²⁸² Du sought to be integrated with other business elites and was active in the associations of the elite. During the Japanese invasion of Shanghai, Du worked with the elite in the Shanghai Citizens Maintenance Association to aid Chinese troops. Du became a key player among the Shanghai elite after the Shanghai Civic Association's former chairman—a newspaper owner who wanted to share power with Chiang Kai-Shek—was assassinated by the

²⁷⁸ (Martin, *The Shanghai Green Gang*, p. 151)

²⁷⁹ *Ibid.* 190.

²⁸⁰ SMP D-6620 March 29, 1935.

²⁸¹ *Ibid.*

²⁸² SMP D-6620 April 2, 1935.

Guomindang.²⁸³ Du became the Chair of the Shanghai Civic Association and received control over the dead man's newspapers the *Shuan Pae*, *China Times*, *China Evening News* and the *China Press*.²⁸⁴ Du was also elected to be Chairman of the Chinese Chamber of Commerce²⁸⁵ From these positions Du served as one of the Guomindang's main forces to manipulate the Shanghai elite.

Du was offered many other positions both in the government and from civil organizations; among his official positions listed in a 1933 English language "Who's Who" of China were, "advisor to the Military Commission of the Nationalist government, member of the Legislative Body of the Municipality of Greater Shanghai, member of the Supervisory Committee of the Chamber of Commerce of Shanghai, and Chairman of the Executive Committee of the China Merchants Steam Navigation Company, which is government controlled".²⁸⁶ He also had holdings in the Nanyang Tobacco Company, held sway with the Postal Workers Union one of the Big Seven Unions, and was Chairman of the Board of Directors of the Shanghai Fish Market.²⁸⁷ Du gained these positions through a variety of means but primarily he used government and business connections, intimidation, his vast amount of wealth, and his influence with labor unions.

Du was highly invested in his public persona and sought to portray himself as most members of the Green Gang wanted to view themselves: as a man struggling for the rights of the oppressed.²⁸⁸ He invested in a number of philanthropic

²⁸³ Ibid.

²⁸⁴ SMP D-4683 October 8, 1938.

²⁸⁵ SMP D-7382 July 2, 1936.

²⁸⁶ (Perry, Shanghai on Strike, p 97)

²⁸⁷ SMP D-9319 August 7, 1939.

²⁸⁸ (Martin, The Shanghai Green Gang, p. 24)

organizations, refugee relief, and he started his own middle school.²⁸⁹ Du's attempt to turn his power into venerated social standing was most apparent when he opened his ancestral temple and had a parade that, according to an eyewitness had, "thousands of gangsters, business men, and government officials".²⁹⁰ Although his lineage was not famous or honored, Du tried to invent proper pedigree in his heritage.

The drive to legitimate himself led Du Yuesheng to become an especially useful tool for the Guomintang government. Du Yuesheng often acted in the interests of his connections within the Guomintang, especially the CC clique, as he knew that they could repay him in favors. A cycle emerged in which Du would cooperate with the Guomintang and was rewarded with positions, and from these positions he forwarded the agenda of the Guomintang.

Corporatism

Corporatism has many variants, and the type attempted by the Guomintang most resembles fascist conceptions of corporatism based on government management of sectors of the economy. The Guomintang was never powerful enough to institute complete corporatism in Shanghai. Rather the Guomintang was forced to divvy out power and representation to groups like the Shanghai Civic Association, the Seven Big Unions, and the Green Gang, instead of having control over these economic actors. The Guomintang tried to institute party dominated corporatism; in 1927 the National Government issued a set of regulations whereby the organization and actions of all people's associations were subject to supervision

²⁸⁹ (Dillon et al., *At the Crossroads of Empires*, p. 70-71)

²⁹⁰ (Perry, *Shanghai on Strike*, p 101)

by the Guomintang party headquarters at every level.²⁹¹ However the Guomintang party apparatus was never strong enough to properly monitor and control all civil associations. The Guomintang also had difficulty dealing with native place associations. In 1928 the regime required that every native place association had to register with the local party branch, but the associations were hesitant and by 1936 fewer than half of the associations had registered.²⁹²

The Guomintang's version of Corporatism was far from perfect corporatism. Du Yuesheng ensured that labor and elite interests were not functionally differentiated as he represented both in addition to the entirety of his criminal enterprise. Du manipulated the representation of labor by perpetuating a repressive system of foreman authoritarianism that supplanted the interests of workers with those of the Green Gang. Du also manipulated the representation of elite class from his position as Chair of the Shanghai Civil Association where he often used intimidation to sway the opinions of his fellow board members.²⁹³ The Guomintang's system was not made imperfect by Du Yuesheng alone. As mentioned earlier, the registration system for people's organizations was an absolute failure. In addition the vast majority of factories were located in the Foreign settlements and were thus outside of Guomintang control and therefore workers could not be properly represented.²⁹⁴ Joseph Fewsmith points out that the representation provided by the Shanghai Civil Association and the Chamber of Commerce

²⁹¹ (Xiaoqun, Chinese Professionals and the Republican State, p. 98)

²⁹² (Bergère, Shanghai, p.222)

²⁹³ (Dillon et al., At the Crossroads of Empires, p.81)

²⁹⁴ (Martin, The Green Gang and the Guomintang State, p. 85)

disenfranchised middle class merchants who were not wealthy enough to be involved in either of these organizations.²⁹⁵

Du Yuesheng became intermeshed with the state to the degree that he would likely have become a part of the state if the Japanese had not invaded. He ran for mayor of Shanghai two times although both attempts failed.²⁹⁶ Du also ran as a delegate for the National People's Congress and was selected in July of 1937.²⁹⁷ The Japanese attacked soon afterwards so Du did very little in his role as delegate before he fled. Du was officially appointed one of the three heads of the Shanghai Municipal Opium Suppression Committee and in that capacity was integrated into the bureaucracy of the Guomintang.²⁹⁸ Du also had a personal relationship with Chiang Kai-Shek, exemplified in the Xi'an incident of 1936. Chiang Kai-Shek was arrested by Zhang Xueliang because Zhang tried to convince Chiang to start fighting the Japanese instead of the Communists. Du sent a telegram offering to become a hostage in Xi'an in exchange for Chiang Kai-Shek.²⁹⁹

This level of intermingling between a gangster and the generalissimo of China is due to the attempted corporatism of the Guomintang and the gangster's ability to force his way unto the bodies meant to represent different segments of society. Through the cooptation of organs of representation, Du Yuesheng was able

²⁹⁵ Joseph Fewsmith, *Party, State, and Local Elites in Republican China: Merchant Organizations and Politics in Shanghai, 1890-1930* (Honolulu: University of Hawaii Press, 1985). P.164.

For more on the decline of the middle class during the Nanjing decade look at *Shanghai Splendor* by Wen-Hsin Yeh.

²⁹⁶ (Dillon et al., *At the Crossroads of Empires*, p.82)

²⁹⁷ SMP D-7493 July 26, 1937.

SMP D-7493 July 17, 1937. Trucks were permitted to go around Shanghai with national flags and a cloth banner which said, "The National People's Congress is the principal factor for the consolidation of the national forces of the Republic of China against foreign aggression. We must elect [Meeers] Tu Yuesheng-sung(Du Yuesheng), Ching Ding-sung, and Chien Sing-tee"

²⁹⁸ (Dillon et al., *At the Crossroads of Empires*, p.72)

²⁹⁹ *Ibid.* 73.

to get representation for gang interests and gain more power. What was criminal became bureaucratized as the government took into account the sentiments of gangsters.

Conclusion

On August 14, 1937, a month after Chinese and Japanese forces skirmished at the Marco Polo Bridge, Shanghai began its second battle against Japan.³⁰⁰ Militiamen organized by the Green Gang and Nationalist troops fought against the Japanese troops for three months until the city was captured.³⁰¹ This battle and the subsequent war that followed marked the unraveling of the relationship between the Guomintang and the Green Gang. Du Yuesheng fled to Hong Kong to avoid the war. After Du left, his followers were divided into pro-Japanese and pro-Nanjing factions and fought over his former drug empire.³⁰² After the world war and into the Chinese civil war that followed, Du returned to a country where the political mood of the regime changed to become more moralistic.³⁰³ New elements like the Three People's Principles Youth Corps and the associates of Jiang Jinguo (Chiang Kai-Shek's son) were determined to eliminate corrupt elements in the Guomintang that allowed figures like Du Yuesheng to achieve prominence.³⁰⁴ Many of Du Yuesheng's gangster associates began to turn away from the Guomintang and assist the Communists during the civil war.³⁰⁵ As Guomintang power declined, Green Gang

³⁰⁰ (Wakeman, *Policing Shanghai 1927-1937*, p. 281)

³⁰¹ Ibid.

³⁰² SMP D-3919 August 7, 1927.

³⁰³ (Dillon et al., *At the Crossroads of Empires*, p. 83)

³⁰⁴ Ibid.

³⁰⁵ (Perry, *Shanghai on Strike*, p. 126)

members sought an opportunity to earn the good graces of the CCP.³⁰⁶ As the CCP grew in strength Du Yuesheng again fled, this time to Taiwan where he would die in 1951 of illness. The Communists won the civil war and the Guomindang fled to Taiwan. After this the Communists set out to destroy opiate addiction through propaganda campaigns, the “reeducation” of drug offenders, public trials and executions of addicts, poppy growers and merchants.³⁰⁷ By 1952 the People’s Republic of China declared itself free of drug addiction.

The Erosion of Principle

This turbulent period shows the circumstances that can compel a regime to disavow their principals out of a desire to survive. The regime’s relationship with the Green Gang ensured the distortion of the party’s aims. The principle of nationalism was tarnished as the regime sold opium despite Sun Yat-Sen’s and their citizens moral abhorrence for the drug. The regime also never proved to the foreign powers that they were capable of effective policing, which gave the imperialist powers a justification to remain in Shanghai (although the presence of foreign concessions undoubtedly exacerbated the amount of crime). The principle of social welfare was undermined as workers were denied representation, and the regime implemented a highly flawed corporatism that denied many sectors of the economy a voice in government.

The Guomindang was forced to fight for survival throughout much of the Republican period. Factors such as: internal factionalism, global economic decline, and imperialist presence and expansion, all kept the country in a near constant state

³⁰⁶ Ibid.

³⁰⁷ (Slack, *Opium, State, and Society*, p. 154)

of crisis. The Guomintang's cooperation with the Green Gang helped the regime manage internal strife through the suppression of communists and other labor activists. The revenue generated through the opium monopoly proved indispensable for the cash-strapped Nationalists. All of the benefits that were conferred by the relationship of the Guomintang and the Green Gang show why the regime was incentivized to cooperate with the criminal organization.

Governments and criminal organizations have colluded in many other countries at different times. Organizations such as the Mafia in Sicily, the Yakuza in Japan, and the Chicago Outfit were deeply embedded into the state. Many of these criminal organizations were able to achieve political power on a national level. Criminal organizations are incentivized to interfere with governance, as they are natural enemies of the established law. Frequently criminal organizations can access highly lucrative markets outside of the law, which gives them the power to be influential actors. If a government is weak or susceptible to corruption, they can readily capitulate to the interests of criminal organizations. The cooperation between the Guomintang and the Green Gang from 1932-1937 is one case study that shows exactly how much a weak government will allow its ideals to bend when the opportunity arises to aggrandize its power.

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